



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/AFGHANISTAN'S AFGHAN CIVILIAN ASSISTANCE PROGRAM

AUDIT REPORT NO. 5-306-10-004-P  
December 15, 2009

MANILA, PHILIPPINES



*Office of Inspector General*

December 15, 2009

**MEMORANDUM**

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

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

**SUBJECT:** Audit of USAID/Afghanistan's Afghan Civilian Assistance Program  
(Audit Report No. 5-306-10-004-P)

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

The audit report contains seven recommendations to assist the mission in improving various aspects of the program. On the basis of information provided by the mission in response to the draft report, we determined that final actions have been taken on recommendations 1, 2, 4, 5, 6, and 7. In addition, a management decision has been reached on recommendation 3. A determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

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

The main goal of the Afghan Civilian Assistance Program (the program) is to provide assistance to Afghan families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. Assistance under the program is generally provided in goods and services to those who have suffered losses—a farmer might receive a tractor or livestock and a grocer might receive merchandise to restock his store. The program is being implemented through a \$27 million, 3-year cooperative agreement (April 2007 to April 2010) with the International Organization for Migration (IOM, the implementer). As of December 31, 2008, \$18.5 million had been obligated and about \$6.4 million had been spent for program activities. (See page 3.)

The audit concluded that the program is not on target to assist eligible beneficiaries under the program. The implementer reported that as of September 1, 2008, close to the midpoint of the program, only 803 of the more than 6,000 eligible families under the program were receiving assistance (about 13 percent). As of January 22, 2009, the implementer reported that it had actually assisted only about 40 percent of the estimated target number of 5,102 eligible families included in a recovery plan it had developed in October 2008. (See page 5.)

In addition, until about the midpoint of the program, USAID/Afghanistan had very limited involvement in the program and little information about its progress. The mission had not followed up regularly on the status of the implementer's implementation plan, monitoring and evaluation plan, and quarterly program reports. The mission also had not made sufficient site visits to adequately evaluate the program's progress and had not properly monitored the staffing of positions for the implementing organization. (See pages 5, 6, and 7.) In addition, while we recognize that the program was difficult to staff because of security concerns, understaffing continued to be a challenge at the time of the audit. As of January 2009, a subcontractor for the implementer had hired only 56 of the 86 employees deemed necessary to meet program targets. At the time of the audit, the implementer's documents indicated that its subcontractor was still in the process of hiring 30 staff members for the six regional offices where the program was being implemented. In addition, the implementer had not taken advantage of opportunities to improve the effectiveness and efficiency of the program, such as limiting the program's eligibility period and requiring beneficiaries to present Afghan national identification cards. (See pages 8, 9, 10, and 11.)

The audit made seven recommendations that were deemed necessary to help the mission properly oversee implementation and evaluation of the program. The recommendations concern:

- Allowing sufficient time for mission staff to monitor and evaluate the program properly. (See page 8.)
- Requiring the program implementer to prepare and submit required planning and program reports on time. (See page 8.)
- Requiring the program implementer to staff the program adequately. (See page 9.)

- Revising the eligibility period for qualifying military incidents to a more recent cutoff date. (See page 11.)
- Closing out program grants that were essentially complete. (See page 11.)
- Requiring program beneficiaries to present national identity cards for identification purposes. (See page 12.)
- Delivering education and tailoring kits expeditiously. (See page 12.)

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, 2, 4, 5, 6, and 7, and a management decision has been reached on recommendation 3 (see page 13). The mission's written comments on the draft report are included in their entirety, without attachments, as appendix II to this report (see pages 16 to 23).

# BACKGROUND

The Afghan Civilian Assistance Program (the program) was designed to assist Afghan civilian families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. The program's response to the needs of these families and communities is expected to contribute to the overall stabilization of Afghanistan. The program is based on the Leahy Initiative, which was authorized by the Consolidated Appropriations Resolution, 2003 (Public Law 108—7). The Leahy Initiative specified that assistance be made available for humanitarian, reconstruction, and related purposes for Afghan communities and families adversely affected by military operations.<sup>1</sup>

USAID/Afghanistan awarded a 3-year, \$27 million cooperative agreement to the International Organization for Migration (IOM, the implementer) to implement the Afghan Civilian Assistance Program, beginning April 1, 2007, and ending April 30, 2010. The program typically provides goods and services; it is not intended to be a compensation program, nor are condolence or cash payments generally provided. The implementer has assisted war-affected Afghan communities since 2003 via USAID's Afghanistan Transition Initiative. The Afghanistan Transition Initiative has implemented mostly shelter and small infrastructure projects, primarily in the southeastern region of Afghanistan, an area particularly affected by military operations against insurgents and the Taliban since 2001.

The program develops sustainable assistance packages to address the specific needs of the program beneficiaries. For example, the program helps beneficiaries establish small businesses or purchase livestock and tractors for their farms. It also provides educational and vocational training, along with education and tailoring kits, for beneficiary family members. The education kits include shoes, notebook paper, pens and pencils and rulers and books. The tailoring kits include a sewing machine, chair, table, iron, scissors, buttons, and pins.

As of December 31, 2008, \$18.5 million had been obligated and about \$6.4 million had been spent 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 humanitarian assistance service provided through the Afghan Civilian Assistance Program achieving its main goal?

