



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S AFGHANISTAN VOUCHERS FOR INCREASED PRODUCTIVE AGRICULTURE (AVIPA) PROGRAM

AUDIT REPORT NO. 5-306-10-008-P
APRIL 20, 2010

MANILA, PHILIPPINES



Office of Inspector General

April 20, 2010

MEMORANDUM

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

FROM: Acting Regional Inspector General/Manila, William S. Murphy /s/

SUBJECT: Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (Audit Report No. 5-306-10-008-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 three recommendations to assist the mission in improving certain aspects of the AVIPA program. On the basis of the information provided by the mission in response to the draft report, we determined that a management decision has been reached on recommendations 2 and 3 but such a decision has not yet been reached on recommendation 1. A determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions addressing these two recommendations.

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

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SUMMARY OF RESULTS

USAID's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program was originally intended as an emergency response to mitigate the impact of a growing food crisis in Afghanistan. This crisis was brought on by a rise in global wheat prices and a severe drought during the 2007–2008 crop seasons that caused a decline in domestic wheat production. The program was initially designed to provide wheat seed and fertilizer to drought-affected subsistence farmers to help them increase wheat production in targeted areas of the country.

However, following the initial year of operations, the focus of the program shifted toward implementing agriculture-related stabilization activities in Afghanistan's southern provinces of Helmand and Kandahar. These activities were intended to be carried out immediately following the military's planned surge to secure the two provinces during the summer of 2009. The stabilization activities included (1) cash-for-work projects (e.g., clearing of irrigation canals), (2) a small-grants program that provided farming equipment and tools, and (3) the provision of agricultural packages consisting of seeds, saplings, and other inputs to help farmers produce other types of agricultural products.

To implement the program, USAID/Afghanistan signed a cooperative agreement with International Relief and Development for the period from September 25, 2008 to August 31, 2010. Pursuant to the change of focus described above, the program's authorized funding was increased fivefold, from \$60 million to \$360 million. As of December 31, 2009, cumulative obligations under the program totaled approximately \$185.2 million, and expenditures were about \$93.4 million.

The purpose of this audit was to determine whether the program was achieving its main goals of increasing wheat production in Afghanistan and implementing agriculture-related stabilization activities in the country's southern region. (See page 3.)

The audit found that the program had contributed to the country's increase in wheat production; however, the program's role in this increase was unclear, since the audit determined that some of the reported results were not reliable. In addition, the audit noted that the program's stabilization activities in the country's southern provinces were not being implemented as widely as originally planned.

Afghanistan experienced a substantial increase in wheat production from 2008 to 2009 that was—according to an internal monitoring and evaluation report—primarily attributable to abundant rainfall in 2009. Nevertheless, the report concluded that the agricultural inputs (wheat seed and fertilizer) furnished under AVIPA during its initial year of operations had also contributed to the increase. During this period, the program reported distributing wheat seed and/or fertilizer to 296,920 farmers—achieving its planned target and benefiting hundreds of thousands of farmers scattered throughout northern, western, and central Afghanistan. (See page 4.)

However, the audit could not determine the precise number of farmers actually benefiting from this activity or the extent to which the program inputs had contributed to the increase in wheat production, because some of the reported results were deemed unreliable. The results were flawed by serious irregularities identified in the supporting records documenting the farmers' receipt of the wheat seed and fertilizer. Also, results

were overstated because of deficiencies in the calculations used to assess the activity's impact. In the case of the irregularities, which involved evidence that some of the wheat seed and fertilizer may have been diverted and not received by the designated farmers, the matter was referred to OIG Investigations for further investigative review. (See pages 6–8.)

Regarding the program's second goal—implementation of stabilization activities in the southern provinces—the audit found that these activities were being implemented on a smaller scale than the one envisioned. The activities were hindered by the hostile security environment in these provinces, so that AVIPA could initiate its stabilization activities in only a limited number of districts in each of the two southern provinces. In light of the status and scale of activities completed at the time of the audit and projected through the remaining months of the program, it appeared unlikely that the program would be able to spend the \$300 million in authorized additional funding by the program's termination date of August 31, 2010. (See page 9.)

As a result of the audit findings, this report contains three recommendations. We recommend that USAID/Afghanistan:

1. Require its implementer to establish appropriate procedures and controls to strengthen its monitoring of AVIPA program activities to ensure that intended beneficiaries receive program inputs and irregularities, such as those identified by this audit, are detected and addressed in a timely manner. (See page 7.)
2. Require its implementer to reassess the impact of its 2008–2009 wheat seed distributions using a justifiable methodology and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact. (See page 8.)
3. Determine the amount of projected surplus funds under the program and reprogram these funds to make them available for other activities under this or other programs. (See page 10.)

