



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S HUMAN RESOURCES AND LOGISTICAL SUPPORT PROGRAM

AUDIT REPORT NO. 5-306-10-007-P
MARCH 31, 2010

MANILA, PHILIPPINES



Office of Inspector General

March 31, 2010

MEMORANDUM

TO: USAID/Afghanistan Mission Director, William M. Frej

FROM: Regional Inspector General/Manila, Bruce N. Boyer /s/

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

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and included the comments in their entirety in appendix II.

This report contains 12 recommendations to assist the mission in improving its management and oversight of the Human Resources and Logistical Support program. On the basis of the information provided by the mission in response to the draft report, we determined that management decisions have been reached on recommendations 2, 5, 6, 7, 8, and 12. In addition, final action has been taken on recommendations 1, 3, 4, 9, 10, and 11. A determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions for recommendations 2, 5, 6, 7, 8, and 12.

I want to thank you and your staff for the cooperation and courtesy extended to us during the audit.

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SUMMARY OF RESULTS

In February 2006, USAID/Afghanistan launched its Human Resources and Logistical Support Program (the program) to provide a broad range of human resources and logistical support to help design, monitor, and support the activities of USAID-funded contractors. The program would also provide consulting services to selected ministries of the Afghan Government. USAID/Afghanistan awarded a 5-year, \$58 million contract to International Relief and Development, Inc., to implement the program. In September 2009, USAID/Afghanistan increased the contract ceiling price to \$72 million. As of September 30, 2009, USAID/Afghanistan had obligated \$47 million and disbursed \$36 million for program activities. The main goals of the program are to (1) enhance capacity at selected ministries; (2) identify USAID-constructed buildings that do not meet seismic standards; and (3) provide quality assurance and engineering oversight for mission construction projects (page 3).

The mission has made progress toward achieving these three goals. Specifically, the program had made progress in capacity building within selected Afghan ministries, identified defective USAID-built structures, and provided engineering oversight for mission construction projects.

In support of its first goal, the program provided the Afghan Government with additional capacity, mainly within three ministries. Technical consultants hired under the program assisted Ministry of Mines personnel in preparing a proposal for the rehabilitation of gas fields to generate electrical power for the country. Meanwhile, at the Ministry of Public Works, program advisers initiated the development of a pilot program to teach ministry staff how to implement and monitor road construction projects and provide them with a more efficient means of managing and maintaining roads in the future. At the Ministry of Energy and Water, the program contractor provided a transboundary water-rights adviser to help the ministry develop water policies for negotiations with neighbors in other countries (page 4).

With regard to the second goal, evaluating and identifying USAID-built structures that did not meet seismic standards, the program was successful in establishing a process for identifying structures that are not earthquake resistant. The mission has a database of 1,474 USAID-built structures, but the database is not complete. The mission will likely identify and add more structures as it updates the database. As of October 2009, the program had completed preliminary assessments of 468 of these structures and detailed structural seismic evaluations of 35. So far, the program has found 15 structures to be unsafe for occupancy (pages 4–8).

With regard to the third goal, providing quality assurance and engineering oversight on USAID construction projects, the program has succeeded in providing these services for projects initiated by the mission's Office of Infrastructure, Engineering and Energy. However, the mission has not been as successful in providing quality assurance services for construction projects initiated by other USAID/Afghanistan program offices (pages 5, 11–15).

Despite the program's progress in addressing its three main goals, it has serious issues that need to be addressed. The most critical issue is to identify the many defective

structures that probably remain among the estimated 1,474 mission-built structures. The total number of defective structures will be determined when the remainder of the preliminary assessments and any subsequent detailed seismic evaluations are completed. The mission anticipates that the contractor will complete 200 seismic evaluations by the end of the contract. In addition, significant defects in five buildings reported in a prior Office of Inspector General audit report¹ had yet to be corrected (pages 8–11). If all defective structures are not identified, and if those already identified are not repaired or rebuilt, a catastrophic earthquake could cause many injuries and deaths (pages 6–8).

This report makes 12 recommendations to improve mission implementation of its construction programs. These recommendations address the need for plans to:

- Repair or rebuild structures that are seismically unsafe (page 8).
- Correct defects found in five USAID-built structures identified in a previous OIG report (page 11).
- Ensure that all mission construction projects are subject to adequate quality assurance (page 15).
- Ensure the sustainability of a \$3.9 million data center developed under the program (page 17).
- Ensure that contractor performance reports are completed annually (page 18).

On the basis of an evaluation of the mission's response to the draft report, the Office of Inspector General determined that final actions have been taken on recommendations 1, 3, 4, 9, 10, and 11, while management decisions have been reached on recommendations 2, 5, 6, 7, 8, and 12 (page 19). The mission's written comments on the draft report are included in their entirety, without attachments, as appendix II to this report (page 23).

¹ "Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program," Audit Report No. 5-306-08-009-P, August 8, 2008.

BACKGROUND

Emerging from more than 20 years of conflict and a severe nationwide drought, the Islamic Republic of Afghanistan faces a complex and interrelated set of political, economic, and social challenges. One of USAID's important strategic objectives in Afghanistan is to revitalize and expand the country's economy. USAID/Afghanistan, in coordination with other donors, has been supporting a major program for infrastructure reconstruction and development to help spur economic growth and rehabilitate the economy.

Afghanistan's need for infrastructure reconstruction and development is underscored by the Afghan Government's development strategy. The Afghan Government, with the support and cooperation of the international community, finalized a 5-year Afghanistan national development strategy that defines the vision, principles, and goals for the country's development. According to the strategy, Afghanistan has experienced success in the areas of education, through increased enrollment and school construction; health care, through increased construction of clinics; and livelihoods, through access to better roads. However, the strategy notes that more needs to be accomplished in infrastructure development to sustain these gains.

In February 2006, USAID/Afghanistan launched its Human Resources and Logistical Support Program (the program) to provide a broad range of human resources and logistical support services to help design, monitor, and support the activities of USAID/Afghanistan-funded contractors. The program also provides consulting services to selected ministries of the Afghan Government. USAID/Afghanistan awarded a 5-year, \$58 million contract to International Relief and Development, Inc. (IRD), to implement the program. Goals included enhancing capacity at various ministries, identifying USAID/Afghanistan-constructed buildings that do not meet seismic standards, and providing ongoing quality assurance and engineering oversight for mission construction projects.

In September 2009, USAID/Afghanistan increased the contract ceiling price to \$72 million. As of September 30, 2009, USAID/Afghanistan had obligated \$47 million and disbursed \$36 million for program activities.

AUDIT OBJECTIVE

The Regional Inspector General/Manila conducted this audit as part of its fiscal year 2009 annual audit plan to answer the following question:

- Is USAID/Afghanistan's Human Resources and Logistical Support Program achieving its main goals of enhancing capacity at selected ministries, identifying USAID-constructed buildings that do not meet seismic standards, and providing quality assurance and engineering oversight for mission construction projects?

Appendix I contains a discussion of the audit's scope and methodology.

