



OFFICE OF INSPECTOR GENERAL

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

AUDIT REPORT NO. F-306-14-003-P
JUNE 10, 2014

KABUL, AFGHANISTAN



Office of Inspector General

June 10, 2014

MEMORANDUM

TO: USAID/Afghanistan, Acting Mission Director, James Hope

FROM: OIG/Afghanistan, Country Office Director, James C. Charlifue /s/

SUBJECT: Audit of USAID/Afghanistan's Afghan Civilian Assistance Program II
(Report No. F-306-14-003-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered USAID/Afghanistan's comments on the draft report and have included them in Appendix II.

The report includes four recommendations to strengthen USAID/Afghanistan's Afghan Civilian Assistance Program II. USAID/Afghanistan agreed with the recommendations. On the basis of information provided by the mission in response to the draft report, we acknowledge management decisions on Recommendations 1, 2, 3, and 4. The Audit Performance and Compliance Division will determine final action on the recommendations when the mission completes planned corrective actions.

Thank you for the cooperation and courtesy extended to my staff during the audit.

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Abbreviations	
The following abbreviations appear in this report:	
ADS	Automated Directives System
IRD	International Relief and Development Inc.
ISAF	International Security Assistance Force
MoPH	Ministry of Public Health
NGO	nongovernmental organization
RSO	regional security office
SAM	System for Award Management

SUMMARY OF RESULTS

In 1989, Senator Patrick J. Leahy established the Leahy War Victims' Fund to assist people severely disabled in armed conflicts around the world. In 2002, the fund began to include assistance for Afghan civilian victims of confrontations between international military forces and Taliban insurgents.

Drawing on this and other funding, USAID/Afghanistan awarded a cooperative agreement for \$75 million to the International Organization for Migration to implement its Afghan Civilian Assistance Program from June 2007 to November 2011. To continue to assist Afghan civilian war victims, USAID/Afghanistan awarded another cooperative agreement to International Relief and Development Inc. (IRD) for \$64 million to implement the Afghan Civilian Assistance Program II from September 2011 through September 2014.

The primary objective of the program was to provide victims with appropriate and timely assistance to recover and rebuild their lives. Program assistance included nonmonetary immediate assistance such as foodstuffs, small household items, and repairs to damaged homes and other properties. The program also provided assistance tailored to the needs of the victims to help them recover lost livelihoods. Tailored assistance included grants to start small businesses such as clothes shops, grocery stores, and livestock farming with cows and sheep.

As of September 30, 2013, USAID/Afghanistan's financial records showed that the program had obligated \$39.8 million and spent approximately \$28.9 million. The program will end in September 2014.

The Office of Inspector General's Country Office in Afghanistan conducted this audit to determine whether USAID/Afghanistan's assistance to Afghan civilian war victims had reached its intended beneficiaries and had the intended impact.

The program database showed that assistance had reached beneficiaries throughout Afghanistan. The International Security Assistance Force (ISAF) confirmed 592 incidents involving international military forces and insurgents between September 2011 and September 2013 in which Afghan civilians suffered losses. Confirmation by ISAF made these incidents eligible for program assistance.¹ The database showed that in the wake of these 592 incidents, the program provided immediate and tailored assistance to approximately 5,488 Afghan civilian families, for approximately \$9.3 million (Appendix III). Further, according to the database, the program awarded 465 grants in tailored assistance for approximately \$5.4 million to 1,339 Afghan civilian families who had also received immediate assistance (Appendix IV).

To determine what impact the program had on the lives of the Afghan civilians who received assistance, IRD established the following two indicators at the beginning of the program:

1. *Percentage increase in the number of families who reported that tailored assistance had helped them rebuild their lives.*

¹ ISAF did not provide a point of contact for the auditors to cross-check IRD's data. As noted in Appendix I, this constituted an audit scope limitation.

2. *Percentage increase in the number of families who reported that tailored assistance was delivered in a fair and transparent manner.*

However, determining the percentage increases over the course of the program required initial measures or baselines that were not available. To establish the baselines, IRD launched a survey of 16 Afghan provinces in October 2012. A preliminary report dated July 23, 2013, showed results for 11 provinces: 62 percent for the first indicator and 45 percent for the second. IRD expected the final baseline results at the end of March 2014—6 months before the scheduled end of the program.

In lieu of indicator data, auditors collected firsthand information. On October 23, 2013, the audit team observed distribution of immediate assistance provided to ten Afghan civilian families in Kabul. According to male family members accepting the assistance on behalf of the families, immediate assistance in the form of foodstuffs helped them prepare for funerals and sustain those whose breadwinners had suffered injuries. On December 3, 2013, the audit team met with ten other family representatives at a secured location in Herat. All said they had received immediate assistance, for which they expressed gratitude to America, and some were awaiting tailored assistance. Because of security concerns, the U.S. State Department's regional security office (RSO) did not allow the audit team to travel to villages.

These limitations—the final survey results needed to establish the required baselines not being available, the RSO not allowing the audit team to travel, and except for the anecdotal information received from the beneficiaries, and the lack of other firsthand information—prevented the audit team from determining what influence the program had on the lives of Afghan civilians who received assistance.

The audit identified the following program weaknesses:

- The program did not provide timely assistance or adequate verification of beneficiaries (page 5). The program required delivery of immediate assistance within 2 to 7 days. However, for the first and second years of the program, IRD took an average of 50 and 28 days, respectively. In addition, the program's procedures for verifying beneficiaries were weak. As a result, assistance could have gone to beneficiaries who were not genuine.
- IRD did not follow USAID's strategy to coordinate with other organizations (page 8). The strategy called on IRD to refer beneficiaries to a network of more than 100 nongovernmental organizations (NGOs) and to coordinate with other donor organizations, other USAID programs, ISAF, and the Government of Afghanistan to provide a range of services that would help the beneficiaries to rebuild their lives and livelihoods and establish enduring relationships between beneficiaries and local organizations. Instead, IRD implemented the program using its own staff, made referrals to only five NGOs, another USAID program, and the Government of Afghanistan for medical treatment, and did not coordinate with other donors.
- Medical supply distributions were not in accordance with cost-sharing requirements (page 10). IRD distributed \$12.2 million worth of medical supplies and pharmaceuticals to seven Ministry of Public Health (MoPH) hospitals without establishing a mechanism to track the distributions and vet beneficiaries as required with other in-kind assistance provided by the program.