The Office of Inspector General evaluated the mission's response to the draft report and determined that management decisions have been reached on recommendations 2 and 3 but such a decision has not yet been reached on recommendation 1. (See page 11.) Management comments are included in their entirety in appendix II. (See page 14.)

BACKGROUND

In 2008, Afghanistan faced a growing food crisis brought on by a rise in global wheat prices and a severe drought during the 2007–2008 planting seasons that resulted in a sharp decline in domestic wheat production. As an emergency response to mitigate the effects of the crisis, USAID developed the Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program, in cooperation with Afghanistan’s Ministry of Agriculture, Irrigation, and Livestock. Specifically, AVIPA was designed to provide accessible and affordable agricultural inputs—wheat seed and fertilizer—to drought-affected subsistence farmers to promote the immediate production of wheat for the fall/winter 2008 and spring 2009 crop seasons. The program distributed vouchers to Afghan farmers, who used them to purchase wheat seed and fertilizer from local agricultural suppliers at greatly reduced prices.

To implement the program, USAID signed a \$33.2 million cooperative agreement with International Relief and Development (implementer) on September 25, 2008, “to increase access to seeds and fertilizer to 176,000 farmers to improve wheat yields and food availability in the 2008 and 2009 agricultural season and to provide vulnerable Afghan farmers with access to income generation opportunities.” Under this agreement, program activities would be carried out over a 1-year period ending August 31, 2009. During this period, the authorized funding level was increased to \$60 million, while the target number of beneficiaries was adjusted upward to 297,000 farmers.

In May 2009, a decision was made to transform AVIPA into a stabilization program that would focus its activities in the southern provinces of Helmand and Kandahar. This decision was prompted by the sudden cancellation of a 5-year agricultural program that had been set to begin later that year, coupled with the U.S. military’s request that, in preparation for the anticipated troop surge in the south that summer, USAID have stabilization activities ready to be initiated as the troops cleared Helmand and Kandahar.

On August 20, 2009, acting on its earlier decision, USAID authorized a 1-year extension of the program (through August 31, 2010), while also expanding the scope of activities and increasing the level of funding by \$300 million to \$360 million. Most of this increase (\$250 million) was allocated for stabilization activities, such as cash-for-work projects and small grants, to be carried out in Helmand and Kandahar. The remaining funds (\$50 million) were budgeted to continue voucher-distribution activities in the northern provinces. As of December 31, 2009, cumulative obligations under the program totaled approximately \$185.2 million and expenditures were about \$93.4 million.

AUDIT OBJECTIVE

As part of its fiscal year (FY) 2010 annual audit plan, the Regional Inspector General/Manila conducted this audit to answer the following question:

- Has USAID/Afghanistan’s Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program been achieving its main goals of increasing wheat production and carrying out agriculture-related stabilization activities?

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

AUDIT FINDINGS

The audit found that USAID/Afghanistan's AVIPA program¹ had contributed to the country's increase in domestic wheat production by providing thousands of small farmers throughout northern, western, and central Afghanistan with wheat seed and fertilizer. However, the extent of the program's role in this increase was unclear because some of the reported results were found to be unreliable. The audit was unable to fully validate 57 percent of the cases reviewed due to irregularities found in the supporting records. In addition, the program's stabilization activities in the southern provinces of Helmand and Kandahar were not being implemented as widely as had been originally planned.

To mitigate the impact of a food crisis in Afghanistan brought on by drought and soaring wheat prices, AVIPA provided wheat seed and fertilizer to drought-affected Afghan farmers in the hopes of prompting an immediate increase in domestic wheat production. Starting with an initial target of 147,000 beneficiaries (farmers) in 9 provinces, coverage was later expanded to include 297,000 farmers in 18 provinces located in northern, western, and central Afghanistan.



Wheat seed provided to farmers in Afghanistan's Baghlan Province in February 2009 under AVIPA's voucher distribution activity. (Photo furnished by IRD AVIPA)

Distribution operations commenced in November 2008 and continued in three separate phases through June 2009. During this period, the program reported distributing wheat seed and/or fertilizer to 296,920 farmers in all 18 provinces—essentially achieving the

¹ The Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) program includes activities under both the original 1-year voucher distribution program and the subsequent \$300 million expanded program (known as AVIPA Plus) authorized in August 2009, which are collectively referred to in this report as AVIPA.

planned target. Total inputs distributed included 10,347 metric tons of wheat seed and 32,813 metric tons of fertilizer, with a combined value of \$43.7 million. The seed was planted over an estimated 192,741 jeribs² (38,548 hectares).