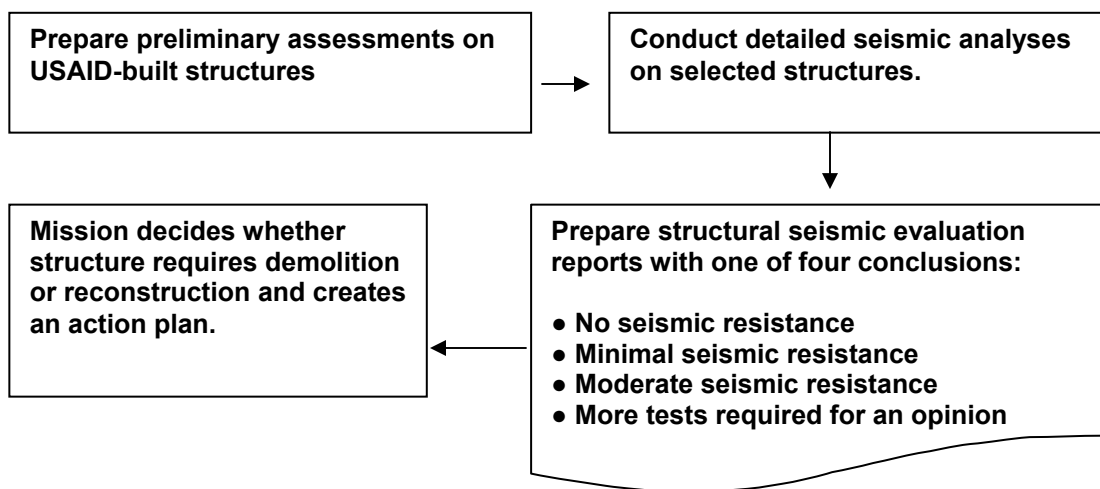
AUDIT FINDINGS

The mission has made progress in achieving its three main goals for the Human Resources and Logistical Support Program (the program). Specifically, the program made progress in building capacity within selected Afghan Government ministries, identifying defective mission-built structures, and providing engineering oversight for mission construction projects.

In terms of the first goal, the program was able to provide the Afghan Government with additional capacity within three of its ministries. Technical consultants from the program assisted Ministry of Mines personnel in the preparation of a proposal for the rehabilitation of the Sheberghan gas fields, which are being considered as a potential source of natural gas to use in generating additional electrical power for the country. At the Ministry of Public Works, program advisers initiated the development of a pilot program to teach ministry staff how to implement and monitor road construction projects and provide them with a more efficient means of managing and maintaining roads in the future. Meanwhile, the program contractor provided a transboundary water-rights adviser to the Ministry of Energy and Water to help it develop water policies for negotiations with its neighbors in other countries.

With regard to the second goal, of evaluating and identifying USAID-built structures that do not meet seismic standards, the program was successful in establishing a process for identifying structures that are not earthquake resistant and for creating plans for the demolition and reconstruction of some structures deemed unsafe for occupancy. To identify USAID/Afghanistan-built structures that are not earthquake resistant, the program established the Building Forensics Task Force. The task force planned to evaluate the level of seismic resistance of USAID/Afghanistan-built structures and develop plans for buildings that it determined structurally unsafe. The process used by the task force is described in the flowchart below:

Buildings Forensics Task Force Process for Identifying Defective Structures



The mission has a record of 1,474 USAID-built structures in Afghanistan. The task force performs preliminary assessments of USAID-built structures to determine whether more detailed structural seismic evaluations are needed. As of October 2009, the task force had completed 468 preliminary assessments of USAID-built structures. The task force had completed 35 detailed structural seismic evaluations as of the same date and planned to complete about 200 evaluations by the end of the program.

Finally, with regard to the third goal, of providing quality assurance and engineering oversight on USAID construction projects, the program was successful in providing these services for projects initiated by the mission's Office of Infrastructure, Engineering and Energy, but it was less successful in providing these services for construction projects initiated by other USAID program offices (page 11).



A 105-megawatt power plant in Kabul, built under a USAID/Afghanistan project supported by the Human Resources and Logistical Support Program. The program provides an onsite quality assurance electrical engineer. (Photograph courtesy of Louis Berger Group, Inc./Black and Veatch Joint Venture, October 2009)

Despite the program's progress in addressing its three main goals, serious issues need to be addressed to improve mission implementation of construction programs. These issues include the need to:

- Develop a reconstruction program to ensure implementation of action plans to demolish and/or repair USAID/Afghanistan-built structures that have been found to be seismically unsafe.
- Identify all USAID/Afghanistan-built structures that are seismically compromised.
- Correct defects found in five USAID/Afghanistan-built structures identified in a previous Office of Inspector General (OIG) audit.

- Ensure that all mission construction projects are subject to quality assurance oversight and support.
- Ensure the sustainability of a \$3.9 million data center developed under the program.
- Ensure that program contractor performance reports are completed.

Many USAID-Built Structures Have Been Found To Be Unsafe, and More Defective Structures Have Yet To Be Identified

Summary. A U.S. Geological Survey assessment recommended that buildings in Afghanistan be designed to reduce the hazards posed by strong earthquakes. To its credit, the mission established the Building Forensics Task Force under the Human Resources and Logistical Support Program to identify USAID-built structures that cannot withstand earthquakes. However, the task force found that many of the buildings constructed through USAID projects have not been built to withstand strong earthquakes. As of August 2009, the task force had identified 15 structures that were unsafe for occupancy and had informed Afghan Government ministries to vacate these structures. It is likely that more such defective structures will be identified by the task force. The structures' defects resulted from a lack of adequate oversight. If such defective structures are not all identified, and if structures already found to be defective are not reconstructed or repaired, a catastrophic earthquake could cause many injuries and deaths.

An assessment, dated April 2007, by the U.S. Department of Interior's U.S. Geological Survey recommended that, as Afghanistan rebuilds following decades of war and strife, new construction and development be designed to reduce the hazards posed by strong earthquakes. The recommendation aimed to ensure that structures built by the U.S. Government in Afghanistan remain safe for occupancy throughout the useful lives of the structures.

To its credit, the mission established the Building Forensics Task Force under the Human Resources and Logistical Support Program to identify USAID-built structures that cannot withstand earthquakes. The task force has determined that many of the buildings constructed by USAID/Afghanistan projects have not been built to withstand strong earthquakes. As of August 2009, the task force had determined through seismic evaluation that 15 structures were unsafe for occupancy and had informed the Afghan Government ministries to vacate these structures.

The identified defective structures include six schools, two health clinics, one Ministry of Justice building, one Ministry of Education building, and five buildings of the Ministry of Agriculture, Irrigation, and Livestock. The mission has contacted the respective ministries and recommended that all 15 defective structures be vacated. In addition, the mission recommended that construction cease on one additional project because of the poor quality of work being performed. The mission is developing action plans to reconstruct 8 of the 15 defective structures. The five structures built for the Ministry of Agriculture, Irrigation, and Livestock were reported as defective in a prior OIG audit

report,² and the mission is working with the contractor that built these structures to resolve the problems (page 8).

Additional seismic evaluations are in process, and the mission anticipates that International Relief and Development, Inc. (IRD), will complete 200 seismic evaluations by the end of its contract in February 2011. Our review of the task force's 35 existing seismic reports revealed that 12 structures were considered to have no resistance to seismic activity, while an additional 13 were only minimally resistant to seismic activity. These findings demonstrate the potential that additional buildings will be found unsafe.

Additional defective structures may be found within the current universe of 1,474 known USAID-built structures, and this universe is not complete. The mission noted that it is still updating its database of structures, and will likely identify and add more structures to the database. As of October 2009, the mission had internally budgeted approximately \$123 million through fiscal year 2011 for repair or reconstruction of defective buildings.



A USAID-built girls' high school in Kabul has unsecured concrete ceiling panels supported by concrete ceiling beams. Signs of stress are evidenced by the cracks in the unreinforced masonry wall. The ceiling panels support several inches of topsoil spread on the roof for insulation. This structural weakness could cause the ceiling to collapse during an earthquake, crushing students under tons of debris. (Photograph courtesy of USAID/Afghanistan.)

The May 2008 earthquake in China that destroyed numerous buildings and killed thousands motivated the mission to create the Building Forensics Task Force. The mission was concerned that schools, clinics, hospitals, and other government structures built in the mission's early years had not received proper engineering oversight. The mission was especially concerned about structures resulting from building projects monitored by program offices rather than the mission's Office of Infrastructure, Engineering and Energy. Engineering oversight, though common practice in the mission's Office of Infrastructure, Engineering and Energy, was not a requirement for the mission's program offices until November 2008. When the mission first began constructing buildings in Afghanistan, it was not uncommon for a program office employee without an engineering background to oversee construction projects. As a result, construction of 40 buildings under the mission's Rule of Law program from 2003 to 2006 did not have sufficient engineering oversight, and the structures were accepted by the Democracy and Governance program office. According to the mission, when construction first started in Afghanistan, there was intense political pressure to construct

² "Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program," Audit Report No. 5-306-08-009-P, August 8, 2008.

buildings quickly and show impact through new construction and employment of local labor for this construction.