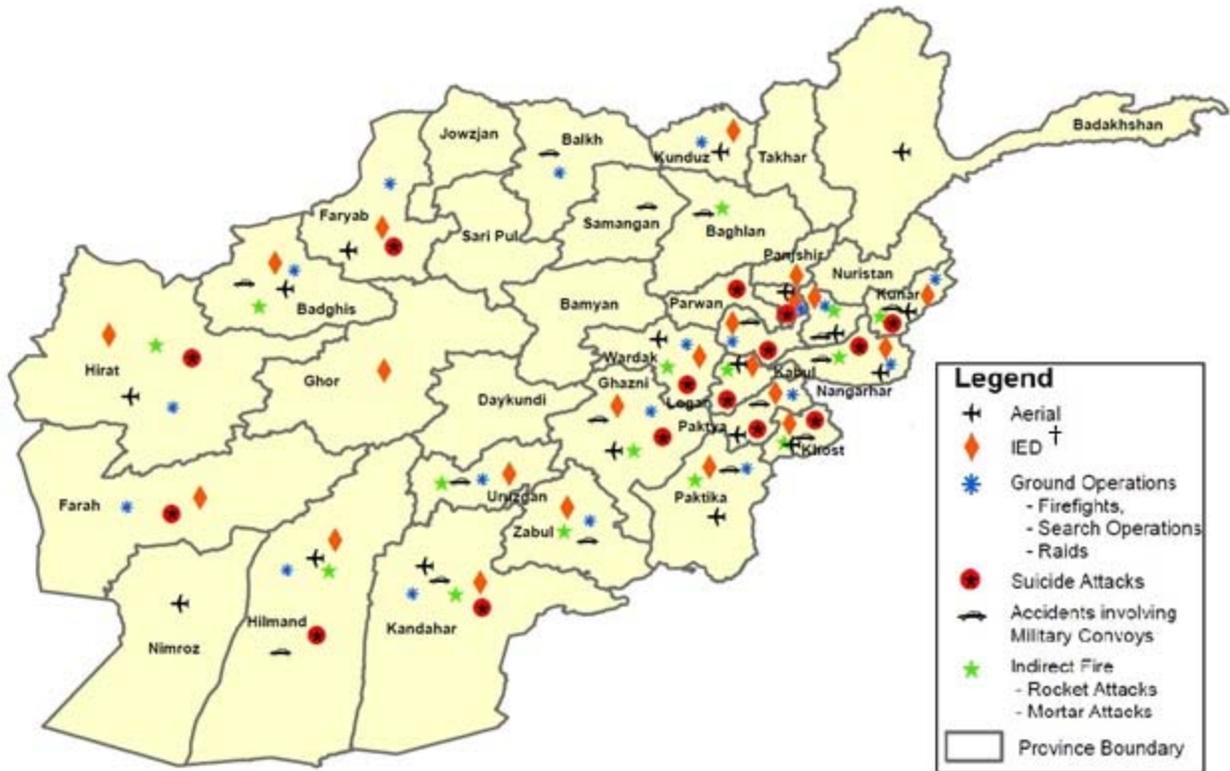
- The program did not meet its hiring goal for women (page 11). The cooperative agreement required more than one-third of program staff (35 percent) to be women. However, women made up only 21 percent of the staff in the first year and 19 percent in the second year.
- The Ministry of Labor, Social Affairs, Martyrs, and Disabled (referred to hereafter as the Ministry of Labor) cannot sustain program activities (page 12). To sustain assistance to Afghan civilians after the program ends in September 2014, the Ministry of Labor had planned to assume leadership of assistance activities by September 2013. However, at that date it had not done so.
- The mission did not have program costs audited (page 13). The mission's internal policy requires such audits, but the mission said limited resources prevented it from procuring the services of a contractor to perform the audit.

To strengthen the program, the audit recommends that USAID/Afghanistan:

1. Implement a corrective action plan that would effectively address the slow time frames for immediate and tailored program assistance for the remaining program performance, in the absence of an agreement with ISAF and with procurement delays caused by IRD's local procurement procedures. The plan should include a description of the actions the mission intends to take together with specific target dates for completing these actions (page 8).
2. Implement procedures that would effectively strengthen the beneficiary verification process in the absence of an agreement with ISAF so that assistance does not go to beneficiaries who are not genuine (page 8).
3. Establish a plan for closing down operations in anticipation of the program ending in September 2014, a reduced international military presence in Afghanistan by the end of December 2014, and a reduction in the number of incidents that are eligible for program assistance due to a reduced international military presence. The plan should include a description of the actions the mission intends to take and specific target dates for the reduction of IRD's program offices and staff (page 9).
4. Conduct an audit as planned in fiscal year 2014 to determine the allowability, eligibility, and reasonableness of program costs billed and the \$12.2 million of cost-share expenditures reported by IRD under the cooperative agreement (page 13).

Detailed findings follow. The audit scope and methodology are described in Appendix I. The full text of management comments, without attachment, appears in Appendix II, and our evaluation of management comments is on page 14.

Afghanistan Incident Locations Between September 2011 and September 2013



Source: Google Earth map of the Afghan Civilian Assistance Program II, produced by Management Information Systems, January 26, 2014.

† Improvised explosive device

Note: Afghanistan has 34 provinces. The map legend depicts the types of incidents by province that involved international military forces and insurgents. Afghan civilians affected by these incidents were eligible for program assistance.

AUDIT FINDINGS

Program Did Not Provide Timely Assistance or Adequate Verification of Beneficiaries

The audit found two key weaknesses with the implementation of the program. IRD did not provide assistance within the number of days required by the cooperative agreement. In addition, the program's procedures for verifying beneficiaries were weak.

Assistance Was Late and Exceeded the Allowable Amount.

According to the cooperative agreement, IRD was to provide rapid assistance to show support to Afghan civilians affected by incidents involving international military forces and insurgents. The reason for providing assistance as soon as possible after each military incident was to show care for those affected.

IRD was responsible for monitoring activities to identify incidents eligible for program assistance. In monitoring for eligible incidents, IRD could rely on news media reports, as well as information from ISAF, the Government of Afghanistan, USAID, and local partners. To provide assistance in a timely manner after notification, IRD would immediately send staff to investigate the incident and vet potential program beneficiaries. This process would allow IRD to deliver immediate assistance to the victims within 2 to 7 days after notification that an incident had occurred.