Although the quantity of wheat harvested in Afghanistan had increased substantially in 2009—with yields from irrigated fields reportedly doubling in many provinces and more than tripling in rain-fed fields—most of this increase was attributed to abundant rainfall. An internal survey conducted by the implementer's monitoring and evaluation subcontractor acknowledged that weather conditions were the primary factor, but the survey concluded that the inputs furnished under AVIPA also had contributed to the overall increase in wheat production and thus had a positive effect.

During the program's second year (September 1, 2009 to August 31, 2010), distributions continued in the same 18 provinces covered earlier, but with a revised target of 366,420 new farmers. Despite the challenges associated with carrying out a distribution of this magnitude—including the logistical demands, supply issues, and time constraints—this activity was making progress toward achieving its target. As of December 14, 2009, distributions were ongoing in all 18 provinces and expected to be completed by late January 2010, with inputs distributed to 120,014 farmers (33 percent of the target).

In addition to these distributions, the program had initiated stabilization activities—mostly cash-for-work and small-grant projects—in the southern provinces of Helmand and Kandahar. Key accomplishments to date under these activities included:

- **Cash-for-Work Projects.** The program had initiated 38 cash-for-work projects—23 in Helmand and 15 in Kandahar—employing 3,560 laborers (mostly farmers) on a series of work projects that generally involved the clearing of irrigation canals. As of December 14, 2009, these laborers had cleared a total of 67 kilometers of canals, removing almost 20,000 cubic meters of silt and debris.
- **Small-Grants Program.** At the time of the audit, the program was processing contracts for 40 small grants, with a combined value of approximately \$4.2 million. The grants primarily involved providing agricultural packages consisting of equipment and tools to individuals, cooperatives, and community groups.
- **Research Farm.** The program was also credited with rehabilitating a large farm in Helmand for use as an agricultural research and training site. The farm would be used for programs to train 500 to 600 farmers by the end of December 2009. Work to rehabilitate the site included clearing unwanted debris from the nursery section of the farm, installing a wire fence spanning 2,400 meters, and grafting more than 140,000 fruit trees.

Despite these accomplishments, however, the audit found that the results reported for the program's earlier voucher distribution activities were not always reliable as evidenced by the widespread irregularities detected in the supporting records and questions surrounding the calculations used in assessing the impact of the distributions. In addition, the stabilization activities programmed for the southern provinces were found to be limited and did not achieve the scale originally envisioned.

² Five jeribs equal 1 hectare.

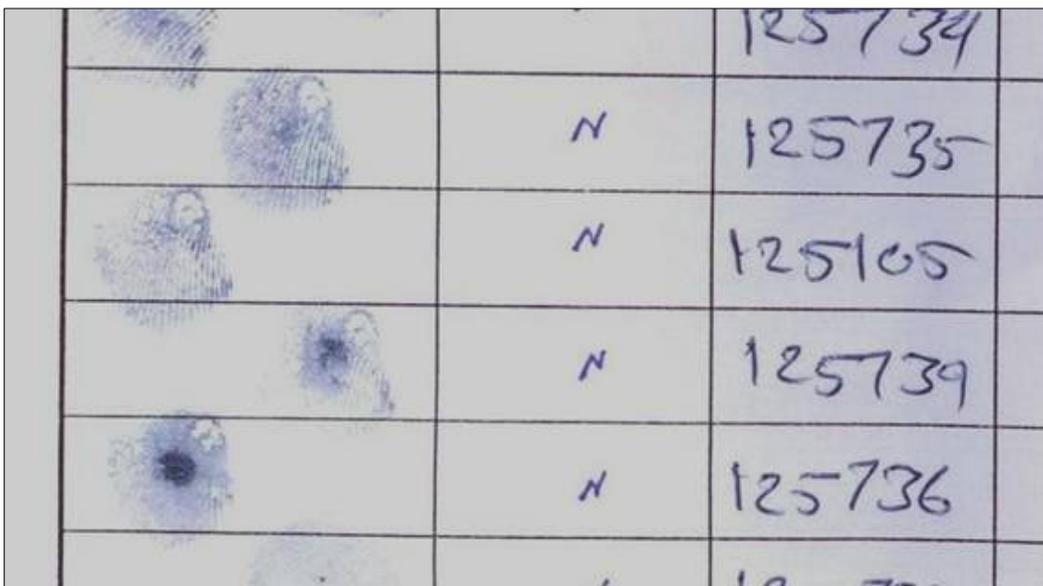
Reported Results Were Not Reliable

Summary USAID policy emphasizes the need for good data to form the basis for sound programming decisions. However, in reviewing the results reported for AVIPA's distribution of wheat seed and fertilizer during the program's initial year of operations (2008–2009), the auditors questioned the reliability of some of the reported results because of (1) irregularities identified in the supporting records documenting the distribution of these inputs to the farmers and (2) deficiencies in the methodology used to calculate the activity's assessed impact. Both problems stemmed from weaknesses in the implementer's monitoring of this activity. The actual results achieved under this activity, including its impact, were thus difficult to assess.