If defective structures are not all identified, and if structures already found to be defective are not demolished or repaired, a catastrophic earthquake could cause many injuries and deaths. In Kabul, which is located in a high-risk seismic area, a typical high school can have as many as 1,000 students in it at one time. The structural failure of even one of the schools constructed by the mission could have catastrophic consequences in terms of students killed or injured. According to the mission, although it has not yet quantified the total number of defective buildings, it is dedicated to identifying and reconstructing such defective structures.

Rebuilding defective structures will be very expensive. Whereas the original cost for building (or renovating) 7 of the 15 defective structures discussed above was only \$498,563, reconstruction costs for these buildings are expected to be significantly greater. A preliminary estimate of the cost to reconstruct these seven defective buildings is \$14.4 million: \$11 million in reconstruction costs plus an additional \$3.4 million for temporary space for occupants during the reconstruction. Although the mission initiated internal discussions about creating a separate reconstruction program for defective structures, no formal program had been set up to do so at the time of our fieldwork.

Although the mission has addressed the lack of oversight of quality control with regard to future projects, it must ensure that reconstruction action plans for defective structures are carried out promptly and that all defective USAID-built structures are identified. We are therefore making the following recommendation:

Recommendation 1. *We recommend that USAID/Afghanistan establish a separate reconstruction program that will provide prompt implementation of reconstruction action plans for defective structures and ensure that all defective USAID-built structures are reconstructed.*

Prior Reported Building Defects Have Not Been Corrected

Summary. Five of the structures found defective by the Building Forensics Task Force had been cited as having significant defects in an OIG audit report issued in August 2008. As a result of that report, in May 2009 the mission directed Chemonics—the USAID contractor that had built the five structures—to correct the defects. The Federal Acquisition Regulation states that if a contractor fails to promptly perform required services or take action necessary to ensure future performance in conformity with contract requirements, the Government may (1) perform the services and reduce any fee payable by an amount that is equitable under the circumstances or (2) terminate the contract for default (FAR 52.246-5(e)). However, as of October 2009, Chemonics had not yet begun work on demolishing and reconstructing three of the five buildings, nor had it begun retrofitting the other two buildings to meet minimum earthquake standards. This delay in fixing the defective structures resulted from Chemonics' efforts to contest its original agreement to remedy the defects. Failure to reconstruct or retrofit the defective structures could not only result in injury or loss of life but could also adversely affect the programs these structures were meant to benefit.

Five of the structures found defective by the Building Forensics Task Force had been cited as having significant defects in a prior OIG audit report issued in August 2008.³ As a result of a recommendation in that report, in May 2009 the mission directed Chemonics—the USAID contractor that had built the five structures—to correct the defects. Specifically, the mission directed Chemonics to demolish and reconstruct three buildings in Parawan, Kundoz, and Panjshier Provinces and gave the option to either retrofit two structures in Balkh and Herat Provinces or demolish and reconstruct them. The five structures had been built for the Ministry of Agriculture, Irrigation, and Livestock under the mission’s Accelerating Sustainable Agriculture Program. However, as of October 2009, Chemonics had not yet begun work on demolishing and reconstructing the three buildings in Parawan, Panjshier, and Kundoz Provinces and had not begun retrofitting the buildings in Herat and Balkh Provinces. At the time of our audit, two of the five buildings were already occupied and being used by the Afghan Government.

Further complicating the issue, Chemonics did not construct the buildings itself. Rather, beginning in May 2007, Chemonics awarded firm, fixed-price subcontracts totaling \$458,000 to four subcontractors to construct the five buildings (see table below). However, upon completion of the construction, inspections by IRD and mission engineering representatives revealed numerous structural defects and noncompliance with the construction subcontract terms.

Chemonics Subcontractor Awards for Agriculture Program Structures

Subcontractor	Firm Fixed Price (\$ thousands)	Building Location (Province)	Number of Structures
Jahan Ara Construction Company	106	Balkh	1
Afghanistan Rehabilitation and Agriculture Organization	111	Heart	1
Architectural and Engineering Company	153	Kundoz and Parawan	2
Khurasan Zameen Construction and Engineering Company	88	Panjshier	1
Total	458		5

The mission subsequently directed the Building Forensics Task Force to evaluate the seismic resistance of these five structures, and the task force found that the buildings had little ability to withstand an earthquake. On the basis of the task force’s evaluations and the lack of compliance with quality construction standards, the mission’s structural engineer recommended that three of the structures be demolished and gave the option for two structures in low seismic areas to be either retrofitted to meet local seismic standards or demolished. The mission made its acceptance of the retrofitted structures contingent upon correction of the other construction deficiencies identified during previous IRD and mission inspections.

³ “Audit of USAID/Afghanistan’s Accelerating Sustainable Agriculture Program,” Audit Report No. 5-306-08-009-P, August 8, 2008.

At no time did the mission accept the buildings as completed. In fact, the mission withheld \$403,000—representing previously billed construction costs—from Chemonics' June 2008 invoice until it delivered acceptable buildings in accordance with the contract. The mission had the authority to withhold these funds under acquisition regulations. Specifically, the Federal Acquisition Regulation states that if a contractor fails to promptly perform or take action necessary to ensure future performance in conformity with contract requirements, the Government may (1) perform the services and reduce any fee payable by an amount that is equitable under the circumstances or (2) terminate the contract for default (FAR 52.246-5(e)).



At the agricultural building in Balkh Province, the task force noted major cracks in key locations, indicating that supporting columns are either very weak or nonexistent. (Photograph courtesy of IRD.)

According to the mission, the delay in correcting the defective structures resulted from Chemonics' efforts to contest its original decision to absorb the cost of the demolition, reconstruction, and retrofitting of the facilities. Chemonics believes that the mission had been made fully aware of the construction efforts while they were underway and had provided required approvals during the construction process. However, according to the mission, Chemonics has provided no evidence to support these assertions.

Failure to reconstruct or retrofit defective structures could cause injury or loss of life and reduce the success of the program these structures were meant to benefit. Recent site visits by the mission revealed that, although it had never accepted any of these structures, two were already occupied. Specifically, the Kunduz building had been occupied by approximately 30 Afghan national police officers, while the building in Parawan had been occupied by 2 employees of the Ministry of Agriculture, Irrigation, and Livestock. Although these two structures are in a high-risk seismic area, they offer only minimal seismic resistance. In the event of an earthquake, structural failures could cause the buildings to collapse, injuring or killing the occupants. Delays in putting all five structures to their intended uses have prevented the ministry from using the structures to provide agricultural extension services and training in new agriculture methods. We are therefore making the following two recommendations.

Recommendation 2. *We recommend that USAID/Afghanistan take immediate action to secure and vacate the two occupied defective buildings constructed under the Accelerating Sustainable Agriculture Program.*

Recommendation 3. *We recommend that USAID/Afghanistan complete an implementation plan for the demolition and retrofitting of the five buildings constructed under the Accelerating Sustainable Agriculture Program, either by compelling Chemonics to perform or by using a third party. If a third party is used, the implementation plan should include requirements to reduce Chemonics' future billings in accordance with Federal Acquisition Regulation 52.246–5(e) for the cost of demolishing or retrofitting the structures.*

Not All Mission Construction Projects Are Covered by Contract Quality Assurance Support

Summary. In February 2006, USAID/Afghanistan contracted with IRD to provide construction project management services—including quality assurance services—at the mission's direction. In November 2008, the mission's Office of Acquisition and Assistance released a notice requiring USAID/Afghanistan acquisition and agreement instruments to include compliance with construction quality assurance requirements. However, since the inception of the IRD contract, not all of the mission's construction projects have benefited from quality assurance services, onsite inspections, and monitoring services as anticipated. Further, despite the office's quality assurance requirements for building construction, some construction projects are still not explicitly covered—notably subcontracted activities and road projects. The projects lacked oversight and quality assurance on construction projects because (1) the program office did not understand the need for engineering oversight during construction, (2) mission guidance did not specifically include subcontract instruments, (3) frequent turnover of mission staff resulted in an uneven application of quality assurance requirements, (4) the mission lacked a comprehensive and complete database of all USAID construction projects, and (5) the mission had no requirement to obtain quality assurance services for road construction. The effects of the lack of appropriate engineering oversight can be measured in terms of risk of death or injury resulting from defective construction, the high cost to demolish and rebuild defective work, and the delay in providing intended benefits to project beneficiaries.