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<sup>1</sup> A similar program in Iraq is the Marla Ruzicka Iraqi War Victims Fund (the Marla Fund), which assists Iraqi civilian war victims who have suffered harm caused only by U.S. or Coalition Forces. Management of the Afghan Civilian Assistance Program differs significantly from that of the Marla Fund. An audit that USAID's Office of Inspector General conducted of the Marla Fund discusses the differences in management (Audit Report No. E-267-08-002-P, Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victim's Fund," April 3, 2008).

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



**The program purchased materials to rebuild a home for 19 family members in Kabul, after an aerial bombing destroyed the building during a military operation. (Photograph by Office of Inspector General, February 2009.)**

# AUDIT FINDINGS

USAID/Afghanistan's Afghan Civilian Assistance Program (the program) is not on target to achieve its main goal of assisting families and communities that have suffered losses as a result of military operations against insurgents and the Taliban.

The International Organization for Migration (the implementer) reported that as of September 1, 2008, close to the midpoint of the program, only 803 of the more than 6,000 eligible families under the program—about 13 percent—were receiving assistance. Under an October 2008 recovery plan to get the program back on track, the implementer hoped to assist 5,102 of the estimated 6,378 eligible families by April 30, 2009. However, as of January 22, 2009, the implementer reported that it had actually serviced about 40 percent of the intended families—2,025 of the estimated target number of 5,102. An implementer official stated that the organization is not on track to assist the targeted number of beneficiaries.

USAID/Afghanistan had very limited involvement in the program and little information on its progress. Initially the mission could not measure the implementer's progress under the program because targets had not been set. Later, the implementer identified partial performance targets, to which the mission agreed in an October 2008 recovery plan to get the program back on track.

Notwithstanding these issues, the program did assist many beneficiaries. For example, beneficiaries have received assistance that directly affected their ability to rebuild houses and increase their farm and business income to provide for themselves and their families.



**In September 2008, the program purchased a compressor and voltage regulator for a dentist who had been shot during a military incident at the airport in Nangarhar Province. The dentist said the equipment has increased the capacity of his dental clinic to serve patients and thus increased his income. (Photograph by Office of Inspector General, January 2009.)**



In addition, as part of the program's assistance packages, beneficiaries were offered education kits for school-aged family members and tailoring kits for female family members to use to supplement family income. Moreover, the program provided much-needed medical assistance and pharmaceutical supplies to beneficiaries.

Village elders from several districts in Nangarhar Province told us that the program has greatly improved the lives of beneficiaries. They said that the implementer was generally quick to investigate the scene where military incidents had occurred. The elders further stated that the program was helping farmers and entrepreneurs and that families were happy with the significant changes the assistance has brought to their lives.

The audit identified several issues that the mission needs to address to improve the results and impact of the program: (1) program assistance had not been effectively monitored and evaluated, (2) program understaffing had impeded program performance, and (3) program implementation should be improved to ensure efficiency and effectiveness. For example, efficiency and effectiveness could be improved by limiting the program eligibility period and requiring that beneficiaries present Afghan national identification cards. These issues are discussed in more detail in the following sections.

## **Program Assistance Was Not Effectively Monitored and Evaluated**

**Summary.** USAID Automated Directives System guidance recommends substantial mission involvement during the administration of a cooperative agreement to help the recipient achieve the objectives of the agreement. We found that the mission was not substantively involved in the program and had not followed up regularly on the status of the implementation plan, monitoring and evaluation plan, and quarterly program reports. The mission also had not performed sufficient site visits of program activities or properly monitored the staffing of key positions. The mission's current technical representative indicated that, because of other responsibilities, he had worked on the program only as time permitted. Until recently, the mission was not aware of the program's slow progress. The lack of key planning documents, early in the life of the program, has impeded the program's progress. Because of program delays, many of the intended beneficiaries did not receive assistance expeditiously.

Unlike mission involvement in grants, missions should be substantially involved in cooperative agreements to the extent that it is reasonable and necessary, according to the USAID Automated Directives System (ADS) 303.3.11, "Substantial Involvement in Cooperative Agreements." In addition, according to the program's designation letters for the agreement officer's technical representative, the mission should exercise substantial involvement and monitor the program through the technical representative. Under the terms of the agreement, the implementer had several key reporting requirements, such as preparation of an implementation plan, monitoring and evaluation plan, and quarterly program reports, that were intended to help ensure success of the program.

Although security problems have caused program delays from the start, an equal if not greater problem has been the lack of timely and adequate monitoring and evaluation of the program by the mission. We found that the mission was not substantively involved in the program and had not regularly followed up on the status of the implementation plan, monitoring and evaluation plan, and quarterly program reports. Moreover, the mission had made only one site visit to evaluate the program's progress prior to the audit. The mission also had not properly monitored the staffing of key positions for the organization. For example, we determined that one of the key positions, program support officer, had not been filled until late November 2007 (about 8 months after the program started).

According to the cooperative agreement, the implementer was expected to submit a draft implementation plan of its activities and a draft performance monitoring and evaluation plan within 60 days of the start date of the cooperative agreement (by May 31, 2007). The implementer did not submit the required plans to the mission until November 2007. Later, apparently because of the mission's inaction, both plans were resubmitted to the mission for review in March 2008. Although the mission's current technical representative had provided substantive help with the drafting and review of the implementation plan, neither the implementation plan nor the monitoring and evaluation plan received the required final approval of the technical representative.