USAID's Automated Directives System (ADS), chapter 203, emphasizes the need for accurate performance data to ensure that managers make well-informed decisions and report accurately to those outside the program.

Serious Irregularities Identified. In validating the reported results from AVIPA's wheat seed and fertilizer distributions during the program's initial year of operations (2008–2009), the audit team examined supporting records (voucher redemption logs) documenting the distribution of wheat seed and/or fertilizer to farmers from selected villages and provinces to verify that these inputs had been, in fact, received by the farmers. This review covered the distribution records for 4,563 farmers from 183 villages selected from among 7 of the 18 provinces participating in this activity.

The results of this review disclosed a high incidence of irregularities. Specifically, the audit found that the voucher redemption logs, designed for farmer's to certify receipt of their wheat seed and fertilizer by marking the form with their fingerprints, often reflected a series of what appeared to be matching fingerprints—because of their shape as well as the presence of distinguishable marks or scars—suggesting that the same person or persons had certified receipt of the distributed goods. Of the 4,563 distribution entries tested, the audit team identified 2,582 cases (56.6 percent) involving such irregularities. An example from one log is shown below.



| | | | | |
|--|--|---|--------|--|
| | | | 125734 | |
| | | N | 125735 | |
| | | N | 125105 | |
| | | N | 125739 | |
| | | N | 125736 | |
| | | | 125737 | |

Excerpt from an AVIPA voucher log showing what appear to be a series of matching fingerprints.

Further testing performed on other program activities (e.g., cash-for-work projects and training) revealed similar irregularities, suggesting a systemic problem. For example, a review of the timesheets supporting the work performed by cash-for-work laborers on selected projects in Helmand Province disclosed additional cases of what appeared to be identical fingerprints appearing in the column where laborers were required to place their fingerprint to certify that recorded entries represented the time actually worked.

The audit found other indications that program inputs may not have always reached the intended beneficiaries. For example, the audit team obtained information from the implementer's monitoring and evaluation subcontractor acknowledging that some inputs had been misallocated and not received by the targeted farmers and citing cases of beneficiary lists that contained the names of nonexistent people.

These cases reflect inadequate monitoring by the implementer. Program records, for example, indicated that during the initial distributions of wheat seed and fertilizer, the implementer's monitoring of activities was inconsistent, and distribution methods often varied from one province to another. In one province, for example, a subcontractor delivered wheat seed and fertilizer to the village development councils or local shura³ representatives, who were instructed to distribute the inputs to the designated farmers in their respective communities, with little oversight provided by the implementer over these distributions to ensure that the farmers actually received the inputs. Also, the fact that the irregularities identified by the auditors had gone undetected by the implementer further demonstrates the need for stronger oversight.

Without accurate and reliable performance information, USAID management and stakeholders cannot accurately assess the progress of the program and actual accomplishments to date, and in turn might make inappropriate programming decisions. To address this deficiency, we are recommending the following:

Recommendation 1. *We recommend that USAID/Afghanistan require its implementer to establish appropriate procedures and controls to strengthen its monitoring of Afghanistan Vouchers for Increased Productive Agriculture Program activities to ensure that intended beneficiaries receive program inputs and to detect irregularities, such as those identified by this audit, and address them in a timely manner.*

Although the audit could not ascertain whether fraud or abuse was involved, the irregularities remain a source of major concern because they indicate that AVIPA inputs may have been misallocated and not received by the intended beneficiaries as reported. Since this matter warrants additional followup, it has been referred to the mission's onsite OIG investigator for further investigative review.

Assessed Impact Overstated. To assess the impact of AVIPA's voucher distribution activities during its initial year of operations, the implementer relied on the results of an assessment conducted by its monitoring and evaluation subcontractor. This assessment found that wheat production had increased substantially from 2008 to 2009 and attributed the increase primarily to abundant rainfall in 2009. However, the assessment reported that inputs furnished under AVIPA also had contributed to the increase. Those inputs resulted in wheat production for AVIPA beneficiaries that was 11 percent higher than that of nonbeneficiaries for irrigated wheat fields and 124 percent higher than that

³ A shura is a local committee of elders responsible for making decisions on behalf of their community.

of nonbeneficiaries for rain-fed fields. The implementer later reported these results to USAID/Afghanistan in the implementer’s September 2009 quarterly performance report.