USAID/Afghanistan has taken steps to provide quality assurance for construction projects. In February 2006, USAID/Afghanistan contracted with IRD to provide construction project management services at the mission's direction. These services included quality assurance, onsite inspections, and project monitoring activities. In November 2008, the mission required that USAID/Afghanistan acquisition and agreement instruments comply with construction quality assurance requirements. These requirements include compliance with international building codes, approval of all construction designs by the Office of Infrastructure, Engineering and Energy before acceptance, and establishment of a quality assurance surveillance program by all construction projects.

However, since the inception of IRD's contract in February 2006, not all of the mission's building and road construction projects have received quality assurance or monitoring services. Further, although the Office of Acquisition and Assistance initiated quality assurance requirements for the construction of buildings in 2008, some construction projects, such as subcontracted activities, are not explicitly covered. Moreover, the mission has never required quality assurance services for road construction projects, and many roads constructed by program offices remain uncovered as a result.

The mission's two Local Governance and Community Development (LGCD) programs have construction components and yet had no construction engineering oversight, even though the IRD contract was in effect. For example, the Local Governance and Community Development Program for southern and eastern Afghanistan had 166 infrastructure projects, budgeted at approximately \$37 million, and some of these projects had begun as early as January 2007—almost a year after the IRD contract had been implemented. Yet, the mission did not modify the IRD contract to include engineering quality assurance and engineering oversight to monitor in-progress construction programs until September 2009. Infrastructure projects ranged from small projects, such as digging wells, to construction of major roads and large government offices. Not all of these projects may have required quality assurance and engineering oversight, but significant projects should have been covered. For example, the LGCD implementing partner began constructing a courthouse in Helmand Province at a cost of approximately \$707,000. Although the project started only 2 weeks before the effective date of the mission's new policy, it received only three quality assurance visits in the year before its expected completion at the end of October 2009.

Another example is the Local Governance and Community Development Program in the northern and western provinces where the implementing partner initiated infrastructure projects in June 2007. These projects likewise did not receive proper quality assurance oversight during construction, and quality assurance assistance was requested only at the end of construction. For example, the Bakwa to Khormaliq road project planned to construct a 23-kilometer gravel road with culverts, causeways, and retaining walls at an estimated cost of \$600,000. Work on the road began in September 2008 and ended in March 2009. However, the mission did not request that IRD review the construction of the road until the end of the project, when it was experiencing difficulties. IRD concluded that road construction had deviated from the engineering design, resulting in problems such as defective construction of culverts. This program has since been terminated, and the mission is negotiating settlement costs including the potential recovery of costs for the defective road.

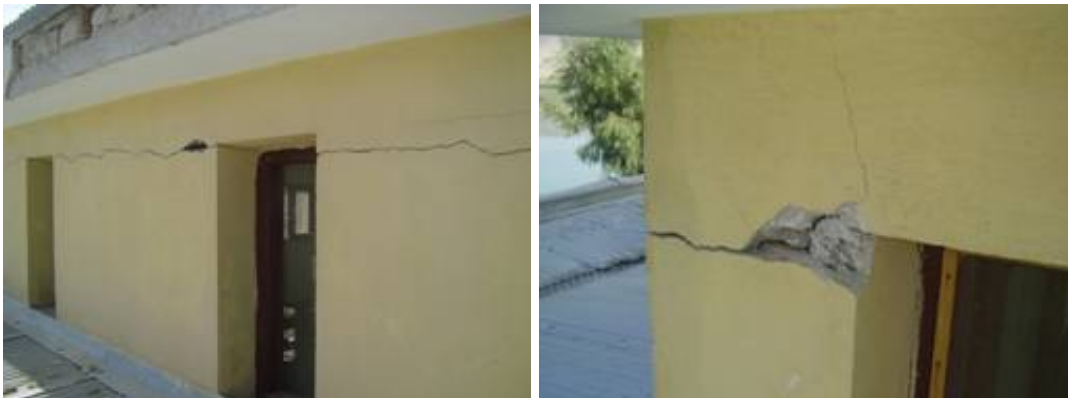


The improper placement of a culvert caused the road to wash out on the USAID-funded Bakwa to Khormaliq road project in Farah Province. (Photograph courtesy of IRD.)

In addition, even though the mission had issued its November 2008 notice requiring quality assurance and engineering support for building construction, some projects still did not receive proper engineering oversight. For example, in August 2008 the mission entered into a \$42 million cooperative agreement with the American University of Afghanistan. This agreement included \$300,000 for the architectural and engineering design of a new campus, and the expected deliverable included detailed engineering drawings of several buildings and roads. In June 2009, the university issued a request for proposal without the knowledge of the acquisition officer's technical representative and, in October 2009, was in final negotiations for the award of a subcontract. However, a mission engineer had not been engaged at any point in the request for proposal or subcontractor selection processes. According to the mission's agreement officer, the subcontract will be reviewed by the mission before it is awarded by the university to ensure that appropriate engineering standards were incorporated into the design process. Because this review process is taking place at such a late stage, the project may encounter delays. If the design process is found not to have met appropriate standards, the university may have to restart the bidding process.

The mission's Office of Infrastructure, Engineering and Energy becomes involved in road projects only when requested. Further, it has little knowledge of all the road programs being implemented throughout Afghanistan by the mission's various program offices. The office said that it should be involved in construction of all major roads, including tertiary gravel roads with significant traffic, such as those being built under the local governance programs.

Various factors caused the lack of oversight and quality assurance on construction projects. For example, (1) the program office did not understand the need for engineering oversight during construction, (2) mission guidance did not specifically include subcontract instruments, (3) frequent turnover in mission staff resulted in an uneven application of quality assurance requirements, (4) the mission lacked a comprehensive and complete database of all USAID construction projects, and (5) the mission had no requirement to obtain quality assurance services for road construction. These five issues are discussed below.



The Surobi Justice Building in Kabul Province was constructed in 2004 under the mission's Rule of Law program. According to building employees, the cracks were caused by a minor earthquake that occurred around 2006–07. The cracks are visible around the entire perimeter of the exterior wall. This building has no seismic resistance to earthquakes and is considered at high risk for failure. (Photograph courtesy of IRD.)

Program Offices Have Not Understood the Need for Engineering Oversight.

According to the mission, program offices used to provide oversight for their own construction projects but did not fully comprehend the need for engineering oversight during the construction process. The program offices were under pressure to construct buildings quickly and assumed that the contractors they had hired would provide needed oversight.

Mission Rules Did Not Explicitly Cover Subcontracts. The mission's November 2008 quality assurance guidance is silent on its applicability to subcontracts. The mission's Office of Acquisitions and Assistance agreed that, in principle, the notification was intended to apply to all mission-funded construction projects implemented either directly or through subcontracts. However, mission personnel appear not to have treated subcontracts in the same manner as prime contracts and agreements in this regard.

Frequent Turnover in Mission Staff Results in an Uneven Application of Quality Assurance Requirements. The turnover experienced by the mission in its contracting officer's technical representative (COTR) staff has had two effects on mission construction projects. First, new COTRs may not be aware of the mission's requirements to obtain engineering oversight on construction projects because the current COTR designation letter does not communicate revised requirements for construction oversight and quality assurance. Second, as COTRs change, the oversight of construction projects may become fragmented. For example, under one COTR, an engineer was allowed to confer directly with subcontractors on compliance with construction standards; however, when that COTR left, the new COTR required all communication to go through him—he would then inform the prime contractor, who would communicate to the subcontractor. This indirect system produced delays in communicating construction quality issues.

