



OFFICE OF INSPECTOR GENERAL  
U.S. Agency for International Development

# USAID Needs To Implement a Comprehensive Risk Management Process and Improve Communication As It Reduces Staff and Programs in Afghanistan

**AUDIT REPORT 8-306-21-002-P**  
**MARCH 19, 2021**

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## MEMORANDUM

**DATE:** March 19, 2021

**TO:** USAID/Afghanistan Mission Director, Tina Dooley-Jones

**FROM:** Middle East and Eastern Europe Regional Audit Director,  
David Thomanek /s/

**SUBJECT:** USAID Needs To Implement a Comprehensive Risk Management Process  
and Improve Communication As It Reduces Staff and Programs in  
Afghanistan (8-306-21-002-P)

This memorandum transmits the final report on our audit of USAID's risk management and project prioritization in Afghanistan. Our audit objective was to determine to what extent USAID applied risk management principles in selecting staff positions and programs for reduction in Afghanistan. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix B.

The report contains two recommendations to improve USAID's management of risks in Afghanistan and level of engagement with Congress and key internal stakeholders. After reviewing the information you provided in response to the draft report, we consider recommendations 1 and 2 open and unresolved. Please work with us to resolve both recommendations.

We appreciate the assistance you and your staff provided to us during this audit.

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## INTRODUCTION

Changes to U.S. Government risk management requirements in recent years have led to a wider focus on the impact of risks across an agency's portfolio beyond the impact of risks to individual programs. This broad approach, called enterprise risk management, is designed to enable agencies to identify and address risks so they can more effectively and efficiently allocate resources to achieve goals and objectives. Risk management is an important element in determining if USAID will achieve its development objectives, but it is especially crucial in Afghanistan, one of the largest recipients of U.S. foreign assistance. Between 2001 and 2020, USAID disbursed \$22.1 billion in Afghanistan for critical programs and services such as infrastructure, health and nutrition, education, democracy and governance, and agriculture. Conditions in Afghanistan continue to be challenging, with constant security threats that limit USAID's ability to monitor programs through direct observation.

In January 2019, the Secretary of State, through the U.S. Ambassador to Afghanistan, directed USAID/Afghanistan to initiate a process to cut staff by 50 percent by September 15, 2019. The Ambassador said the cuts, known as the posture adjustment, reflected the Trump Administration's strategic shift away from the war on terror and U.S. military and civilian presence in Afghanistan. In addition to staff cuts, the mission proposed a more than 40 percent reduction in the number of programs in conjunction with the posture adjustment at the direction of the Secretary of State through the Ambassador. Despite these cuts, USAID must still manage risks and exercise fiduciary responsibility for the U.S. investments that remain, including ensuring adequate oversight and the sustainability of programs.<sup>1</sup>

Oversight agencies, including USAID OIG, the Special Inspector General for Afghanistan Reconstruction (SIGAR), and the U.S. Government Accountability Office (GAO) have noted continued challenges to program oversight of the large portfolio of programs in Afghanistan due to inadequate staffing and the risk of unsustainability of programming if funding were significantly reduced or eliminated. Congress shared these concerns and placed numerous holds on the cuts to staff and programs, most of which are still in effect.

The objective of this audit was to determine to what extent USAID applied risk management principles in selecting staff positions and programs for reduction in Afghanistan. To answer the audit objective, we assessed if the mission adequately (1) identified and assessed the risks of staff cuts to oversight, (2) identified and assessed the risks of program cuts to sustainability, (3) prepared risk responses and monitoring plans to address those risks, and (4) communicated information regarding risks of the posture adjustment to Congress and key internal stakeholders.

To conduct this audit, we analyzed documents—including risk assessments, strategies, policies, and correspondence—and conducted interviews with key officials from

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<sup>1</sup> U.S. Agency for International Development, Risk Appetite Statement, June 2018.

Congress, the State Department, and USAID at the mission in Kabul, Afghanistan and in Washington, DC. In addition, we conducted a survey of all USAID mission staff assigned to Afghanistan in 2019. We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

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## SUMMARY

USAID identified which staff positions to retain, reduce, or eliminate in Afghanistan, and assessed their risks to oversight. The mission considered the risks of staff cuts and addressed them in accordance with risk management requirements.<sup>2</sup> For example, the mission prepared risk documents<sup>3</sup> as it developed recommendations for the posture adjustment. The mission identified 62 risks, over 90 percent of which we determined were materially related to the posture adjustment, and prepared plans for how it would address each of those risks.

Nevertheless, despite taking some steps, the mission in Afghanistan did not fully identify and assess the risks of program cuts to sustainability. The mission prepared two spreadsheets to track items including award performance and potential consolidation, discontinuation, and replacement of funding. However, these spreadsheets did not identify all the programs proposed for cuts, assess the level of risk or potential impact of each cut, or provide responses to risks. In addition, the mission prepared the spreadsheets after it had already submitted its posture adjustment notification to Congress. Mission staff and officials from other Federal agencies expressed concern about the sustainability of their efforts in light of the posture adjustment, but the mission did not identify how the previous development gains and current programs would be sustained if significant funding is cut from USAID's programming budget.