However, when the audit team reviewed the calculations supporting these results, the method of computation for the reported increases was unclear. Staff directly involved in the assessment could not provide a satisfactory explanation. For example, the audit noted that the 2008 baseline data used in calculating the increases in yield between the 2008 and 2009 wheat harvests had been modified and reduced, for no justifiable reason, resulting in a computed increase in production (i.e., impact) that was overstated. After further discussion with the implementer’s staff, the audit team concluded that there was insufficient basis to support the reported production increases.

Relying on their own calculations, the auditors determined that increases in harvest yields for irrigated fields had actually been 1.3 percent less than those produced by nonbeneficiaries—rather than 11 percent more, as reported—representing a significant difference. Similarly, increases in average yields for rain-fed fields were found to be only 12 percent more than those for nonbeneficiaries, as opposed to the 124 percent reported earlier—another significant overstatement. Details of the audit team’s calculations are shown in the following table.

**Computed Increases in Wheat Production
Per Audit**

| Description | Irrigated Wheat | | Rain-fed Wheat | |
|--|-----------------|------------------|----------------|------------------|
| | Beneficiaries | Nonbeneficiaries | Beneficiaries | Nonbeneficiaries |
| Average wheat yield (kg/jerib): | | | | |
| -2008 wheat yield | 486.4 | 449.6 | 102.9 | 80.1 |
| -2009 wheat yield | 637.4 | 595.1 | 404.0 | 304.9 |
| Increase in yield | 151.0 | 145.5 | 303.1 | 224.8 |
| Percentage increase | 31.0 | 32.4 | 292.6 | 280.6 |
| Calculated Impact on Targeted Beneficiaries—Per Audit | | | | |
| Percentage of calculated impact | -1.3 | | 12.0 | |

The audit considers the reported results of the program’s assessed impact to be suspect, on the basis of the data shown above, and the mission should not accept the results. Instead, they should be recalculated using a more reasonable and justifiable methodology that clearly shows the basis for any assessed impact. To ensure that the impact of this activity is accurately computed and reported, we recommend the following:

Recommendation 2. *We recommend that USAID/Afghanistan require its implementer to reassess the impact of its 2008—2009 wheat seed distributions using a justifiable methodology and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact.*

Stabilization Activities Were Not Being Implemented on the Scale Anticipated

Summary. Although a large amount (\$250 million) of funding was authorized and allocated for stabilization activities in Afghanistan's southern region, activities implemented to date in this region have been limited and were not expected to achieve the scale originally envisioned. This curtailment was caused largely by the hostile security environment, which severely limited the number of areas where activities could be initiated. As a result, the program was not expected to spend the entire amount authorized, leaving funds available to be reprogrammed.

Following its initial year of operations, the AVIPA program was modified into primarily a stabilization program. Most of the \$300 million in additional funding authorized under this conversion (\$250 million) was allocated for stabilization activities to be carried out in the two southern provinces of Helmand and Kandahar. However, the audit found that the stabilization activities implemented to date in this region had been limited and were not expected to achieve the scale originally envisioned.

At the time of the audit fieldwork, in December 2009, records showed that stabilization activities, consisting mostly of cash-for-work and small-grants projects, had been initiated in both Helmand and Kandahar but that these activities were being carried out in only a limited number of provincial districts. Helmand, for example, had ongoing cash-for-work projects in only 3 of the province's 13 districts and small-grants projects concentrated in just 1. Activities in Kandahar, meanwhile, were limited to only 2 districts because of a delayed rollout in Kandahar's precarious security environment. As of December 14, 2009, almost 4 months into the program's 12-month extension, Kandahar was just beginning to initiate its small-grants component, with 11 grants in the pipeline awaiting signature and valued at approximately \$1.4 million—representing only 4 percent of the total amount budgeted under this component (\$35 million). In an interview, the program's provincial director indicated that while additional activities might be initiated in the provincial capital at some future time, he felt that a significant expansion beyond this into other districts would be unlikely between now and the program's termination date (August 31, 2010).

According to mission officials, AVIPA's shift to a stabilization program was prompted by a military request for support in preparation for the troop surge that was expected to take place in southern Afghanistan in July 2009. USAID was asked to be ready to move in and initiate stabilization activities as the troops secured the southern provinces of Helmand and Kandahar. On the basis of assurances that this surge would secure both provinces, the mission modified the scope of the program and funded it accordingly to ensure that sufficient funds would be available to support this effort.

Unfortunately, the extent to which the two provinces were actually secured was far less than anticipated, and AVIPA could initiate its activities in only a few districts. With fewer areas to operate in, the program was not on track to spend the massive amount of additional funding authorized (\$300 million)—funding the implementer was expected to spend during the brief 12-month extension period.