Mission Has No Database of All Construction Projects. The mission's Office of Infrastructure, Engineering and Energy has no comprehensive database of all construction projects. According to the mission, the office could enforce the application of engineering quality assurance oversight more easily if it were aware of all the construction projects being implemented by the mission's various program offices. However, the office becomes aware of many of these projects only sporadically.

Quality Assurance Oversight Is Not Required for Road Projects. Finally, according to the mission, it has no existing policy on engineering services required for road projects because the program emphasized building construction. In devising the November 2008 quality assurance guidance, the mission emphasized building construction initially in response to the imminent threat to building occupants posed by earthquakes. The mission commented that, in retrospect, a policy for roads should have been developed as well.

In summary, a lack of appropriate engineering oversight can result in a risk to lives, substantial reconstruction costs to demolish and rebuild defective work, and a delay in providing intended benefits to project beneficiaries. For example, the Bakwa to Khormaliq road was intended to benefit over 10,000 local inhabitants; with the road still not repaired, those benefits have been put on hold. As a result, we are making the following recommendations.

Recommendation 4. We recommend that USAID/Afghanistan revise and reissue the November 2008 Office of Acquisition and Assistance notice on quality assurance to include requirements for quality assurance of construction performed under subcontracts and subagreements.

Recommendation 5. We recommend that USAID/Afghanistan revise its contracting officer's technical representative designation letter to communicate the need to comply with construction oversight and quality assurance requirements.

Recommendation 6. We recommend that USAID/Afghanistan develop written procedures covering the types of roads that require engineering oversight and quality assurance.

Recommendation 7. We recommend that USAID/Afghanistan take appropriate action during each portfolio review to require that all in-progress and completed construction projects during the review cycle are documented and shared with the Office of Infrastructure, Engineering and Energy so that it can ensure that the existing database of constructions projects is complete and provide engineering quality assurance oversight for those projects lacking it.

Recommendation 8. We recommend that USAID/Afghanistan establish procedures to grant the mission engineers or their designated representatives the right to communicate directly with the construction contractors or subcontractors on deviations from approved engineering designs.

Recommendation 9. We recommend that USAID/Afghanistan require that the final subcontract requirements for the design of the new campus for the American University of Afghanistan be reviewed for adherence to appropriate engineering standards.

Recommendation 10. We recommend that USAID/Afghanistan require that all engineering drawings related to the American University of Afghanistan campus be reviewed for compliance with specified standards before the mission accepts delivery of the drawings.

Sustainability of the \$3.9 Million Afghanistan Infrastructure Data Center Is Questionable

Summary. USAID/Afghanistan included sustainability as a core element of program design by requiring IRD to develop infrastructure and data management capacity for the Ministry of Public Works. However, IRD's work plan discusses only Ministry of Public Works capacity development; it has no specific requirements for other ministries' capacity development with regard to the Afghanistan Information Data Center funded by the program. The original data center was expanded significantly beyond its original specifications, and while the mission recognizes that the Afghan Government is not ready to take responsibility for the center and is planning to incorporate the center in a follow-on contract, the current request for proposal for that contract does not directly address taking over the data center or training Afghan officials in its maintenance and use. Without a sustainability plan in place, the estimated \$3.9 million investment in the data center and the information in the database could be lost.

Sustainability is a core element of USAID program design, as shown in the Agency's strategic plan checklist, which requires strategic teams within the mission to address two questions:

- (1) Is the achievement of sustainability for [program] institutions and processes realistic and within the planned timeframe for the completion of USAID's assistance to a specific strategic objective and/or a country's graduation from USAID assistance?
- (2) Will sustainability plans be provided for key institutions and processes that will be necessary beyond the timeframe of the USAID strategy?

IRD's work plan requires it to develop national and provincial infrastructure data management capacity at the Ministry of Public Works and its satellite offices for the eventual transition of the proposed Afghanistan Infrastructure Data Center (data center) to the Afghan Government. The data center includes the staff, hardware, and software used by the program to create a "geospatial" database. This geospatial database catalogs and manages data resulting from USAID and other U.S. and international donor-funded projects (e.g., project reports, photographs, or technical drawings). In addition, the database stores other pertinent geographical and historical information (e.g., seismic activity zones and historical security information). Database users can query the data and display it on static and interactive maps or overlay it onto existing maps.

The data center was designed to act as a clearinghouse for the major donors—primarily USAID/Afghanistan and the U.S. Department of Defense. IRD was tasked with creating a geospatial database with information on development activities including construction of roads, schools, clinics, hospitals, and public buildings such as courthouses and district centers. IRD was expected to obtain infrastructure project site information from USAID/Afghanistan and the U.S. Department of Defense and verify the accuracy of the data provided, such as the project's description and location. In the future this database would be expected to include projects from other donors as well. However, while the work plan alluded to providing capacity development to the Ministry of Public Works, which is in charge of road maintenance, there was no such provision for other ministries.

Further, IRD's contract for the data center included no clear requirement for a sustainability plan or exit strategy.

According to the mission, the scope of the project grew beyond the original plan. The mission realizes that the Afghan Government will not be ready to take over the data center, and the mission plans to have a follow-on contract take over the data center. However, a review of the draft request for proposal for the follow-on contract revealed that it did not include requirements for the maintenance and further development of the data center. Nor did the draft request for proposal include any requirements for training Afghan ministry personnel or transition of data center management and maintenance to the Afghan Government.

Without a sustainability plan in place, the estimated \$3.9 million invested in the data center, as well as the information currently in the database, could be lost. Furthermore, the information would not be updated and would therefore be of little use to the mission and the Afghan Government in planning their respective development and maintenance activities.

According to IRD, the data center will cost approximately \$3.9 million. Without continued sustainability of the data center, this initial investment will be wasted if the data is unused or becomes outdated. The data center created and currently maintained by IRD contained information related to 141 road projects, 1,162 building construction projects, and 83 miscellaneous projects such as dams and hydrological stations.

Further, the mission's ability to use the information for identifying future projects will also be minimized as the data becomes outdated. According to the mission, besides helping it identify areas for future development activities, another goal of this data center was to provide the Afghan Government with a means of identifying infrastructure projects that require maintenance and to identify projects to submit to other donors for construction. By not providing for sustainability of the data center, the mission could diminish the effect of other programs to build Afghan Government capacity. To ensure sustained operation of the data center, we are making the following recommendation.

Recommendation 11. *We recommend that USAID/Afghanistan require that the final statement of work clearly identify the continuation of the Afghan Infrastructure Data Center as a core aspect of the follow-on contract, to include training of Afghan Ministries in the maintenance and use of the data center.*

Contractor Performance Reviews Were Not Completed

The Federal Acquisition Regulation (FAR 42.1502⁴) requires the mission to evaluate contractor performance and prepare a past-performance report for each construction contract of \$550,000 or more and each architectural services contract exceeding \$30,000. According to the regulation, these performance reports should be prepared at the time of final acceptance of a completed construction project or at other times in accordance with Agency procedures. USAID Acquisition Regulation 742.15 requires contracting officers to report on contractor performance at least annually.

The mission has not completed annual contractor performance evaluations of IRD as required. The mission should have completed at least three performance reviews by February 2009, 3 years after the signature of the contract. However the mission completed only one such required review. As of October 2009, the most recent review to cover the last 2 years of performance was still in draft form. According to the COTR, the failure to conduct a contractor performance review for the second year of the contract was an administrative oversight.

Regular, comprehensive, and conscientious performance evaluations can provide the mission with information to make better acquisition decisions and serve as a significant incentive to contractors to provide USAID with superior products and services. Further, the U.S. Government Accountability Office has ruled that failure to properly document contractor performance information and make the information available for use in source selections for the same or similar items is a sufficient basis to sustain a protest of a contract award in a subsequent source selection. We are therefore making the following recommendation.