Between April and October 2007, three different technical representatives were appointed for the program. The mission's previous technical representatives had not required the implementer to prepare the required implementation plan and monitoring and evaluation plan. The current technical representative (the fourth), appointed in February 2008, indicated that as time permitted he had worked with the implementer to develop and issue the required implementation plan and monitoring and evaluation plan. The mission representatives' failure to require the timely preparation and submission of these key documents was a significant oversight that likely imperiled the program from the beginning. In fact, at the time of the audit the program was still struggling to overcome the mission's inadequate monitoring and evaluation practices.

Moreover, the implementer did not submit quarterly program reports within 30 days after the end of the reporting period, in accordance with the cooperative agreement and the Code of Federal Regulations (22 CFR 226.51). In fact, three of the required seven quarterly program reports were never prepared, and the first of the four quarterly program reports provided was given to the mission about a year late. We reviewed the four quarterly program reports prepared for the period from January 1 to December 31, 2008, and found them inadequate in several respects. For example, the quarterly program reports did not include a comparison of actual accomplishments with the goals and objectives set for the period or specific reasons why established goals had not been met, and they did not provide cumulative reporting on program results against the applicable targets. The current technical representative said he had not relied on the reports because of their inadequacy.

The current technical representative stated that part of his time had been used on activities other than the program. The technical representative also said he now spends about 40 percent of his time on the program and does not believe he has enough time to monitor and evaluate the program properly, especially because the program needs extra attention to address the problems and delays.

Because of inadequate monitoring and evaluation, top mission officials were not aware that the program had fallen significantly behind schedule. As a result of program delays, many of the intended beneficiaries of the program did not receive assistance.

We believe that the program's progress has been impeded by the lack of proper monitoring and evaluation and key planning documents early in the life of the program. Proper monitoring and evaluation would have revealed that required planning and reporting documents for the program had not been submitted, clear targets had not been established for assisting beneficiaries, and assistance was not being provided in a timely way. Moreover, without an implementation plan the implementer was unable to develop a viable plan to achieve the main program objective. Even though a recovery plan with targets was established in October 2008, we are nevertheless making the following recommendations to help ensure that the program is properly monitored and evaluated:

*Recommendation 1: We recommend that USAID/Afghanistan develop a plan that will provide sufficient work time for the agreement officer's technical representative assigned to the Afghan Civilian Assistance Program to properly monitor and evaluate the programmatic needs for the program so that it can be implemented effectively and on schedule.*

*Recommendation 2: We recommend that USAID/Afghanistan require the International Organization for Migration to adhere to a schedule in preparing and submitting the required planning and program reporting documents, such as implementation plans, monitoring and evaluation plans, and program reports to help the mission monitor and evaluate the implementation of the Afghan Civilian Assistance Program.*

## **Program Progress Was Impeded by Understaffing**

**Summary.** The program cannot achieve its intended results, under an ambitious recovery plan, without sufficient staffing to keep pace with changing conditions. As of January 2009, only 56 of the 86 staff members that are needed to meet program targets had been acquired, and the program implementer was not keeping pace with changing program conditions. High-risk security conditions affected the staffing levels, and the need for program changes was not addressed effectively. Staffing shortages and slow reactions to changing conditions have delayed the program's progress.

To keep pace with changing conditions of the program, a primary element of the implementer's October 2008 program implementation and recovery plan was to nearly triple the staff level from 29 to 83 (later increased to 86) between August and November 2008. The program is implemented by the implementer's direct-hire staff as well as staff hired by a subcontractor acting on the implementer's behalf.

To better assist beneficiaries who had not been serviced, the implementer designed a program recovery plan as part of its October 2008 implementation plan. The recovery plan, according to the mission's technical representative, was based on a best case scenario to achieve adequate staffing and reduce security concerns.

The audit found that the implementer's headquarters in Kabul and its six regional offices for the program have been significantly understaffed during most of the program period. As of January 28, 2009, the organization had only 56 (about 65 percent) of the 86 employees that it believed were necessary to meet the April 30, 2009, targets it had set in the recovery plan. In addition, we found that recruitment was still underway to acquire two more international staff members, who would increase the program's headquarters international staffing level from three to five positions. The implementer's documents indicated that it was still in the process of acquiring 9 staff members and recruiting 21 more for the six regional offices where the program was being implemented. In addition, as noted earlier, one of the key positions at headquarters, the program support officer, was not filled until late November 2007 (about 8 months after the program had started). The implementer considered that position to be one of the three key positions for the program.

During our site visit to the implementer's Nangarhar Regional Office in January 2009, we found that only 9 of the 13 planned positions there had been filled. When the program started in April 2007, the Nangarhar Regional Office had only two staff members working on the program. One more was added in August 2008, about 16 months after the program's inception. Of the nine filled positions, only the two original staff members worked directly for the implementer—the other seven had been hired through the implementer's subcontractor. We were told that the subcontractor would acquire four additional employees to work for the Nangarhar Regional Office.

The precarious security situation has hindered efforts to solve the problem of understaffing, and the implementer has not found effective ways to increase the staff. The implementer had wanted to hire locally, in the areas that would benefit from the assistance, but recruitment has been slow. In the high-risk southern region, particularly, the number of staff vacancies is much higher than the number of qualified applicants.