However, IRD did not follow this process. Annual progress reports showed that it took an average of 50 days during the first year to provide immediate assistance and an average of 28 days during the second year as shown in Table 1

Table 1. Immediate Assistance

Time Allotted	Average Time Taken Year 1	Average Time Taken Year 2	Amount Allowed (Cap)	Approximate Amount Given
2-7 days	50 days	28 days	\$50	\$400

Furthermore, as the table shows, the cooperative agreement allowed IRD to provide up to \$50 in nonmonetary immediate assistance to Afghan civilians who suffered losses. However, the program's database showed that IRD provided immediate nonmonetary assistance at increasing amounts up to approximately \$400 for each family that had suffered losses. IRD increased the amounts because it had determined that \$50 would not provide much immediate assistance. USAID/Afghanistan was unaware that IRD had increased the amount of nonmonetary assistance from \$50 up to \$400 until the audit team brought this to the attention of mission officials. The mission had not modified the cooperative agreement to reflect the increase.

As for the tailored assistance, the cooperative agreement stated that IRD would complete investigations of the incidents within 10 days of notification and would within 21 days of the

incident, begin to implement tailored assistance to the affected families. A review of IRD records for six provinces over the past 2 years showed that it took an average of 35 days to complete investigations and an average of 96 days to begin implementing assistance (Table 2)

Table 2. Tailored Assistance

Task	Time Allotted After Notification of Incident	Time Taken (average from records of six provinces for 2-year period)
Investigate	10 days	35 days
Begin providing assistance	21 days	96 days

IRD could not deliver program assistance on time for two reasons. First USAID/Afghanistan did not consider the effects of its reliance on ISAF to determine eligible incidents prior to providing assistance to affected civilians. The program design factored in negative effects that could arise with untimely assistance to civilians affected by confrontations between ISAF and insurgents. The cooperative agreement stressed the need to provide timely assistance and indicated that IRD and the Ministry of Labor would take the lead in determining the eligibility of incidents for assistance. In reality, the program relied on ISAF to determine which incidents were eligible for program assistance. Reliance on ISAF delayed assistance.

Second, IRD had to comply with its own local procurement procedures when purchasing items for program assistance. Procedures had 11 steps, including issuing solicitations to vendors for quotes and conducting extensive high-level reviews. An IRD official said the organization had instituted local procurement procedures because of the high risk of fraud in Afghanistan. Although the procurement procedures further delayed assistance, the official said IRD could not relax them and explained it had agreed to provide rapid assistance to the Afghan civilians without considering the additional time its local procurement procedures would take.

According to program records, as of December 2013, 127 incidents (with 115 fatalities and 214 injuries) that occurred between February 2012 and November 2013 were still pending ISAF's determination. Because of the assistance delays caused by the program's reliance on ISAF and delays caused by IRD's local procurement procedures, beneficiaries were denied the timely assistance the program was supposed to provide.

Methods for Verifying Beneficiaries Were Weak. According to the cooperative agreement, IRD was expected to work with USAID/Afghanistan to establish effective procedures to confirm that beneficiaries were genuine. In the meantime, IRD could verify potential beneficiaries by using multiple sources—ISAF, the Government of Afghanistan, USAID, local district officials, and village leaders.

For almost 2 years of program operations, IRD worked with USAID/Afghanistan on procedures to verify beneficiaries before providing assistance. However, the audit found weaknesses with the verification procedures and questioned the extent of its effectiveness in confirming genuine beneficiaries.

To determine beneficiaries' eligibility, USAID/Afghanistan transmitted to ISAF a list of names submitted by IRD after each incident. USAID relied on ISAF to approve the list of names.

According to the approved procedures, if IRD did not receive a response from USAID/Afghanistan after 72 hours, IRD would use the System for Award Management (SAM)² to determine beneficiaries' eligibility. IRD's records showed that between September 2011 and September 2013, program staff submitted to USAID/Afghanistan the names of 8,724 Afghan civilians (males aged 18 and older, including those killed) from villages affected by international military forces incidents. Of these, ISAF approved 3,312. IRD determined eligibility for the remaining 5,412 names by checking SAM.

Although IRD complied with the approved procedures, looking for the names of these men on SAM was not an effective way to confirm genuine beneficiaries. Potential insurgents from poor rural Afghan villages were not apt to be on the list of parties excluded from doing business with the U.S. Government or on public watch lists such as those kept by the U.S. Department of Treasury's Office of Foreign Assets Control and the U.S. Department of State. According to IRD officials, the SAM checks did not identify any insurgents on the list of 5,412 names.

As an additional measure, IRD relied on the Government of Afghanistan, local district officials, and village leaders to identify victims including women and children. Village leaders allowed IRD staff access to conduct investigations and introduced staff to families who had suffered losses and needed assistance. Family representatives accepted immediate assistance on behalf of the families, and local social advisors facilitated the awarding of grants to families who qualified for tailored assistance. However, relying on government officials and village leaders to help identify victims and provide assistance in Afghanistan—which Transparency International ranks as the third most corrupt country in the world³—was inadvisable. In this setting, assistance could easily have gone to beneficiaries who were not genuine.

As of April 2014, USAID/Afghanistan had not established a formal agreement with ISAF to assist the program with timely verification of eligible incidents or beneficiaries. One mission official said verification support from ISAF depended on informal agreements between the USAID/Afghanistan and ISAF personnel in the field. However, because of turnover among USAID/Afghanistan and ISAF staff, informal agreements frequently ended, and incoming staff had to develop new ones.

Another mission official provided several drafts (the first dated June 2011) of memorandums of understanding between USAID/Afghanistan and ISAF whereby ISAF would verify incidents and beneficiaries for the program. However, a formal agreement did not materialize. First, ISAF had concerns about how to provide classified information to both mission officials and IRD. Second, legal issues arose concerning the relationship between USAID/Afghanistan and the multinational forces within ISAF. Third, the frequent turnover of military personnel continually restarted the process.

We are not making a recommendation to question cost differences between the \$50 that the cooperative agreement allowed IRD to expend on nonmonetary immediate assistance and the approximately \$400 that IRD actually spent. We have included in this report a recommendation for the mission to conduct an audit of program costs to determine their eligibility, reasonableness, and allowability.

² SAM contains the names of parties suspended or debarred from doing business with the U.S. Government.

³ 2013 Corruption Perceptions Index, <http://cpi.transparency.org/cpi2013/>, accessed on March 10, 2014.

However, the program will end in September 2014, and ISAF plans to downsize its presence in Afghanistan by the end of December 2014. Given the lack of an agreement with ISAF and the delays caused by IRD's local procurement procedures, we make the following recommendations.