To a lesser degree, other contributing factors affected implementation as well, and AVIPA field staff often had to contend with challenges that sometimes frustrated or even hampered operations and efforts to initiate activities. Some examples include:

- **Staffing.** Since the initial rollout phase, the program has experienced difficulty in acquiring qualified local national staff, particularly engineers, for its southern field offices. Retaining staff has also been a problem. One AVIPA provincial director stated that several of his staff had resigned after receiving death threats.
- **Governance.** Attempts to gain government approval of proposed actions often became a slow and tedious process, especially in Kandahar, because of the weak or nearly nonexistent presence of local government and the lack of internal coordination at the district level. As a result, field staff had to spend inordinate amounts of their time explaining the program repeatedly to different officials and resolving various issues and misunderstandings.
- **Corruption.** Efforts to initiate activities were also hampered by the high level of corruption within the local government. Some officials were only interested in knowing “what was in it for them,” thereby delaying the process and requiring more time and effort to obtain the necessary approvals and get things done.
- **Requests from U.S. Government Officials.** Another chronic problem, according to several AVIPA officials, involved the high volume of requests for information or ad hoc briefings that were being directed to AVIPA field staff from State Department and military (e.g., Civilian Affairs) personnel. Such inquiries have placed a strain on the field staff’s already heavy workload. In a few cases, non-USAID U.S. Government staff even attempted to provide direction to the implementer’s field staff, rather than going through the cognizant USAID agreement officer technical representative, apparently unaware that such direction was inappropriate.

As a result of these challenges as well as the operational restrictions stemming from the hostile security environment, at the time of the audit the program seemed unlikely to be able to spend the entire \$300 million authorized for activities during the 12-month extension period. During interviews with implementer staff—including the chief of party—all acknowledged that the program would not be able to spend the entire \$300 million authorized under the program’s earlier grant modification. On the basis of spending levels at the time of our audit, the chief of party projected a surplus of about \$40 million to \$50 million that he wanted to reprogram, preferably in conjunction with an extension, to continue the voucher distribution activities in the northern provinces. He felt the funds could have a much greater effect there given the improved security situation in the region. As of December 31, 2009, cumulative obligations under the program totaled approximately \$185.2 million.

At the time of the audit, the mission and implementer were already discussing this issue and reviewing possible options. We support this effort and agree that these funds should be put to more effective use. Therefore, we recommend the following:

Recommendation 3. *We recommend that USAID/Afghanistan determine the amount of surplus funds projected to be available under its Afghanistan Vouchers for Increased Productive Agriculture Program and reprogram these funds to make them available for other activities under this or other programs in the mission’s portfolio.*

EVALUATION OF MANAGEMENT COMMENTS

In response to the draft report, USAID/Afghanistan concurred with all three recommendations. The Office of Inspector General reviewed the mission's response to the draft report and determined that a management decision has been reached on two of the three recommendations (recommendations 2 and 3). The status of each of the three recommendations is discussed below.

In response to recommendation 1, USAID/Afghanistan stated that following the audit fieldwork, it had initiated discussions with the implementer with regard to its existing monitoring practices. During these discussions, the implementer indicated that it had increased its monitoring and evaluation staff for the entire program, with 135 personnel dedicated specifically for the wheat seed and fertilizer distribution activity, while also initiating monitoring of farm supply organizations. With regard to the stabilization activities in the south, the implementer stated that it had hired expatriate field coordinators to manage the activities within their districts. The mission further pointed out that within the last 8 months, the number of U.S. Government personnel in the field has significantly increased, with 250 employees now located in the provinces and districts, thereby increasing monitoring capabilities. Also, the mission stated that it planned to meet with the implementer to discuss the specific actions taken to strengthen the procedures and controls over the wheat seed distributions and stabilization activities. While we agree that having additional staff members in the field will help to improve oversight capabilities, the program also needs more effective review procedures and controls to detect the types of irregularities identified during this audit. As a result, a management decision has not been reached on recommendation 1, pending further information describing the specific procedures and controls that have been put into place or strengthened to ensure that program inputs are received by the intended beneficiaries and that irregularities, like those found during the audit, are detected and addressed in a timely manner.

In response to recommendation 2, the mission stated that it would require the implementer to undertake a new assessment of the yield from the 2008-2009 wheat seed distribution and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact. In light of the mission's actions, we conclude that a management decision has been reached on this recommendation.

In response to recommendation 3, the mission stated that new developments have occurred since November 2009 (the time frame of the audit fieldwork) and the program has initiated additional stabilization activities in both Helmand and Kandahar Provinces, significantly increasing the number of activities being implemented in the region. As a result, the implementer now projects that it will be able to expend its entire budget by the end of the cooperative agreement on August 31, 2010. On April 1, 2010, the implementer was asked to provide the mission with a monthly budget that clearly outlines the basis for its projections on expending the remaining pipeline. This budget has been received and is under mission review. Because of the change in circumstances and new developments that took place after the audit fieldwork, coupled with the actions planned and already taken, we conclude that a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this 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 that reasonable basis.