Although the subcontractor made progress recently in obtaining staff, the implementer still had not acquired all the employees it needed to fully implement the program. Along with the security problems, the staff shortage has been one of the main causes of delay in providing assistance to program beneficiaries. We are therefore making the following recommendation:

*Recommendation 3: We recommend that USAID/Afghanistan require the International Organization for Migration to take appropriate action to adequately staff the Afghan Civilian Assistance Program at a level sufficient to provide timely and effective assistance to eligible beneficiaries.*

## **Program Implementation Approaches Can Be Improved**

**Summary.** The Code of Federal Regulations states that recipients of USAID awards are responsible for managing and monitoring each program. The audit identified four issues that are making implementation of the program inefficient and less effective. Implementer officials said that they were too focused on program implementation issues or had not thought of changes needed to streamline the implementation process. Improved approaches should be implemented during the course of the program to ensure that resources are being used efficiently and effectively.

One measure of an efficient and effective program is its ability to adapt to changing conditions during its implementation. The Code of Federal Regulations states in part that award recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award (22 CFR 226.51 (a)).

The audit found four issues related to the implementation of the program that are making it inefficient and less effective.

1. The implementer's policy was to investigate military incidents in which Afghan civilians suffered losses going back to October 2001. Because of the length of time that has elapsed, the difficulty of verifying that the incidents occurred all the way back to October 2001 could lead to acceptance of inadequately documented or fraudulent claims.
2. The implementer's policy was to keep grants open for at least 1 year even after all substantial services had been provided to the grant's beneficiaries. Keeping the grants open longer than necessary requires continuing administrative follow up and reporting and causes a further drain on the implementer's limited staff.
3. Most eligible program beneficiaries were not required to obtain and present Afghan national identification cards to help ensure that they were not filing duplicate claims under the program.
4. The implementer was slow to provide supplementary assistance to beneficiaries such as education kits and tailoring kits.

The following paragraphs discuss these issues in greater detail.

**Revising the Eligibility Period for Qualifying Military Incidents.** The implementer's policy of investigating all incidents related to military operations going back to October 2001, when military operations first started, should be revised for several reasons. Our review of the Nangarhar Regional Office program files disclosed only 5 such beneficiaries out of 55 who had been affected by eligible military incidents between the years 2001 and 2003 (4 in 2001 and 1 in 2003). The next most recent documented military incidents did not take place until 2006, almost 3 years later, when seven military operation incidents were identified. In addition, several groups of village elders whom we interviewed told us that they did not know of any potential beneficiaries who might have suffered physical or property damages as far back as October 2001 and who had not been assisted by the program. The implementer and the mission's technical representative agreed that the eligibility period should be revised to a more recent cutoff date.

**Closing Out Program Grants.** The implementer provides assistance to eligible beneficiaries using grants that often cover multiple beneficiaries. The audit found that none of the program's 260 approved grants had been closed out, even after all assistance had been provided to eligible beneficiaries under five of the grants. The grants remained open because of a program policy to continue them for at least 1 year, even after all substantial services have been provided to the beneficiaries. However, implementer officials in Kabul and the Nangarhar Regional Office agreed with the

auditors that a shorter period—6 months rather than 1 year—would be a more reasonable timeframe for grants to be active. Further, implementer officials said that if the timeframe for keeping grants active were reduced, the number of monitoring reports required for individual beneficiaries also could be reduced. The mission’s technical representative agreed that grants could be completed and closed in 6 months, unless extenuating circumstances would merit keeping them open.

**Requiring National Identity Cards.** Potential program beneficiaries should be required to obtain national identification cards to ensure that they do not file duplicate claims under the program. Previously, program beneficiaries had provided only a thumb print and/or a signature in order to receive assistance. Subsequently the implementer began to require that potential beneficiaries seeking assistance for shelter under community grants obtain Afghan national identification cards as part of the beneficiary assistance process. Because the budget for nonshelter grants can reach \$3,500, we believe it would be prudent to require applicants for those grants to present sufficient proof of their identity as well, such as a national identification card. In recognition of the potential fraud risk, implementer officials said that they agreed with the need for requiring potential beneficiaries to document their identities with Afghan national identification cards.

**Education and Tailoring Kits Not Delivered Expeditiously.** The implementer was not delivering education and tailoring kits to program beneficiaries expeditiously. In part, the implementer was slow to provide kits because the organization did not maintain a sufficient inventory of the kits and had to deliver them after beneficiaries had received their primary assistance. For example, the kits might be delivered several months after a farmer had received a tractor or livestock or a grocery store owner had received merchandise to stock his store. In response to the audit observations and in recognition of the delays, implementer officials said they would initiate actions to ensure that the kits can be issued more expeditiously.