Recommendation 1. We recommend that USAID/Afghanistan implement a corrective action plan that would effectively address the slow time frames for immediate and tailored program assistance for the remaining program performance, in the absence of an agreement with the International Security Assistance Force and with procurement delays caused by International Relief and Development Inc.'s local procurement procedures. The plan should include a description of the actions the mission intends to take, together with specific target dates for completing these actions.

Recommendation 2. We recommend that USAID/Afghanistan implement procedures that would effectively strengthen the beneficiary verification process in the absence of an agreement with the International Security Assistance Force so that assistance does not go to beneficiaries who are not genuine.

IRD Did Not Follow USAID's Strategy to Coordinate With Other Organizations

According to USAID's internal documents and the cooperative agreement, the program would link victims assisted by short-term stabilization efforts with medium- and long-term development programs to help rebuild their lives. Coordinating interventions with other programs would facilitate the effective use of all available resources, guard against waste, and foster sustainability by enlarging the role of local organizations.⁴ This strategy was consistent with USAID's development goals.

The implementation strategy called on IRD to assist beneficiaries using its established network of service providers and making referrals to NGOs, other donors, and the Government of Afghanistan. IRD was to maintain a database of the referrals to support connections between communities and Afghan NGOs as well as Government of Afghanistan programs. IRD was also expected to coordinate program assistance with other USAID and ISAF assistance programs. Using this strategy would help sustain the assistance provided and directly contribute to USAID's development goals.

IRD planned to establish memorandums of understanding with NGOs from its network to contract out services for beneficiaries without a cumbersome procurement process. IRD lined up more than 100 NGOs that it approved in advance.

Although IRD had to coordinate with other organizations to assist beneficiaries, it did not. Instead, it implemented the program using its own staff. As of September 2013, IRD had approximately 251 employees located in three regional and three satellite offices throughout Afghanistan and a head office in Kabul. IRD did not make referrals to other assistance programs and donors and made only five referrals to NGOs. Furthermore, the program's database

⁴ According to USAID's Automated Directives System (ADS 200.6), sustainability means the continuation of benefits by local stakeholders after assistance has ended.

showed that from September 2011 to September 2013, the program made 249 referrals to the Government of Afghanistan for medical treatment, but it did not show referrals to donor organizations. IRD officials said the program used only five local NGOs to provide medical assistance and (unspecified) training, made one referral to another USAID program (but did not receive any follow-up communications from the program), and provided 28 program presentations to ISAF staff to increase their knowledge of the program.

During USAID/Afghanistan's portfolio review of the program in August 2012, mission officials raised concerns about the program's lack of coordination with other assistance programs. According to mission officials, the program coordinated with the Government of Afghanistan and ISAF to track condolence payments; however, mission officials did not mention any other coordination efforts. Also according to these officials, USAID took no corrective actions to address the program implementation weakness because of the high turnover among the program agreement officer's representatives. Three agreement officer's representatives were assigned to the program between September 2011 and September 2013, and with each new agreement officer's representative came a new program focus, diverting attention from fixing the coordination weaknesses.

An IRD official gave several reasons for not following the implementation strategy. The official said that there were no other donor organizations, including ISAF that provided nonmonetary assistance to Afghan civilians. The official also said that referring victims to the NGOs as originally planned would have required IRD to conduct extensive capacity building for all NGOs contracted, further delaying assistance to the victims. Additionally, IRD's local procurement procedures required its compliance department to conduct ongoing price checks to make sure prices were not inflated. Had it outsourced implementation to the local NGOs, IRD officials believed that it would have lost control over the procurement process and that would have led to inflated prices for the assistance provided. IRD officials did not explain why they approved the 100-plus NGOs to provide program assistance and later determined the NGOs lacked the necessary capacity to do so. The OIG believes that IRD was overly ambitious when it agreed to implement the program while effectively using all available resources, guarding against waste, and fostering sustainability of livelihoods regained.

The effect of IRD's lack of coordination with other organizations was that the program did not foster sustainability of the livelihoods regained and did not establish enduring relationships between beneficiaries and local organizations.

The program ends in September 2014, and USAID will not have time to reorient the program. Further, because of announced plans to reduce ISAF's presence in Afghanistan by December 2014, together with an expected reduction in the number of incidents eligible for program assistance, mission officials were reviewing plans to close program offices and reduce staff. However, mission officials were also considering extending the program until the end of December 2014 to help potential beneficiaries after September 2014.

We therefore make the following recommendation.

Recommendation 3. *We recommend that USAID/Afghanistan establish a plan for closing down operations in anticipation of the program ending in September 2014, a reduced international military presence in Afghanistan by the end of December 2014, and a reduction in the number of incidents that are eligible for program assistance due to a reduced international military presence. The plan should include a description of the*

actions the mission intends to take and specific target dates for the reduction of International Relief and Development Inc.'s program offices and staff.

Medical Supply Distributions Were Not In Accordance With Cost-Sharing Requirements

The cooperative agreement requires IRD to fulfill its cost-sharing⁵ responsibility by distributing donated medical supplies and pharmaceuticals throughout Afghanistan to community clinics where beneficiaries can go to receive health care. IRD, with ISAF's assistance, was expected to vet these health clinics and coordinate supply distribution with the MoPH. Furthermore, as with all other in-kind assistance provided by the program, IRD was required to track distributions and vet beneficiaries.

IRD reported on its cost-sharing arrangement. It reported that it had obtained an approved list of medical supplies and pharmaceuticals from the MoPH, and that the MoPH, using its own criteria, had selected the hospitals that would receive the donated medical supplies and pharmaceuticals. It reported that it had collaborated with the MoPH and USAID to develop a plan for distributing the medical supplies and pharmaceuticals.

Nonetheless, IRD did not comply with the cooperative agreement. Between February 17 and February 25, 2014, IRD distributed \$12.2 million of medical supplies and pharmaceuticals to seven MoPH hospitals (six in Kabul and one in Kapisa) that MoPH had selected, not to vetted community health clinics throughout Afghanistan as required. According to IRD officials, they considered the hospitals that MoPH selected acceptable because they had previously treated program beneficiaries.

Further, IRD did not establish a mechanism to vet beneficiaries and track distributions to them as required with other assistance provided by the program. IRD relied on the help that the MoPH asked the selected hospitals to provide, which included delivering medicines to the needy and preparing detailed reports showing the names of people who received medication, the amount of medication distributed, and the date the medication was provided. IRD accepted the help in tracking distributions despite Afghanistan's high corruption ranking because, according to IRD officials, they valued their medical staff's knowledge of the hospitals' internal controls and relied on MoPH's inventory control procedures.