The purpose of this audit was to determine whether the Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program was achieving its main goals. To implement the program, USAID/Afghanistan signed a \$33.2 million cooperative agreement with International Relief and Development (the implementer). The agreement was subsequently modified to increase the authorized funding level to approximately \$360 million and extend the 12-month program to 2 years. Of the \$360 million, \$250 million was allocated for agriculture-based stabilization activities to be carried out in the two southern provinces of Helmand and Kandahar. Most of the remaining funds were budgeted for voucher distribution activities in northern, western, and central Afghanistan. As of December 31, 2009, cumulative obligations totaled approximately \$185.2 million and expenditures were about \$93.4 million.

The audit covered activities since the inception of the program in September 2008 and, in general, involved (1) validating reported results associated with the wheat seed and fertilizer voucher distribution activities during the program's initial year of operations and (2) assessing the status of program activities, particularly the stabilization activities in the southern provinces, during the program's second year of operations.

In validating the reported results for the program's voucher distribution activity, the audit reviewed supporting records pertaining to 4,563 beneficiaries (farmers), representing approximately 1.5 percent of the 296,920 farmers receiving inputs under this activity. The scope of this testing focused on 7 judgmentally selected provinces (from a total of 18) receiving wheat seed and/or fertilizer, from which the audit judgmentally selected 1 district from each province and selected villages (183 in total) within each district. In each selected village, the auditors reviewed supporting records for all of the farmers listed. Since the testing was based on a judgmental—not statistical—sample, the results and overall conclusions related to this analysis were limited to the items tested and could not be projected to the entire audit universe.

In addition, the audit team's assessment of the program's expanded operations during its second year entailed a review of the accomplishments to date since the start of the program's 1-year extension period in August 2009 through December 14, 2009.

In planning and performing the audit, the audit team assessed relevant controls used by the mission to manage the program and ensure that its implementer was providing adequate oversight of program activities. Additionally, the auditors examined the mission's FY 2009 annual self-assessment of management controls, which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act of 1982, to check whether the assessment cited any relevant weaknesses.

Audit fieldwork was performed at the USAID/Afghanistan Mission and the implementer's main program office, both located in Kabul, Afghanistan, from November 25 through December 21, 2009. Also, the audit team made field trips to the northern provinces of Panjshir and Parwan to observe voucher distribution activities taking place in these provinces at the time of the audit. During these trips, the auditors traveled to several districts where they visited 3 local distribution centers and interviewed a total of 40 farmers from 12 separate villages. In addition, the audit team traveled to the southern province of Kandahar to interview program staff regarding the status of activities there and to review supporting records for selected cash for work activities.

Methodology

To determine whether the program was achieving its main goals, the audit team initially interviewed staff at USAID/Afghanistan's Office of Agriculture and the implementer's main country office to gain an understanding of the program, all of the key players and their roles and responsibilities, and the reporting procedures and controls in place for monitoring the program. Further work to answer the audit objective was divided into two parts: (1) validating the reported results of the program's voucher distribution activity—which entailed the distribution of wheat seed and fertilizer to farmers—carried out during the program's initial year of operations and (2) assessing the status of the program's recent activities, particularly the stabilization activities, during the second year of operations starting in August 2009.

In validating the reported results under the program's voucher distribution activity, the auditors checked key reported results against supporting data contained in a database maintained by the implementer. To test the accuracy of the data contained in this database and verify the number of reported beneficiaries, the auditors checked the data against supporting log sheets, completed at the distribution sites, documenting the distribution of wheat seed and/or fertilizer to farmers and their confirmation of receipt. Also, the audit team performed a detailed analysis of supporting calculations and data used by the implementer as its basis for determining the reported impact of its voucher distribution activity (e.g., increase in wheat production). In addition to testing the voucher distribution activity, the auditors performed similar—but more limited—testing for certain other activities, such as cash-for-work projects and training.

In assessing the status of the activities being carried out during the program's second year of operations, resulting from a major expansion in the program's scope, the auditors relied primarily on the implementer's latest weekly progress reports (through December 14, 2009), with interviews conducted with partner staff regarding specific implementation problems and issues reflected in these reports. In addition, the auditors visited selected voucher distribution sites to observe the continued distribution of wheat and fertilizer and verify the receipt of these inputs by the beneficiaries. The audit also included a review of applicable procedural guidance, including detailed flowcharts, relating to the management of specific program components.