Implementer officials stated that they had not changed their procedures as described above, because they were too focused on implementation issues or had not thought of the suggested changes to streamline the implementation process. Implementing all of the recommended changes should make the program more efficient and effective and allow staff to focus on new and partially served beneficiaries and communities under the program. Although the implementer generally agreed with these changes, we are nevertheless making the following recommendations:

*Recommendation 4: We recommend that USAID/Afghanistan require the International Organization for Migration to review its policy on the eligibility period for which applicants under the Afghan Civilian Assistance Program can apply and receive benefits to determine whether a more appropriate eligibility period should be used.*

*Recommendation 5: We recommend that USAID/Afghanistan require the International Organization for Migration to review its policy on completed and closed-out grants to determine whether the policy should be revised, and, if appropriate, revise the policy in order that completed grants can be closed out more rapidly.*

*Recommendation 6: We recommend that USAID/Afghanistan require the International Organization for Migration to review its policy on the acceptance of identification from applicants under the Afghan Civilian Assistance Program to determine whether the policy should be revised and, if appropriate, revise the policy to require that national identity cards be used for identification.*

*Recommendation 7: We recommend that USAID/Afghanistan require the International Organization for Migration to review its procedures on the distribution of education and tailoring kits to program beneficiaries, under the Afghan Civilian Assistance Program, to determine whether the kits are being distributed expeditiously and, if not, initiate actions to remedy the distribution.*

# 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 a management decision has been reached on one recommendation. The status of each of the seven recommendations is shown below.

Final action—recommendations 1, 2, 4, 5, 6, 7  
Management decision—recommendation 3

For recommendation 3, the mission agreed that the program should be fully staffed on the basis of projected staffing needs identified by the program implementer. The implementer is projecting that it will achieve its full projected staffing level in January 2010. In February 2010 the mission will follow up with the implementer to determine whether the implementer has met its staffing target.

We consider that a management decision has been reached on recommendation 3. A determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

The mission's written comments on the draft report are included in their entirety, without attachments, as appendix II to this report.



# 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 humanitarian assistance service provided through the Afghan Civilian Assistance Program was achieving its main goal.

USAID/Afghanistan awarded a 3-year, \$27 million cooperative agreement to the International Organization for Migration (implementer) to implement the Afghan Civilian Assistance Program (the program) beginning April 1, 2007, and ending April 30, 2010. As of December 31, 2008, \$18.5 million had been obligated and about \$6.4 million had been spent for program activities.

The audit fieldwork was conducted in Afghanistan from January 21 through February 11, 2009, and covered the program's activities implemented by the implementer from agreement inception to February 2009. We conducted audit fieldwork at USAID/Afghanistan and the implementer's headquarters office in Kabul, Afghanistan. Additionally, we made site visits to the implementer's Nangarhar Regional Office in Jalalabad, Afghanistan. As part of the audit, we selected individual beneficiaries to visit in Kabul and the Jalalabad area of Afghanistan. Also, we met with a group of community elders in Jalalabad to obtain their observations about the program.

Because of security restrictions, we had to modify the selection of beneficiaries visited in both Kabul and Jalalabad. Also security restrictions imposed by the Regional Security Office at the U.S. Embassy in Kabul prevented us from conducting our planned visit with beneficiaries in Kandahar, Afghanistan. However, we believe that these restrictions did not adversely affect the conclusions in this report.

As part of the audit, we assessed USAID/Afghanistan's significant internal controls in place to monitor the project activities. The assessment included controls related to whether the mission had (1) conducted and documented site visits to evaluate and monitor progress, (2) required and approved the implementer's implementation plan and monitoring and evaluation plan, (3) reviewed progress reports submitted by the implementer, and (4) measured the implementer's reported progress in comparison with planned progress and the mission's own evaluations of progress. The assessment also included controls related to the contents of the agreement officer's technical representative's files to help determine whether program oversight had been adequate. We also reviewed the mission's annual self-assessment of internal controls in accordance with the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255). Finally, we reviewed relevant prior audit reports.

## Methodology

USAID/Afghanistan and the implementer did not establish agreed-upon targets until October 2008 as part of a recovery plan included in the implementer's implementation plan. Under the recovery plan, the implementer launched an initiative to assist 80 percent of eligible families affected by military operation incidents occurring before October 31, 2008, and to accomplish the assistance by April 30, 2009. Therefore, in order to answer the audit objective and test the mission's controls over the program, we modified the audit approach and designed audit steps to measure the progress toward this target.

Specifically, to answer the audit objective, we interviewed officials and staff from USAID/Afghanistan and the implementer, local village elders in the province of Nangarhar, and program beneficiaries. We also reviewed and analyzed relevant documents at both the mission and the implementer's offices. This documentation included annual work plans, the agreement and its modifications, site visit and other monitoring reports, progress reports, financial reports and records, and grants issued to program beneficiaries. Regarding the monitoring and evaluation systems at the mission and implementer, we reviewed the systems to determine whether results were being captured.

The implementer uses grants as the principal mechanism to deliver the approved assistance to families and communities who have suffered losses as a direct or indirect result of military operations. Of the program's 260 approved grants, we reviewed the supporting information for 10 selected grants to help determine the impact on Afghan civilian families and communities that have suffered losses as a result of military operations. Moreover, as part of the interview process with beneficiaries (identified through the implementer's grant award process), we asked questions about how they or a family member had become eligible for benefits, the type of benefits they had received, their family size, and the impact that the program has had on them and their families.

Because of security restrictions, we had to modify the selection of beneficiaries visited in both Kabul and Jalalabad; primarily, they were beneficiaries that the implementer thought would be safe to visit. Before visiting the beneficiaries selected by the implementer, we reviewed the implementer's pertinent files concerning the beneficiaries and made a final decision as to which ones would be acceptable for our interviews.