When asked why they did not comply with the terms of the cooperative agreement, IRD officials said they had collaborated with MoPH and USAID to develop the distribution plan, and that USAID had approved the plan through regular meetings, e-mail correspondence, and reports. Furthermore, IRD officials reported that the pharmaceuticals distributed to government-funded hospitals were likely to save the lives of many needy civilians.

USAID officials acknowledged collaborating with IRD on this cost-sharing activity. However, when the audit team drew their attention to the cost-sharing terms in the agreement, the officials

⁵ According to USAID's Automated Directives System (ADS 303.3.10), cost share refers to the resources a recipient contributes to the total cost of an agreement. It should be used to support or contribute to the achievement of results and should be based on the needs of the activity.

agreed that IRD's actions did not comply with the cost sharing terms. More important, providing medical supplies and pharmaceuticals to the MoPH to assist a broad range of patients other than eligible beneficiaries, was not the intention of the Leahy Initiative. An August 2011 e-mail from Senator Leahy's office pointed to a larger compliance problem. It made clear that the program would assist Afghan civilians who had suffered losses due to ISAF operations, but not to the government of Afghanistan for any purpose. By providing medical supplies and pharmaceuticals to the seven MoPH hospitals, IRD assisted the Government of Afghanistan.

Because of IRD's noncompliance with its cost-share requirements and the legislation that funded the program, its distribution of \$12.2 million of donated medical supplies and pharmaceuticals to the MoPH hospitals between February 7 and February 25, 2014, was outside the program's scope of work.

We are not making a recommendation to correct IRD's noncompliance with the cost-sharing terms under the cooperative agreement for two reasons. First, this report has a recommendation to the mission to conduct an audit of the \$12.2 million in cost-share expenditures reported by IRD to determine their allowability, eligibility, and reasonableness. Second, IRD made a one-time distribution of medical supplies and pharmaceuticals to the seven MoPH hospitals, and it is not possible to reverse this action.

Program Did Not Meet Its Hiring Goal for Women

According to the cooperative agreement, at least 35 percent of program staff should be women. IRD was expected to employ women in key staff positions in its regional and provincial offices to serve as subject matter experts, activity managers, and coordinators with nongovernmental organizations.

The program hired women for positions including a deputy regional director, a human resources manager, an administrative manager, activity managers, a grants officer, a gender specialist, community mobilizers, and monitoring and evaluation personnel. However, at the end of the first year, women accounted for 21 percent of the program workforce, and at the end of the second year, 19 percent. IRD did not establish indicators to track the percentage of women hired for all positions under the program.

An IRD official said it was difficult to hire enough women for the program because of Afghanistan's cultural norms. For example, the program requires travel to provinces and remote areas, and in Afghanistan, women require an escort to travel. Furthermore, even if women have escorts, travel in many areas might still be restricted for women.

According to an IRD official, with the program scheduled to end by September 2014, IRD has already started to close offices and reduce staff. Therefore, the program will not reach its hiring goal for women before operations end.

Because the program will end soon, we are not making a recommendation to correct this weakness.

Ministry of Labor Cannot Sustain Program Activities

According to the cooperative agreement, the Ministry of Labor was to be an informal implementing partner on the program. When assisting beneficiaries, both program and Ministry of Labor staff expected to work together on everything from investigating incidents and providing assistance to doing monitoring and closeout. The program expected to transfer its activities to the Government of Afghanistan before the end of the program, with the Ministry of Labor in charge of implementation and local government and civil society providing support.

Progress reports to USAID/Afghanistan showed that the Ministry of Labor had participated in assisting victims of 552 incidents as of September 2013. Additionally, Ministry of Labor officials said they had worked alongside program staff since the start and were satisfied with the working relationship with IRD. However, they felt they did not have the capacity to sustain all activities the program provides.

The Ministry of Labor planned to start taking the lead in assisting civilians at the beginning of the second year (September 2012) of program operations and planned to lead the assistance activities by the beginning of the third year. As of September 2013, the ministry had not taken on its new role. Furthermore, during a portfolio review in August 2012, mission officials acknowledged that the Ministry of Labor could not sustain program activities because of its limited capacity. According to an IRD official, the Ministry of Labor will not be able to sustain assistance to Afghan civilians after the program ends for the following reasons:

- *Limited operating budget.* The program had insufficient financial resources and equipment for staff to go out to the field and assist civilian populations.
- *Lack of a strong community presence.* Because most program assistance took place in communities, program staff, not ministry staff, worked with community authorities.
- *Limited scope for addressing losses.* Program assistance was only for Afghan civilians who suffered losses because of military incidents between international forces and insurgents. However, the Ministry of Labor responds to all incidents that harmed Afghan civilians. Therefore, it would not be possible to sustain a program that could only provide assistance to limited group of Afghan civilians.
- *No relationship with ISAF.* The program depended on assistance from ISAF to verify eligible incidents. However, the Ministry of Labor did not have a relationship or an agreement with ISAF to provide assistance.
- *Lack of information technology capacity.* Although IRD officials planned to hand over a database developed by program staff to record the names of civilians affected by war, the Ministry of Labor did not have the technical capacity to operate it.

The program design intended for IRD to work closely with the Ministry of Labor to develop a forum for them to engage with their Afghan citizens and to deliver program assistance. Although ministry officials worked alongside IRD program staff delivering approximately \$9.3 million in program assistance over 2 years, USAID/Afghanistan, IRD, and Ministry of Labor officials agreed in late 2013 that the Ministry of Labor would not be able to sustain assistance activities after the program ends.

We are not making a recommendation to correct this weakness because the program design did not include capacity building for the Ministry of Labor, and the program does not allow funds for capacity-building activities.

Mission Did Not Have Program Costs Audited

USAID/Afghanistan's internal policy requires audits of all locally incurred costs. The policy states: "For many implementing partners, USAID will audit 2 or 3 years of costs in 1 audit. The plan will cover 100 percent of the costs over any given period."

USAID/Afghanistan had planned an audit of the program's locally incurred costs but did not do one during fiscal year 2013. Because of limited resources, the mission could not procure the services of a contractor to perform the audit. An official said the mission had scheduled an audit of the program costs for fiscal year 2014.

As of September 2013, the program had expended approximately \$28.9 million in locally incurred costs. Because of the high risk of fraud in Afghanistan, a timely audit of these costs is necessary. We therefore make the following recommendation.