Recommendation 12. *We recommend that USAID/Afghanistan complete all required contractor performance reviews of International Relief and Development, Inc., in accordance with Agency procedures.*

⁴ Previously numbered FAR 36.201.

EVALUATION OF MANAGEMENT COMMENTS

On the basis of an evaluation of the mission's response to the draft report, the Office of Inspector General determined that final actions have been taken on six recommendations, and management decisions have been reached on six recommendations. The status of each of the 12 recommendations is shown below.

Final action—recommendations 1, 3, 4, 9, 10, and 11

Management decision—recommendations 2, 5, 6, 7, 8 and 12

For recommendation 2, the mission has begun coordinating with the Afghan Government on vacating the agricultural buildings that require demolition under the Accelerated Sustainable Agriculture Program. The mission expects action to be completed by May 31, 2010.

For recommendation 5, the mission will revise the COTR designation letter for all awards that have construction and architectural and engineering (A&E) components to include directions on compliance with the mission's construction oversight and quality assurance requirements. Additionally, the mission will issue internal guidance advising all contracting officers that, for any award with construction and A&E components, the COTR designation letter must include the requirements for construction monitoring and quality assurance services. We expect final action to be complete when the mission issues the above-mentioned guidance to the contracting officers and all current applicable COTR designation letters are updated to include the directions on compliance with the mission's construction oversight and quality assurance requirements.

For recommendation 6, the mission's road team is drafting the procedures for providing the appropriate engineering oversight and quality assurance services to specific types of roads. The mission expects action to be completed by April 30, 2010.

For recommendation 7, the mission will use the portfolio reviews to collect information on ongoing and completed construction and engineering projects during the review cycle. The information will be provided to the Office of Infrastructure, Engineering and Energy for inclusion in the infrastructure database and, if warranted, in the list of construction projects requiring engineering oversight and quality assurance services. The mission expects action to be completed by December 31, 2010, when it issues the agenda for the portfolio review that includes reporting on ongoing and completed construction projects during the review cycle. In addition, we expect that the mission will incorporate this procedure in future portfolio reviews through the issuance of an internal memorandum or other internal guidance.

For recommendation 8, to ensure that direct communication is allowed across all construction contracts and does not depend on the COTR's preference, the mission will establish procedures for communicating observed deviations. Direct communication with construction contractors will be limited to discussions of deviations and should not

include instructions that could result in significant changes to the contract. The mission expects action to be completed by June 30, 2010.

For recommendation 12, contractor performance reviews (CPRs) covering the first 3 years of the contract have been completed and submitted to the Contractor Performance System, which is maintained by the National Institutes of Health. The mission is now drafting the CPR for the 4th year, which ended on February 28, 2010. The mission is soliciting input to complete the most recent CPR. The mission expects action to be completed by March 31, 2010.

We consider that management decisions have been reached on recommendations 2, 5, 6, 7, 8, and 12. Determinations of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Manila conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The objective of this audit was to determine whether USAID/Afghanistan's Human Resources and Logistical Support Program (the program) is achieving its main goals of enhancing capacity at selected ministries, identifying USAID-constructed buildings that do not meet seismic standards, and providing quality assurance and engineering oversight for mission construction projects.

In February 2006, USAID/Afghanistan awarded a 5-year, \$58 million contract to International Relief and Development, Inc. (IRD), to implement the program. The goals of the program included enhancing capacity at various ministries including the Ministries of Public Works, Energy and Water, and Mines. It also included providing ongoing quality assurance and engineering oversight for mission construction projects. In September 2009, USAID/Afghanistan expanded the contract scope of work to increase the contract ceiling price to \$72 million to include, among other things, identifying buildings previously constructed by USAID that did not meet seismic standards. As of September 30, 2009, USAID/Afghanistan had obligated \$47 million and disbursed \$36 million for program activities.

The audit was performed in the Islamic Republic of Afghanistan from October 6, 2009, through October 29, 2009, and covered the program's activities implemented by IRD from March 1, 2006, to October 29, 2009. In Kabul, fieldwork was conducted at USAID/Afghanistan, IRD's home office, and the Ministry of Energy and Water. We also conducted site visits in Kabul and Badakhshan Provinces. Specifically, we visited the 105-megawatt Kabul power plant, the Rabia School and Ghazi Boys' High School in Kabul, and a midwife training center in Faizabad. We also reviewed construction and paving on the road from Keshim to Faizabab in Badakhshan Province.

As part of the audit, we assessed the significant internal controls used by USAID/Afghanistan and IRD to monitor program activities. The assessment included controls related to whether the mission and IRD had (1) conducted and documented site visits to evaluate progress and monitor quality, (2) required and approved an implementation plan, (3) reviewed progress reports submitted by IRD, and (4) compared reported progress to planned progress and the mission's own evaluations of progress. We reviewed invoices totaling \$6.7 million from the total \$36 million disbursed for program activities. We also reviewed the mission's Federal Managers' Financial Integrity Act report for fiscal year 2008, as well as prior audit reports, for any issues related to the audit objective.

Methodology

To answer the audit objective, we interviewed officials from USAID/Afghanistan; the implementing partner, IRD; representatives from Louis Berger Group, Inc./Black and Veatch Special Project Corporation Joint Venture; subcontractors; and host government ministry officials. We also reviewed and analyzed relevant documents at both the mission and IRD. This documentation included performance management plans and the contract between USAID/Afghanistan and IRD. Furthermore, we reviewed IRD site visit and other monitoring reports, progress reports, and financial records.

To determine the reliability of computer-processed data received from the mission in support of its obligated and disbursed amounts, we reviewed prior audits of the mission's financial statements and internal controls. In addition, to validate data provided by IRD, we verified a judgmental sample of:

- Training participants to source documents.
- Building Forensics Task Force statistics to supporting documentation.

MANAGEMENT COMMENTS



MEMORANDUM

TO: Bruce N. Boyer, Regional Inspector General/Manila

FROM: USAID/Afghanistan Mission Director, William M. Frej/s/

DATE: March 24, 2010

SUBJECT: Audit of USAID/Afghanistan's Human Resource and Logistical Support Program (Audit Report No. 5-306-10-XXX-P)

REFERENCE: B. N. Boyer memo dated February 22, 2010

Dear Mr. Boyer:

Thank you for providing the Mission the opportunity to review the subject draft audit report and respond to the findings and recommendations therein. We appreciate the professionalism and objectivity exhibited by the audit team in conducting the assessment and preparing thoughtful recommendations. This memo describes the actions that have been taken or are planned to be taken to address the recommendations in the audit report.

MISSION RESPONSE TO AUDIT RECOMMENDATIONS

Recommendation 1. We recommend the USAID/Afghanistan establish a separate reconstruction program that will provide prompt implementation of reconstruction action plans for defective structures and to ensure that all defective USAID-built structures are reconstructed.

The Mission agrees in principle with the recommendation to promptly implement reconstruction action plans. To achieve the desired result, the Mission will implement the required changes using an alternative implementation strategy than that proposed in the recommendation. Rather than establishing a separate reconstruction program, the Mission will use existing contracting mechanisms. A Structural Engineer, Forrest Lanning, will manage the assessment of buildings while the new Construction Manager, Peter Belli, will supervise the reconstruction of defective buildings.

Actions Taken:

The establishment of a separate reconstruction program entails planning, design, and procurement of necessary engineering and construction services before actual implementation can begin. The Mission needs to compete the procurement of goods and services which could take an average of eight months. Following the award of contracts or grants, the contractors or grantees have to recruit staff, mobilize and set up offices in Afghanistan. Given these processes, it could be a year before a separate reconstruction program is fully established and equipped to implement reconstruction.