# MANAGEMENT COMMENTS



## MEMORANDUM

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

**From:** Rebecca Black, Acting Mission Director, USAID/Afghanistan /s/

**DATE:** December 13, 2009

**SUBJECT:** Audit of USAID/Afghanistan's Afghan Civilian Assistance Program (Agreement No. 306-A-00-07-00516-00) (Audit Report No. 5-306-10-00X-P)

**REFERENCE:** BBoyer/WFrej memo dated November 13, 2009

Thank you for providing the Mission the opportunity to review the subject draft audit report. We would like to express our gratitude for the professionalism, flexibility, resourcefulness, and hard work exhibited by the audit team while travelling to several insecure areas throughout Afghanistan to conduct field work. We are providing confirmation of the actions that have been taken or are planned to be taken to address the recommendations in the audit report.

## MISSION RESPONSES TO AUDIT RECOMMENDATIONS

***Recommendation No. 1: We recommend that USAID/Afghanistan develop a plan that will provide sufficient work time for the agreement officer's technical representative assigned to the Afghan Civilian Assistance Program to properly monitor and evaluate the programmatic needs for the program so that it can be implemented effectively and on schedule.***

The Mission agrees with this recommendation.

## Actions Taken:

USAID/Afghanistan has taken the following steps to ensure that the Agreement Officer's Technical Representative (AOTR) for the Afghan Civilian Assistance Program (ACAP) has sufficient time to properly monitor and evaluate the programmatic needs for the program so that it can be implemented effectively and on schedule.

Following the RIG audit of ACAP in January 2009, USAID/Afghanistan made several changes with regard to the AOTR for ACAP. First, USAID/Afghanistan replaced the previous ACAP AOTR with a fully-dedicated AOTR in July 2009. Second,

USAID/Afghanistan ensured that the incoming ACAP AOTR had a limited scope of work, with the majority of the AOTR's level of effort being dedicated to managing ACAP. Lastly, USAID/Afghanistan placed the ACAP AOTR solely within the Mission's Provincial Reconstruction Team (PRT) Office, the office under which ACAP is housed, reporting directly to the office director, which ensures that the AOTR will not divide his/her time between ACAP and other duties outside of the PRT office. Please see attached as Annex I the scope of work for the ACAP AOTR.

In addition to installing an AOTR dedicated to spending the majority of his/her level of effort managing and monitoring the ACAP program, USAID/Afghanistan has arranged for a four-member monitoring team to conduct third-party monitoring visits at four ACAP field sites throughout Afghanistan during the month of January 2010. This third-party monitoring will be conducted using an existing support services contract that the USAID/Afghanistan Mission currently has in place. Please see attached as Annex II the scope of work for the ACAP third-party monitoring exercise.

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 1. Therefore, we request your concurrence and closure of this open audit recommendation.

***Recommendation No 2: We recommend that USAID/Afghanistan require the International Organization for Migration to adhere to a schedule in preparing and submitting the required planning and program reporting documents, such as implementation plans, monitoring and evaluation plans, and program reports to help the Mission monitor and evaluate the implementation of the Afghan Civilian Assistance Program.***

The Mission agrees with this recommendation.

**Actions Taken:**

With regard to ACAP reporting, the cooperative agreement between USAID/Afghanistan and the International Organization for Migration (IOM) already requires IOM to submit program and financial reports on a quarterly basis. IOM has been on schedule submitting its quarterly program and financial reports as of the second quarter in 2009 (January – March), and has submitted all required quarterly reports during FY 2009. The ACAP AOTR received from IOM the third and fourth quarter reports by the end of July and October 2009, respectively. Based on this, IOM has been adhering to the required reporting schedule, per the award, for the past three quarters, and with the ACAP AOTR providing regular oversight of IOM's reporting, there is no reason to believe that IOM will not continue to meet its reporting requirements throughout the remainder of the program.

With regard to the implementation and monitoring and evaluation plans, per the cooperative agreement, IOM is required to submit the implementation plan on an annual basis, and the monitoring and evaluation plan 60 days following the effective date of the cooperative agreement.

IOM submitted an initial Year Three Implementation Plan (May 2009 – April 2010) to the

previous ACAP AOTR in April 2009. As USAID/Afghanistan recently performed a modification to extend the award (the award's new end date is November 30, 2010), the current ACAP AOTR requested IOM to submit a revised Year Three Implementation Plan and an updated Monitoring and Evaluation Plan in conjunction with the approval of the award extension. The AOTR received the draft Year Three Implementation Plan and the updated Monitoring and Evaluation Plan in November 2009. The AOTR reviewed these documents and sent comments to IOM on December 3, 2009, requesting that the documents be revised accordingly and re-submitted for final approval, per the cooperative agreement. (See AOTR e-mail and memo to IOM as Annex III.)

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 2. Therefore, we request your concurrence and closure of this open audit recommendation.

***Recommendation No 3: We recommend that USAID/Afghanistan require the International Organization for Migration to take appropriate action to adequately staff the Afghan Civilian Assistance Program at a level sufficient to provide timely and effective assistance to eligible beneficiaries.***

The Mission agrees with this recommendation.

**Actions Taken:**

Based on preliminary findings from the RIG audit of ACAP, the previous AOTR informed IOM in February 2009 that it was imperative for them to fully staff ACAP positions accordingly to their staffing projections. Following the RIG audit, IOM reassessed their staffing needs based on the number of new incidents occurring in 2009, as well as the number of eligible families still requiring ACAP assistance. While IOM staffing targets at the time of the RIG audit were set at approximately 86 staff members, IOM revised these targets based on staffing requirements to meet projected increases in the number of eligible beneficiaries, and the extension of the program through November 30, 2010.