Recommendation 4. *We recommend that USAID/Afghanistan conduct an audit as planned in fiscal year 2014 to determine the allowability, eligibility, and reasonableness of program costs billed and the \$12.2 million in cost-share expenditures reported by International Relief and Development Inc. under the cooperative agreement.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Afghanistan agreed with the four recommendations in the report. On the basis of information provided by the mission in response to the draft report, we acknowledge management decisions on Recommendations 1, 2, 3, and 4.

Recommendation 1. USAID/Afghanistan agreed to implement a plan to address the slow time frames for immediate and tailored program assistance provided.

The mission plans to revise the methodology used for determining which incidents are eligible for program assistance. IRD will perform its own informal investigations and will check with at least one other independent entity, possibly the United Nations Assistance Mission in Afghanistan or an international NGO operating in Afghanistan, to help determine eligibility. The mission believes this method will save time because these entities have access to areas needed to verify information. The revised method will allow IRD to begin delivering immediate assistance between 14 and 21 days and tailored program assistance between 30 and 40 days after IRD records the eligible incident in the program's database. To reflect the revised method, the mission will modify IRD's cooperative agreement, operations manual, and work plans. The mission expected to complete these actions by June 30, 2014. Accordingly, the mission has reached a management decision.

Recommendation 2. USAID/Afghanistan agreed to implement procedures to strengthen beneficiary verification.

IRD will contact program beneficiaries within 2 to 7 days after recording the eligible incident in the program's database. IRD will also work with the Government of Afghanistan and the United Nations to check beneficiary information. Additionally, the mission will use another USAID program, Measuring Impacts of Stabilization Initiatives, to verify that program beneficiaries identified by IRD are genuine. The mission expected to start its new method of beneficiary verification in June 2014. Accordingly, the mission has reached a management decision.

Recommendation 3. USAID/Afghanistan agreed to establish a plan for closing down program operations.

Although the program ends in September 2014, the mission plans to extend the program to February 15, 2015, to respond to incidents that could occur through December 31, 2014 when ISAF's role will be reduced to training and advising. The program will officially close on February 15, 2015, to provide a closeout period of 1 month after the last case is accepted for assistance by IRD. However, because of the downward trend in the number of incidents eligible for assistance, USAID planned to monitor the situation closely and change the closing date as needed according to the number of incidents actually occurring.

Additionally, the mission director has instructed mission officials to close all program offices, except for the office in Kabul, with corresponding staff reductions, and to provide all assistance from the Kabul office through December 31, 2014. The mission plans to execute the mission director's directive and provide OIG with a copy of its letter instructing IRD to take the actions

described above. The mission expected to complete these actions by June 30, 2014. Accordingly, the mission has reached a management decision.

Recommendation 4. USAID/Afghanistan agreed to conduct a financial audit of the program in fiscal year 2014. The mission expected to complete its financial audit of the program by September 2014. Accordingly, the mission has reached a management decision.

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 in accordance with our audit objective. Except for two scope limitations that were related to the OIG not conducting sufficient site visits because of RSO travel restrictions, and not cross-checking IRD's program data with ISAF because ISAF did not provide a point of contact to assist us with our audit procedures, we believe that the evidence obtained provides a reasonable basis for our audit findings and conclusion.

The purpose of this audit was to determine whether USAID/Afghanistan's assistance to Afghan civilian war victims had reached its intended beneficiaries and had the intended impact. As of September 30, 2013, the unaudited cumulative obligations and expenditures under the program totaled approximately \$39.8 million and \$28.9 million.

We performed audit fieldwork between October 16, 2013, and February 4, 2014, at USAID/Afghanistan offices located on the U.S. Embassy compound in Kabul and at the IRD office established for the implementation of the Afghan Civilian Assistance Program II, also in Kabul. We attended one event in Kabul on October 23, 2013, to observe the distribution of immediate assistance to ten family representatives, and met with ten other family representatives in Herat at a secured location to discuss the immediate and tailored assistance they had received.

The audit covered the first 2 years (September 2011-September 2013) of program activities, costing approximately \$9.3 million, and \$12.2 million of cost-share expenditures in medical supplies and pharmaceuticals distributed to seven MoPH's hospitals between February 17 and February 25, 2014, reported by IRD. We based our conclusions on the following items tested and sources of information reviewed:

- Interviews with the current USAID/Afghanistan staff and key employees at IRD.
- A review of database records to validate the number of eligible incidents and beneficiaries who received assistance.
- A site visit to a local police station in Kabul to observe distribution of immediate assistance to ten family representatives on behalf of victims.
- A meeting with the deputy minister for the Ministry of Labor, Social Affairs, Martyrs, and Disabled to discuss the ministry's satisfaction with the program.
- A meeting with ten family members in Herat to discuss their satisfaction with the assistance received.
- A review of cost-sharing expenditures.

The audit team assessed significant controls by the mission and IRD to manage the program. Significant controls assessed were as follows: (1) planning and design documents, (2) terms and conditions of the cooperative agreement, (3) annual portfolio reviews, (4) performance management plans, (5) annual work plans, (6) progress reports, (7) IRD's operations manual, (8) IRD's standard operating procedures for the procurement of goods and services for immediate and tailored assistance, and (9) IRD's quarterly financial statements.

The database records used to confirm the number of military incidents reported by ISAF and to validate the number of beneficiaries who received immediate and tailored assistance between September 2011 and September 2013 were unaudited. The audit could not determine the effect assistance had on the program's beneficiaries because (1) the data necessary for IRD to make that determination were not available during audit fieldwork and (2) the audit team could not obtain permission from the RSO to travel to villages to visit with beneficiaries and make first-hand observations of what influence assistance might have had on them.

We made several requests to ISAF to cross-check information provided to us by IRD. However, ISAF either did not respond to our request or said it did not have the resources to provide the assistance we requested.

Methodology

The audit team interviewed staff members of USAID/Afghanistan's Office of Stabilization Unit and IRD key personnel to understand the program, reporting procedures, and controls in place for monitoring. We also reviewed the audit objectives with mission officials and confirmed our understanding of the program's goals and objectives.