In assessing the testing results, the audit team established a materiality threshold of 80 percent that was based in part on the challenging environment in which the program was operating particularly in the southern region. For example, if the implementer had achieved at least 80 percent of its planned target for its voucher distribution activity, the auditors concluded that the activity was achieving or had achieved its goal.

MANAGEMENT COMMENTS



MEMORANDUM

TO: William S. Murphy, Acting Regional Inspector General/Manila

From: William M. Frej, USAID Mission Director

DATE: April 4, 2010

SUBJECT: Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (Agreement No. DFD-A-009-00304-00) (Audit Report No. 5-306-10-00x-P)

REFERENCE: *WMurphy/WFrej memo dated March 5, 2010 "Is"*

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 require its implementer to establish appropriate procedures and controls to strengthen its monitoring of Afghanistan Vouchers for Increased Productive Agriculture Program activities to ensure that intended beneficiaries receive program inputs and irregularities, such as those identified by this audit, are detected and addressed in a timely manner.

In principle, the Mission agrees with the recommendation. However, the Mission notes the difficult environment in regards to the remoteness of the distributions and the sheer volume of activity undertaken within a relatively short time frame. Many of these irregularities were likely not detectable until well after the fact. In addition, the US Mission has significantly increased the number of USG personnel, in some cases located in districts, which has increased USG monitoring capabilities.

Finally, the Mission would like to point out the following quote in the report which cites progress on this issue: *"Despite the challenges associated with carrying out a distribution of this magnitude — including the logistical demands, supply issues, and time constraints — this activity was making progress toward achieving its target."*

Actions Being Taken:

Immediately following the RIG debriefing on this topic, the Mission initiated discussions with International Relief and Development (IRD) in regards to their monitoring practices. IRD has indicated an increase in their monitoring and evaluation (M&E) staff for the entire program, with 135 personnel dedicated specifically for the wheat seed and fertilizer distribution activity; they have also initiated monitoring of farm supply organizations. The M&E staff are separated from the rest of the staff to ensure objectivity. For the stability activities in the south, IRD has hired expatriate Field Coordinators who manage AVIPA Plus activities within their districts, which has increased their oversight capabilities.

Within the last 8 months, US Government civilians are better represented in the field, with nearly 250 USAID, USDOS, and USDA personnel located in the provinces and in the districts. This has increased USG monitoring capabilities.

The Mission will meet with IRD this month to fully discuss their procedures and controls that were strengthened to address the 2009/2010 wheat seed distribution, and what is in place for the stability programming activities.

Based on the action above, the Mission deems that a management decision has been reached and corrective actions are being taken to address audit recommendation No. 1, and requests your concurrence.

Recommendation No. 2: We recommend that USAID/Afghanistan require its implementer to reassess the impact of its 2008–2009 wheat seed distributions using a justifiable methodology and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact.

The Mission agrees with this recommendation.

Action To Be Taken:

The Mission will require IRD to undertake a new assessment of its 2008-2009 wheat seed distribution using a justifiable methodology and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact. This will be communicated to IRD by April 7, 2010, with a requirement to complete the assessment by the end of the Cooperative Agreement, on August 31, 2010.

Based on the action above, the Mission deems that a management decision has been reached and corrective actions are begin taken to address audit recommendation No. 2, and requests your concurrence.

Recommendation No.3: We recommend that USAID/Afghanistan determine the amount of surplus funds projected to be available under its Afghanistan Vouchers for Increased Productive Agriculture Program and reprogram these funds to make them available for other activities under this or other programs in the Mission's portfolio.

The Mission agrees with this recommendation.

Actions Taken:

Since fall 2009, the Mission has been in constant discussion with IRD in regards to their expenditures and capabilities to expend their entire budget within the one-year time frame. Since November 2009, the program has also moved into new districts, including Marjah in Helmand, and Zhari (Kandahar) and five municipal districts in Kandahar City, significantly increasing implementation areas. We are also in discussion with IRD to explore implementing in other districts around Kandahar City and in Helmand Province that do not necessitate hiring more expatriates. On March 29, 2010, IRD indicated to the AOTR that they will expend their entire budget by the end of the Cooperative Agreement on August 31, 2010. On April 1, 2010, IRD was requested to provide a monthly budget that clearly outlines its strategy towards expending their pipeline. The budget has been received and is under Mission review.

By the end of April 2010, the Mission expects to release an Annual Program Statement (APS) soliciting concept papers for a new regional southern agriculture program that would follow on what IRD has been doing under AVIPA. The mission may elect to reprogram unexpended funds under AVIPA to new programs solicited under the APS or other new programs procured outside the APS.

Based on the actions above, the Mission deems that a management decision has been reached and corrective actions are being taken to address audit recommendation No. 3, and requests your concurrence.

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