As of the end of September 2009, IOM had 127 staff dedicated to supporting ACAP, posted in 15 offices throughout Afghanistan, including the headquarters in Kabul. Please see below a table illustrating past, current, and projected IOM staffing for ACAP:

<b>Table 4. ACAP field office and staffing levels by region &amp; province</b>							
<b>Region</b>	<b>Province/City</b>	<b>Apr 07</b>	<b>Aug 08</b>	<b>Jan 09</b>	<b>Mar 09</b>	<b>Sept 09</b>	<b>Jan 10 (Targets)</b>
<b>C</b>	Kabul – Kabul City	2	4	14	17	29	30
<b>S</b>	Kandahar – Kandahar City	4	6	10	10	21	28
	Uruzgan – Tirin Kot		1	2	2	3	5
	Helmand – Lashkar Gah		4	7	9	16	21
	Zabul – Qalat		1	1	1	3	3
<b>SE</b>	Paktya – Gardez	1	3	4	5	8	10
	Paktika – Sharana		1	1	1	2	2
	Khost – Khost City		1	2	2	4	7
	Ghazni – Ghazni City			1	1	2	2
<b>E</b>	Nangarhar – Jalalabad	2	2	9	9	13	15
	Nuristan – Kalagush		1	1	1	1	3
	Kunar – Asadabad			1	2	7	10
<b>W</b>	Herat – Herat City	1	2	4	5	8	10
	Farah – Farah City		2	2	1	5	8
<b>N</b>	Kunduz – Kunduz City	1	2	2	3	5	7
<b>National Totals</b>		<b>11</b>	<b>29</b>	<b>61</b>	<b>69</b>	<b>127</b>	<b>161</b>

The increase in staffing has had clear results with regard to ACAP implementation between the period January – September 2009. During the final three quarters of FY 2009, IOM provided assistance to 1,499 new families, nearly doubling the total number of families receiving ACAP assistance - 1,730 families as of the end of December 2008, to 3,229 families as of September 30, 2009.

Per the above table, IOM is projecting that it will require 161 staff nationwide by the end of January 2010. The ACAP AOTR will follow-up with IOM in February 2010 to determine whether IOM has met this staffing target.

Based on the above, the Mission deems that a management decision has been reached on this audit recommendation and requests your concurrence.

***Recommendation No 4: We recommend that USAID/Afghanistan require that the International Organization for Migration review its policy on the eligibility period for which applicants under the Afghan Civilian Assistance Program can apply and receive benefits to determine whether a more appropriate eligibility period should be used.***

The Mission agrees with this recommendation.

**Actions Taken:**

As a point of clarification, it should be noted that Afghan civilians do not “apply” for

ACAP assistance, and are not considered to be “applicants.” IOM tracks incidents involving coalition forces, insurgents, and Afghan civilians, and determines whether households qualify for ACAP assistance based on the eligibility criteria that have been established for the Program (see eligibility criteria attached as Annex IV). After learning of an incident, IOM ACAP staff verify the information and potential claims through a number of sources, including coalition military forces, Provincial Reconstruction Teams (PRTs), the Government of Afghanistan (GIROA), local shuras, elders, and officials, and media reports. Once it has been determined that a household(s) is eligible for ACAP assistance, IOM staff interview the potential beneficiaries, and coordinate the delivery of assistance packages through appropriate local channels, including those already mentioned.

In line with Recommendation No. 4., the ACAP AOTR instructed IOM to modify the targeting of ACAP assistance so as to target newly occurring incidents. (See Annex III for detailed guidance provided to IOM.) With regard to the eligibility period for ACAP assistance, IOM will prioritize newly occurring cases over those that occurred previously, and will focus efforts primarily on those incidents occurring within the life of the current award – April 2007 through November 2010.

For those pre-April 2007 incidents already entered into the database that have yet to receive ACAP assistance, IOM will determine which ones they can realistically access and respond to with available resources, and which ones that will need to be removed from the database. In eliminating select past incidents from the database, IOM staff will be able to more readily focus the majority of their efforts and resources on newly occurring incidents, and those that have occurred within the life of the project.

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 4. Therefore, we request your concurrence and closure of this open audit recommendation.

***Recommendation No 5: We recommend that USAID/Afghanistan require that the International Organization for Migration review its policy on completed and closed-out grants to determine whether the policy should be revised, and, if appropriate, revise the policy in order that completed grants can be closed out more rapidly.***

The Mission agrees with this recommendation.

**Actions Taken:**

In August 2009, the ACAP AOTR and IOM management staff met to review standing ACAP policies and discuss a number of steps to be taken aimed at expediting the delivery of ACAP assistance. (See Annex V for full details.) One particular modification to ACAP implementation that was included in the list of changes was reducing the length of ACAP assistance grants. As of September 2009, all ACAP assistance grants are a maximum of six months. IOM conducts a final monitoring visit at the end of the grant, and aims to close out the grant 30 days following the final monitoring. This will enable IOM to close out assistance grants in half the time they have previously spent on completing grants.

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 5. Therefore, we request your concurrence and closure of this open audit recommendation.

***Recommendation No. 6: We recommend that USAID/Afghanistan require that the International Organization for Migration review its policy on the acceptance of identification from applicants under the Afghan Civilian Assistance Program to determine whether the policy should be revised, and, if appropriate, revise the policy to require that national identity cards be used for identification.***

The Mission agrees with this recommendation.