USAID/Afghanistan recognizes the urgency of reconstructing defective structures to ensure the safety of their occupants. To jump-start the reconstruction process, the Mission is using mechanisms already in place or in the procurement process, rather than establishing a separate program. The Office of Infrastructure, Engineering and Energy (OIEE) has existing contracts with specialized firms for planning and engineering design, and is in the process of competing an indefinite quantity contract that will provide the Mission with construction services for vertical structures. By using these mechanisms, the Mission can initiate reconstruction work sooner. The use of existing mechanisms also avoids repetitious administrative and logistical costs associated with maintaining multiple contractors for similar tasks. To ensure that the Mission will not lose its focus on the reconstruction work, OIEE hired a Structural Engineer (Forrest Lanning) and a Construction Engineer (Peter Belli) whose principal tasks are to coordinate and manage the building forensics activity and the reconstruction of defective buildings.

Using existing contracts, the Mission has initiated reconstruction activities, starting with the preparation of site plans and standard school designs. Procurement of soft-sided structures that will serve as temporary shelter is also in the final stages. The Mission is positioned to ramp up its reconstruction efforts to the extent that funding allows. It should be noted that, in the absence of FY 09 and FY 10 funding for reconstruction, the Mission has reprogrammed \$17.9 million of its FY 09 Energy funds so that procurement of critical services can proceed simultaneously with the structural assessment of buildings and reconstruction of two schools.

Based on these alternative implementation actions, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 2. *We recommend that USAID/Afghanistan take immediate action to secure and vacate the two currently occupied defective buildings constructed under the Accelerating Sustainable Agriculture Program.*

The Mission agrees with this recommendation.

Actions Taken:

On December 14, 2009, the Contracting Officer for the Accelerating Sustainable Agriculture Program (ASAP) issued a technical directive (Attachment I) to Chemonics to demolish all five AgNet buildings in the most expeditious manner. The technical directive follows a series of communications from USAID to ASAP and the Ministry of Agriculture, Irrigation and Livestock (MAIL) regarding the disposition of the defective AgNet buildings. Since some of the buildings are occupied, ASAP sought the assistance of Minister Rahimi of MAIL who wrote to provincial governors asking them to support efforts to vacate the defective buildings. To facilitate evacuation, ASAP also provided a liaison in Kunduz.

Based on ASAP's demolition schedule, ASAP expects all five buildings to be vacated by April 2010 to pave the way for demolitions to be completed by May 2010. In the event that evacuation of the buildings is delayed, the Contracting Officer's Technical Representative (COTR) will seek USAID Front Office support in resolving the issue at higher levels within the Afghan Government. The target date for closing this recommendation is May 31, 2010.

Based on the actions taken, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be considered closed when the buildings are demolished.

Recommendation 3. We recommend that USAID/Afghanistan complete an implementation plan for the demolition and retrofitting of the five buildings constructed under the Accelerating Sustainable Agriculture Program either by compelling Chemonics to perform or by using a third party. If a third party is used, the implementation plan should include requirements to reduce Chemonics' future billings in accordance with Federal Acquisition Regulation 52.246-5(e) for the cost of demolishing or retrofitting the structures.

The Mission agrees with this recommendation.

Actions Taken:

USAID/Afghanistan completed an implementation plan for the demolition and reconstruction of the five AgNet buildings which was conveyed by the Contracting Officer to ASAP in an email dated December 14, 2009 (Attachment I). A third party is not being used for the demolition of the buildings. All demolition work is being conducted by Chemonics.

In accordance with the implementation plan, Chemonics submitted two documents that comprise the demolition plan, namely: 1) "General Plan for Demolition of the Five Agnet Buildings" (Attachment II), and 2) the "Aagnet 2010 ASAP Demolition Schedule" (Attachment III). OIEE has reviewed the General Plan and the demolition

scope of work for compliance with the U.S. Army Corps of Engineers Safety and Health Requirements and other applicable standards. To carry out the demolition, Chemonics awarded four subcontracts to local firms, and is processing a subcontract for the demolition of the fifth building. According to the schedule submitted by ASAP, demolition of all five buildings will be completed by the third week of May 2010.

Plans are also in place for Chemonics to reconstruct, not retrofit, the five buildings following demolition. OIEE will oversee the preparation of engineering design for the new buildings under its contract with MWH Americas Inc. (MWH). Chemonics will support USAID's design efforts by conducting the geotechnical investigations for each of the sites and preparing the site sketches. OIEE has been engaged in reviewing the site sketches. Upon MAIL's approval of the design plan, OIEE will proceed with the full engineering design under the MWH contract. USAID will review and approve the design before forwarding to ASAP for the preparation of tender documents for construction services. Chemonics estimates that tender and construction activities will require a total of 5.5 months.

With the completion of the implementation plan, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 4. We recommend that USAID/Afghanistan revise and reissue the November 2008 Office of Acquisition and Assistance notice on quality assurance to include requirements for quality assurance of construction performed under subcontracts and subagreements.

The Mission agrees with this recommendation.

Action taken:

On December 7, 2009, the Office of Acquisition and Assistance (OAA) issued OAA Notice 10-001 (See Attachment IV) to clarify and expand OAA Notice 09-001 dated November 22, 2008. In addition to requiring coordination with OIEE on matters affecting acquisition and assistance requirements with a construction component, OAA Notice 10-001 also sets forth the following policy requirement that addresses Recommendation 4:

“Mission Agreement/Contract Officers will ensure that awards with a construction component contain appropriate clausal coverage. The resultant clausal coverage is applicable as flow-down to sub-awards under the prime or recipient awardee and must be considered in responding to consent request(s) involving construction.”

With the issuance of OAA Notice 10-001, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 5. We recommend that USAID/Afghanistan revise its contracting officer technical representative designation letter to communicate the need to comply with construction oversight and quality assurance requirements.

The Mission agrees with this recommendation.

Action to be taken:

Some COTRs, especially new hires, are not aware of the need to comply with USAID/Afghanistan's construction oversight and quality assurance requirements. For this reason, there are construction projects that do not have the requisite quality assurance services, giving rise to sub-standard construction. To address this problem, OAA will revise the designation letter for all awards that have a construction and architectural and engineering (A & E) component to include directions on compliance with the Mission's construction oversight and quality assurance requirements. These requirements will be incorporated in Sub-section F of Section I: *Responsibilities* of the COTR/AOTR (Agreement Officer Technical Representative) designation letter as set forth in the Automated Directives System for designation of COTR/AOTR. Furthermore, OAA will issue an internal guidance memorandum advising all Contracting Officers that, for any award with construction and A & E component, the COTR/AOTR designation letter must include the requirements for construction monitoring and quality assurance services under Section I.F. The target date for OAA issuance of the internal guidance described above is June 30, 2010.

Based on the actions identified above, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be deemed closed when OAA issues the internal guidance memorandum advising COs to include language in the applicable COTR/AOTR designation letters about the need to comply with construction oversight and quality assurance requirements.

Recommendation 6. We recommend that USAID/Afghanistan develop written procedures covering the types of roads that require mandatory engineering oversight and quality assurance.

The Mission agrees with this recommendation.

Action to be taken:

All road projects need engineering oversight and quality assurance to ensure that they are built to standards and would last through their designed economic life. The extent

and type of quality assurance services needed depends on the type of road being built or rehabilitated. For example, a paved road involves more complex procedures than a gravel road and would, therefore, require more intensive monitoring.

USAID/Afghanistan's Road Team is drafting the procedures for providing the appropriate engineering oversight and quality assurance services to specific types of roads. The target date to fully close this recommendation is April 30, 2010, when OAA issues the notice prescribing the engineering oversight and quality assurance services for all types of road project.

Based on the actions identified above, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be deemed closed when OAA issues the notice prescribing the engineering oversight and quality assurance services for each type of road project.

Recommendation 7. We recommend that USAID/Afghanistan take appropriate action during each portfolio review to require that all in-process and completed construction projects during the review cycle are documented and shared with the Office of Infrastructure, Engineering and Energy as a means for it to ensure the existing database of constructions projects is complete and provide engineering quality assurance oversight for those projects lacking it.

The Mission agrees with this recommendation.