For security reasons, we were not allowed to travel to meet with beneficiaries in villages. As a result, we focused our audit fieldwork on interviewing mission and IRD officials and validating information by cross-checking information IRD had reported in its annual progress reports with information recorded in its database. The audit team also reviewed IRD's records of follow-up visits to 114 families that had received grants between September 2011 and September 2013. The visits were made to determine the perceived value of assistance provided. We met with the deputy minister for the Ministry of Labor, Social Affairs, Martyrs and Disabled to discuss the ministry's satisfaction with the program and the likelihood that it would be able to sustain activities after the program ended. We also observed a distribution of immediate humanitarian assistance to ten families in Kabul and met with ten families in Herat.

In addition, we judgmentally selected 55 procurement records for testing to confirm that IRD followed its local procurement procedures when providing assistance to families in six Afghan provinces. However, because of the amount of time it would take for IRD to pull supporting records and because the RSO did not authorize us to visit the sites where assistance was distributed to the beneficiaries, the audit team reduced the number of procurement items selected for testing from 55 to 25 items, which covered families in two Afghan provinces—Herat and Kabul—we were allowed to visit. Records reviewed to support IRD's compliance with its local procurement procedures included forms signed by key IRD officials approving the procurement of goods and services for both immediate and tailored assistance. The results of our judgmental sample could not be projected to the universe.

MANAGEMENT COMMENTS



USAID | **AFGHANISTAN**
FROM THE AMERICAN PEOPLE

MEMORANDUM

May 26, 2014

TO: James Charlifue, OIG/Afghanistan Director

FROM: Carolyn “Teddy” Bryan, Acting Mission Director /s/

SUBJECT: Response to Draft Report on the Audit of USAID/Afghanistan Afghan Civilian Assistance Program II (Report No. F-306-14-00X-P)

Thank you for providing USAID/Afghanistan with the opportunity to respond to the draft audit report on the Afghan Civilian Assistance Program II (ACAP II). The work of OIG is an essential part of USAID efforts in Afghanistan. We would like to highlight some of the accomplishments of ACAP II:

ACAP II Highlights since Program Inception (as of 20 April 2014):

- Immediate assistance (food and non-food items) was provided to 6,740 families (about 36,400 individuals).
- Tailored assistance was provided to 1,886 families.
- Supplemental immediate assistance is designed to carry out non-structural repairs to properties damaged in incidents such as truck bombs and air strikes (e.g. replacing doors and windows). ACAP II provided supplemental immediate assistance to 543 families.
- Psychosocial assistance was provided to 306 families.
- Medical assistance was provided to 519 individuals.

Operating Context

The operating context of Afghanistan is one of the more difficult in the world. Security incidents with civilian casualties are politically sensitive, both for the Afghan Government and ISAF. Corresponding to the ongoing drawdown of ISAF,

to be completed by December 31, 2014, the number of eligible security incidents is showing a pronounced downtrend, because the proximity of ISAF forces to a security incident is a key eligibility criterion. The downtrend in eligible incidents will require a major reduction in the size of ACAP II's footprint, described in our response to Recommendation 3.

COMMENTS ON OIG'S RECOMMENDATIONS

***Recommendation 1:** Implement a corrective action plan that would effectively address the slow timeframes for immediate and tailored program assistance, for the remaining program performance, in the absence of an agreement with ISAF and with procurement delays caused by IRD's local procurement control procedures. The plan should include a description of the actions the mission intends to take together with specific target dates for completing these actions.*

USAID Comments: The Mission concurs with Recommendation 1.

Actions Taken/Planned: USAID and the implementing partner developed a revised assistance-distribution plan and incident-verification methodology (see Attachment 1: Assistance Flow Chart). The cooperative agreement, operations manual and work plans will be modified to reflect the amended process and the changed distribution timeline of 14-21 days for immediate assistance⁶ and 30-40 days for tailored assistance⁷ after the incident is recorded in the database. Additionally, the initial face-to-face contact with beneficiaries will be from two to seven days after the incident is recorded in the database under the new verification plan. The incident will be recorded in the database when credible information regarding the eligibility of the incident is received. These timelines balance the need for rapid response with the requirements to verify eligibility to ensure that non-monetary assistance is delivered only to legitimate beneficiaries.

ACAP II has relied solely on ISAF for incident verification. Until February 2014, a backlog of incident verifications slowed service delivery. The backlog is now cleared, but with a reduced ISAF presence, alternate verification methods must be introduced. The new verification procedures will include checking with at least one or two of the following independent entities to verify the eligibility of incidents: 1) the United Nations Assistance Mission in Afghanistan and other UN

⁶ The program currently requires the delivery of immediate assistance within 2 to 7 days.

⁷ The program currently requires the delivery of tailored assistance within 21 days.

partners, 2) various sources from the Government of Afghanistan, 3) the ISAF Civilian Casualty cell, 4) International NGOs through outreach in their areas of operation throughout Afghanistan, and 5) the Afghan Independent Human Right Commission (AIHRC). Expanding incident verification efforts through multiple entities, instead of ISAF only, will reduce the time needed for the verification of eligible incidents, because these entities cover areas where they have more-immediate access to verifying information.

Target Closure Date: June 30, 2014

***Recommendation 2:** Implement procedures that would effectively strengthen the beneficiary verification process in the absence of an agreement with ISAF so that assistance does not go to potential beneficiaries who are not genuine.*

USAID Comments: The Mission concurs with Recommendation 2, with the clarification that “genuine” is used in the sense of verification that the beneficiaries identified by the ACAP initial investigation received the benefits reported.

Actions Taken/Planned: Beneficiaries will be verified by the USAID program Measuring Impacts of Stabilization Initiatives (MISTI) through the addition of ACAP II to the MISTI task order for monitoring purposes. The modification of the task order is in process and should be completed before June 30, 2014.

The MISTI Program conducts independent impact evaluation and monitoring for USAID stabilization programs, including ACAP II. MISTI monitors and reports on perception trends as they relate to stabilization initiatives and conducts mid-term and final performance evaluations. Beginning in June 2014, MISTI will perform regular beneficiary verification for ACAP II and will include MISTI presence at a sample of the actual distributions of assistance.

Target Closure Date: June 30, 2014

***Recommendation 3:** Establish a plan for closing down operations in anticipation of the program ending in September 2014, a reduced international military presence in Afghanistan by the end of December 2014, and a reduction in the number of incidents that are eligible for program assistance due to a reduced international military presence. The plan should include a description of the actions the mission intends to take and specific target dates for the reduction of IRD’s program offices and staff.*

USAID Comments: The Mission concurs with Recommendation 3.

Actions Taken/Planned: ACAP II is scheduled to end in September 2014, but the Mission plans to extend the program to February 15, 2015. This extension will allow ACAP II to respond to incidents that occur through December 31, 2014, when ISAF's mission is reduced to a limited training and advisory role.