**Actions Taken:**

On February 28, 2009, the ACAP AOTR instructed IOM to report to USAID on the costs, benefits, and feasibility of requiring recipients of ACAP assistance to possess a national ID card. IOM responded to this instruction on April 22, 2009 with their revised policy on ID cards. (See Annexes VI, VII, and VIII.)

IOM has taken the following steps to ensure that ACAP assistance is not being provided to the same beneficiaries more than once.

All ACAP beneficiaries are asked to present their national ID card at the time that IOM staff conduct the family assessment. The national ID card number is recorded in the IOM ACAP grants database following the interview. In situations where beneficiaries do not possess a national ID card, IOM ACAP staff ask them to obtain one as soon as possible, and request the beneficiaries to produce another form of identification (driver's licence, voter registration card, etc.).

The IOM database is searched by ID number, name (including father's name), and location (village) before issuing new grants to avoid any duplication. However, ACAP assistance is not contingent on the beneficiary possessing a national ID card.

For those who have national ID cards:

- all beneficiaries are asked for their ID card at the time of the family assessment
- ID card number is recorded in the grant database
- when a new grant is created a search is done using the name and ID card number to check if the beneficiary has been previously assisted under ACAP
- a photocopy of the ID is included as a supporting document to the payment voucher

For those who do not have national ID cards:

- the beneficiary is asked to obtain an ID card as soon as possible; however assistance is not dependent on the beneficiary possessing a national ID card



- another form of identity (driver's license, voter registration card, etc.) is taken in place of a national ID card
- when a new grant is created, a search is done using the beneficiary's name (including father's name) and location (village)

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 6. Therefore, we request your concurrence and closure of this open audit recommendation.

***Recommendation No. 7: We recommend that USAID/Afghanistan require that the International Organization for Migration review its procedures on the distribution of education and tailoring kits to program beneficiaries, under the Afghan Civilian Assistance Program, to determine whether the kits are being distributed expeditiously and, if not, initiate actions to remedy the distribution.***

The Mission agrees with this recommendation.

**Actions Taken:**

On February 28, 2009, the ACAP AOTR instructed IOM to develop a plan for pre-ordering and pre-positioning standard forms of assistance, including education and tailoring kits. Following this instruction, IOM reviewed their procedures and determined that their procurement process was the primary cause for their inability to expeditiously distribute assistance kits. IOM responded to the instruction on April 22, 2009 with their revised policy on pre-ordering and pre-positioning standard forms of assistance. (See Annexes VI, VII, and IX.)

IOM has taken the following steps:

In order to expedite the procurement process and ensure timely distribution of the assistance kits, IOM signs Long Term Agreements (LTA)'s with various vendors in the following areas:

- (i) Kabul – to serve requirements of Wardak, Logar and Ghazni and to support the requirements for Gardez and all the areas covered by Gardez in case there will be shortage of stocks of assistance kits in Gardez. Kabul may also supply Kunduz in case there will be shortage of stocks in Kunduz.
- (ii) Kandahar – to serve requirements of Kandahar province as well as the provinces of Zabul and Uruzgan
- (iii) Lashkargah – to serve the requirements of Helmand Province
- (iv) Herat – to serve requirements of Herat and Badghis and support the requirements of Farah in case there will be shortage of stocks of assistance kits in Farah
- (v) Kunduz – to serve requirements of Kunduz
- (vi) Gardez – to serve requirements of Gardez, Paktia, Paktika and possibly Logar in case Logar is cut off from the supply line from Kabul
- (vii) Jalalabad – to serve requirements of the provinces of Nangarhar and Laghman and to support the requirements of Kunar in case there will be shortage of stocks of Assistance Kits in Kunar

(viii) Azadabad – to serve the requirements of Kunar province

To facilitate the signing of the LTA's in these areas, bids are conducted for the supply of ACAP assistance kits in the areas listed above. All bids for these requirements are done through IOM's Logistics Department and the Bids and Awards Committee (BAC).

The bidding does not indicate the quantity of each type of the assistance kit but in order to attract possible bidders, an estimated total value of the business is floated to the bidders.

The LTA's have a validity of six months. After six months, depending on the performance of the vendors, IOM either conducts another bid or negotiates with the existing vendors and renews the LTA's under the same prices, terms and conditions.

By instituting this proactive procurement process, IOM is able to readily access standard ACAP assistance kits and deliver them to beneficiaries in an expedited manner.

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions have been taken to address audit recommendation No. 7. Therefore, we request your concurrence and closure of this open audit recommendation.

## **Attachments**

Annex I: Duties/Responsibilities of ACAP AOTR

Annex II: Scope of Work for Third Party Monitoring of ACAP

Annex III: December 3, 2009 e-mail from ACAP AOTR to IOM requesting revisions to Year Three Implementation Plan

Annex IV: ACAP Eligibility Criteria

Annex V: Simplifying the Current ACAP

Annex VI: February 28, 2009 e-mail from ACAP AOTR to IOM regarding corrective actions to be taken

Annex VII: April 22, 2009 e-mail from IOM to ACAP AOTR in response to February 28, 2009 e-mail on corrective actions to be taken

Annex VIII: IOM ACAP ID Card Policy

Annex IX: IOM ACAP Procurement Guidelines

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