Action to be taken:

USAID/Afghanistan recognizes the need for all offices to inform OIEE of all construction projects to enable it to plan and provide the appropriate engineering services and oversight in accordance with Mission policy. USAID will use the portfolio reviews to collect information on ongoing and completed construction and engineering projects during the review cycle. The information will be provided to OIEE for inclusion in the infrastructure database and, if warranted, in the list of construction projects requiring engineering oversight and quality assurance services. OIEE will also use information collected through the Afghan Info database managed by the Office of Project and Program Development (OPPD) to confirm and supplement the information on construction projects gathered from the portfolio reviews. The target date to fully close this recommendation is December 31, 2010, when OPPD issues the agenda for the portfolio review that includes reporting on ongoing and completed construction projects during the review cycle.

Based on the actions identified above, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be deemed closed when OPPD issues the agenda for the portfolio review that includes reporting on ongoing and completed construction projects during the review cycle.

Recommendation 8. We recommend that USAID/Afghanistan establish procedures to grant the mission engineers or their designated representatives the right to communicate directly with the construction contractors or subcontractors on deviations from approved engineering designs.

The Mission agrees with this recommendation.

Action to be taken:

The Mission agrees that procedures should be established to allow authorized members of the contracting officer's field support team to directly communicate their field observations to construction contractor(s) regarding deviations from approved engineering designs or non-conformity in performance. Direct communication with construction contractors will be limited to discussions of deviations, and should not include instructions that could result in constructive changes to the contract. To ensure that direct communication is allowed across all construction contracts, and not depend on the preference of COTRs, the Mission will establish procedures for communicating observed deviations. These procedures will be included in Section I.F of the COTR/AOTR designation letter, as described under Recommendation 5. Section I.F will inform COTRs/AOTRs about the Mission's engineering oversight and quality assurance requirements, and describe communication procedures, including allowing designated engineers to directly communicate with construction contractor(s) regarding observed deviations from approved engineering designs. The target date to fully close this recommendation is June 30, 2010.

Based on the actions identified above, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be deemed closed when OAA issues the Memorandum advising COs to include language in the COTR designation letters about the procedures allowing mission engineers or their designated representatives to directly communicate with contractors concerning deviations from approved engineering designs.

Recommendation 9. We recommend that USAID/Afghanistan require that the final subcontract requirements for the design of the new campus for the American University of Afghanistan is reviewed for adherence to appropriate engineering standards.

The Mission agrees with this recommendation.

Actions Taken:

On December 7, 2009, the Mission issued OAA Notice 10-001 requiring that subcontract requirements for construction and A & E services be reviewed and approved by OIEE before OAA accepts them for processing. OIEE must review the procurement requirements for adherence to appropriate engineering standards. The

OAA Notice covers both acquisition and assistance instruments and their sub-awards. As such, the requirement applies to the design subcontract for the new campus of the American University of Afghanistan (AUAF).

To ensure that the design of the American University of Afghanistan (AUAF) campus adheres to engineering standards and USAID requirements, the Mission made a determination to implement the design activity through a separate mechanism managed by OIEE. This was conveyed to the AUAF President in a letter from the Agreement Officer dated March 2, 2010 (Attachment V). Due to AUAF's reticence regarding USAID's determination, discussions are ongoing to determine the best option for proceeding with the design, including if the design should be funded by USAID. Should AUAF and its Board of Trustees opt to use USAID funds for the design activity, the procurement requirements will have to be reviewed for adherence to appropriate engineering standards, in compliance with OAA Notice 10-001.

Based on the actions taken, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 10. We recommend that USAID/Afghanistan requires that all engineering drawings related to the American University of Afghanistan Campus are reviewed for compliance with specified standards before the mission accepts delivery of the drawings.

The Mission agrees in principle with this recommendation.

Actions Taken:

OAA Notice 09-001 dated November 22, 2008 (Attachment VI) requires that OIEE shall review and approve vertical structures design submittals prior to acceptance by OAA. However, the Mission can only enforce this requirement if the engineering drawings for the AUAF campus are deliverables of a USAID-funded instrument.

In order to ensure compliance with specified standards, USAID has determined and conveyed to AUAF that, if USAID funds are used for the design of the new campus, OIEE would implement the activity under a separate mechanism that it manages. This March, USAID will present AUAF with the following options for proceeding with design activities, with or without funding:

1. AUAF uses 100% of its own funding for all design services and proceeds with the firm selected by the Board of Trustees in November 2009. USAID will remove the International Architect line item from the cooperative agreement budget. No USAID Funds would be utilized for design, and USAID funds could not be applied to any resulting construction projects. Furthermore, AUAF's private funds would be considered outside the cooperative agreement and excluded from cost share.

2. UAF uses its own funding and procurement processes for design and construction of priority buildings. USAID funds would be used for site development (full concept design, including non-priority buildings, or other support as requested by AUAF to help integrate buildings and facilities onto the overall site). No USAID Funds would be utilized for design nor construction of priority buildings. USAID will remove the International Architect line item from the cooperative agreement budget. AUAF funds applied to the campus design would be considered outside the cooperative agreement and excluded from cost share.
3. Proceed with 100% USAID funding for concept plans and buildings designs. USAID's work with a design contractor will fast-track designs of priority buildings. International Architect line item within the cooperative agreement budget will be removed and the cooperative agreement reduced to cover USAID direct funding of design work.
4. Proceed with 100% USAID funding for concept plans and building designs. Design of priority buildings will not be fast-tracked. International Architect line item within the cooperative agreement budget will be removed and cooperative agreement reduced to cover USAID direct funding of design work.

The Mission will be able to enforce the review of engineering drawings only in Options 3 and 4 above.

Based on the actions taken, Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 11. We recommend that USAID/Afghanistan require that the final statement of work clearly identifies the continuation of the Afghan Infrastructure Data Center as a core aspect of the follow-on contract, to include training of Afghan Ministries in the maintenance and use of the data center.

The Mission agrees with this recommendation.

Actions Taken:

The Statement of Work for the Engineering Quality Assurance and Logistical Support (EQUALS) Program, the follow-on activity, has been revised as follows to include training of Afghan Ministries:

“Update and maintain the infrastructure database developed under the Human Resource and Logistical Support Program, and develop the capacity of

appropriate agency(ies) to take over its operation and maintenance through training of staff and preparation of user's manuals, among others.”

Meanwhile, the ongoing Human Resource and Logistical Support (HRLS) Program has completed an assessment of the Ministry of Public Works' requirements to enable them to operate and maintain the roads database. A presentation is also scheduled at the Ministry of Energy and Water to inform the staff about the roll-out of the infrastructure database called Afghanistan Infrastructure and Security Cartography System (AISICS), and to discuss their involvement in a user needs assessment and training on the use and administration of AISICS. HRLS has designed two courses on GIS (Intro & Advanced ArcGIS 9.3) that will provide the tools needed to begin working with AISICS. Following the roll-out of the online versions of AISICS in April, 2010, an IRD GIS Manager will conduct training for partner Ministries in both ArcGIS and AISICS on a weekly basis.

Based on the actions taken, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation is closed.

Recommendation 12. We recommend that USAID/Afghanistan complete all required contractor performance reviews of International Relief and Development, Inc. in accordance with Agency procedures.

The Mission agrees with this recommendation.

Actions Taken:

Contractor Performance Reviews (CPR) covering the first three years of the contract have been completed and submitted to the Contractor Performance System (CPS) of the National Institutes of Health. The COTR is now drafting the CPR for the fourth year that ended on February 28, 2010. In order to complete a fair evaluation of the contractor's performance, the COTR has requested inputs from USAID staff members, as IRD's principal customers. The inputs will feed into the fourth year CPR that will go into a clearance process prior to submission to the CPS. The target date to fully close this recommendation is March 31, 2010, when the 4th year evaluation is submitted to the CPS.

Based on the actions identified above, the Mission requests RIG/Manila concurrence that a management decision has been reached and that this audit recommendation will be deemed closed when the 4th year CPR is submitted to the CPS.

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