Eligible Incidents by Month	<u>2012</u>	<u>2013</u>	<u>2014 (as of 11 May)</u>
January	19	29	8
February	19	14	8
March	29	18	8
April	31	38	3
May	49	32	0
June	37	31	
July	42	15	
August	43	18	
September	36	23	
October	48	11	
November	36	10	
December	21	6	
Total	410	245	27

Because of the sharp downtrend in the number of eligible security incidents (see above table), the Mission Director has instructed ACAP II close all offices, except Kabul, with corresponding staff reductions, and provide all assistance from the Kabul office through December 31, 2014. The program will officially close on February 15, 2015 to provide a closeout period of at least one month after the last case is accepted. (The number of security incidents will be closely monitored by USAID, and the closing date of the program will be changed according to the number of incidents actually occurring.) The ACAP II Agreement Officer (AO) and Agreement Officer's Representative will execute the Mission Director's directive, and provide to OIG the letter from the AO instructing the implementing partner to take the actions described above as supporting documentation in order to close this recommendation.

Target Closure Date: June 30, 2014

Recommendation 4: *Conduct an audit as planned in fiscal year 2014, to determine the allowability, eligibility, and reasonableness of program costs billed and the \$12.2 million of cost share expenditures reported by IRD under the cooperative agreement.*

USAID Comments: The Mission concurs with Recommendation 4.

Actions Taken/Planned: USAID has planned a financial audit for the ACAP II award to be performed in FY 2014.

Target Closure Date: September, 2014

All Assistance Provided

ACAP II Assistance Provided between September 30, 2011 and September 30, 2013

Province	No. of Eligible Incidents	No. of Families That Received Assistance	No. of Men Within the Families That Received Assistance	No. of Women Within the Families That Received Assistance	No. of Children Within the Families That Received Assistance	Estimated Cost
Badakhshan	1	1	1	1	3	\$ 5,714
Badghis	7	23	28	24	85	\$ 94,772
Baghlan	7	19	28	33	88	\$ 59,931
Balkh	7	13	19	15	53	\$ 74,699
Bamyan	-	-	-	-	-	\$ -
Daykundi	-	-	-	-	-	\$ -
Farah	12	243	350	292	615	\$ 393,415
Faryab	9	48	74	44	155	\$ 128,722
Ghazni	33	785	1,131	858	2,382	\$ 556,544
Ghor	2	32	59	35	83	\$ 17,674
Hilmand	44	218	279	199	714	\$ 1,485,195
Hirat	15	297	425	286	618	\$ 341,969
Jawzjan						\$ 988
Kabul	11	314	515	404	712	\$ 957,308
Kandahar	37	169	338	227	671	\$ 541,177
Kapisa	36	234	276	188	629	\$ 556,847
Khost	61	412	718	447	1,176	\$ 602,031
Kunar	114	214	236	227	890	\$ 520,770
Kunduz	16	37	64	51	107	\$ 56,986
Laghman	11	42	48	46	148	\$ 131,966
Logar	54	473	627	432	973	\$ 535,531
Nangarhar	26	182	228	197	528	\$ 322,402
Nimroz	2	4	5	9	23	\$ 41,594
Nuristan	-	-	-	-	-	\$ -
Paktika	19	44	70	18	119	\$ 100,734
Paktya	17	111	144	84	213	\$ 143,978
Panjsher	1	2	1	2	2	\$ 10,236
Parwan	1	6	10	7	24	\$ 44,852
Samangan	4	30	60	47	142	\$ 39,938
Sari Pul	-	-	-	-	-	\$ -
Takhar	-	-	-	-	-	\$ -
Uruzgan	9	18	19	14	61	\$ 48,095
Wardak	23	1,491	2,494	1,688	3,942	\$ 1,393,445
Zabul	13	26	67	35	87	\$ 91,957
	592	5,488	8,314	5,910	15,243	\$ 9,299,470

Tailored Assistance Provided

NO. OF GRANTS AWARDED UNDER ACAP II FROM SEPTEMBER 30, 2011 – SEPTEMBER 30, 2013						
Province	No. of Grants Awarded	No. of Families That Received Assistance	No. of Men That Received Assistance	No. of Women That Received Assistance	No. of Children That Received Assistance	Estimated Costs
Bamyan	-	-	-	-	-	\$ -
Ghazni	37	78	120	78	246	\$ 258,312.70
Kabul	16	70	136	113	215	\$ 601,201.06
Kapisa	33	124	173	133	432	\$ 436,547.34
Khost	27	111	186	125	320	\$ 424,875.53
Kunar	64	98	115	101	447	\$ 405,872.67
Laghman	10	24	31	30	105	\$ 73,765.99
Logar	42	94	176	164	427	\$ 372,821.07
Nangarhar	18	67	102	106	281	\$ 227,255.55
Nuristan	-	-	-	-	-	\$ -
Paktika	13	17	28	9	36	\$ 51,105.57
Paktya	8	21	19	9	51	\$ 65,404.09
Panjsher	1	2	1	2	2	\$ 991.00
Parwan	1	5	9	6	17	\$ 15,994.06
Wardak	29	134	217	179	437	\$ 533,706.27
Badakhshan	1	1	1	1	3	\$ 5,255.79
Baghlan	4	11	19	20	50	\$ 48,510.75
Balkh	6	10	16	11	41	\$ 66,444.84
Faryab	9	35	54	37	115	\$ 111,652.14
Jawzjan	-	-	-	-	-	\$ -
Kunduz	10	17	30	34	56	\$ 42,283.87
Samangan	4	11	23	18	44	\$ 29,974.92
Sari Pul	-	-	-	-	-	\$ -
Takhar	-	-	-	-	-	\$ -
Daykundi	-	-	-	-	-	\$ -
Kandahar	40	106	233	154	400	\$ 374,149.36
Uruzgan	7	14	18	13	57	\$ 46,538.58
Zabul	11	19	47	25	56	\$ 83,981.71
Hilmand	41	128	152	119	460	\$ 486,996.17
Nimroz	2	2	2	7	12	\$ 40,775.44
Badghis	6	22	25	23	81	\$ 85,462.84
Farah	13	65	68	87	165	\$ 289,384.77
Ghor	1	1	4	2	7	\$ 4,151.27
Hirat	11	52	61	63	200	\$ 227,614.86
	465	1,339	2,066	1,669	4,763	\$ 5,411,030.21

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