By not fully using the information and staff resources available, USAID missed an opportunity to improve its response to identified risks and did not apply risk management principles related to the Afghanistan posture adjustment. For example, USAID could have leveraged expertise from internal experts in workforce planning, transition and reorganizations, and staff the mission identified as involved in risk management. One such group in the Agency initiated a mission-wide survey and developed a summary report on USAID's footprint in nonpermissive environments. The report noted that reorganizations and transitions in Iraq and Pakistan similar to the Afghanistan posture adjustment benefited from reducing programming before staff cuts to mitigate risks to oversight. However, the mission in Afghanistan did not wait to receive the report before it made its recommendations about the posture adjustment. Interviews with staff the mission identified as working with risk assessment and risk

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<sup>2</sup> GAO, "Standards for Internal Control in the Federal Government" (GAO-14-704G), September 2014; OMB, OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (M-16-17), July 15, 2016.

<sup>3</sup> The mission's annual FY2019 Federal Manager's Financial Integrity Act (FMFIA) risk assessment, and FY2019 Enterprise Risk Management (ERM) risk profile document.

management also showed that they were not consulted during the development of the mission's response to the posture adjustment.

USAID did not fully communicate the risks of the Afghanistan posture adjustment to Congress or key internal stakeholders. In the documents provided by USAID, congressional staff asked several times for more details about proposed program cuts, including a list of programs being proposed for reduction and the potential effects on those programs. Similarly, Agency officials could not confirm that they had communicated to all congressional stakeholders that the actual staff headcount at post had been reduced from 114 to 70, which specific programs the mission is considering cutting, or how those cuts could affect oversight of the Afghanistan portfolio and sustainability of Agency programs there. The results of our mission-wide survey and interviews with select staff revealed concerns about the potential negative effects of the uncertainty and lack of information, despite mission and embassy town halls designed to inform staff about the posture adjustment.

We made two recommendations to improve USAID's management of risks in Afghanistan and level of engagement with Congress and key internal stakeholders.

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## BACKGROUND

### Challenges of Operating in Afghanistan

USAID faced challenges in Afghanistan even before the posture adjustment, and they continue:

- *Security and oversight.* According to USAID's country development cooperation strategy (CDCS) for Afghanistan, the persistent threat of violence poses security concerns. The mission's policy on performance monitoring says the threat of violence makes project implementation and oversight difficult. As a result, the mission has relied on third-party monitoring contractors, an arrangement that has presented challenges for the Agency in the past.<sup>4</sup> The mission has also funded significant programming through public international organizations (PIOs), which is higher risk because USAID has not performed close oversight of these organizations in recent years. Audits of PIOs in general found that USAID did not fully identify, assess, or manage the risks related to monitoring and evaluation.<sup>5</sup>
- *Corruption.* Transparency International, a nonpartisan research and advocacy organization focused on corruption, ranks Afghanistan among the countries with the highest perceived levels of public sector corruption in the world. A SIGAR audit of

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<sup>4</sup> USAID OIG, "Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan" (F-306-16-001-P), December 10, 2015. OIG reports are available at <https://oig.usaid.gov>.

<sup>5</sup> USAID OIG, "Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk" (8-000-18-003-P), September 25, 2018; and USAID OIG, "USAID Planning and Monitoring Gaps Weaken Accountability for Results Through the Afghanistan Reconstruction Trust Fund" (8-306-17-004-P), August 16, 2017.

direct assistance to the government of Afghanistan in January 2014 found that Afghan government officials in several ministries were unable to control corruption, and that USAID had still signed agreements to provide funding when those Afghan ministries had only implemented 24 of 333, or 8 percent, of risk mitigation measures.<sup>6</sup>

- *Frequent staff turnover.* According to a GAO report on efforts to mitigate the effects of staff attrition in Afghanistan,<sup>7</sup> relatively short tenures for each of the three primary employee categories—U.S. Direct Hire (USDH), Third-Country National (TCN), and Local Foreign Service National (FSN)—present a unique challenge at the mission.<sup>8</sup> FSN staff, which comprise the core staff and institutional knowledge, language skills, and local relationships, are eligible to apply for special immigrant visas (SIV) after two years of working for the U.S. Government. Proposals have been made to increase FSN hiring and to give them more responsibility, but high turnover in recent years could limit the effectiveness of these mitigating strategies. Accordingly, the workload has increased for the mission’s USDH and TCN expatriate staff—the very hiring types that are being reduced by the posture adjustment.
- *Sustainability and self-reliance.* Based on the Agency’s key indicators that measure a country’s commitment and capacity to sustain gains made and to solve its own development challenges, Afghanistan has performed among the worst of those with which USAID works.<sup>9</sup> This presents a unique challenge to Afghanistan. In the years ahead, international aid support from major donors is likely to decline, according to the World Bank<sup>10</sup> and USAID’s CDCS for Afghanistan.<sup>11</sup>

## Principles of Risk Management

The guiding principles of risk assessment and management for Federal entities are stipulated in the GAO Standards for Internal Control in the Federal Government, Federal Managers Financial Integrity Act (FMFIA), and Office of Management and Budget (OMB) Circular A-123: “Management’s Responsibility for Enterprise Risk Management

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<sup>6</sup> SIGAR, “Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries’ Ability to Manage Donor Funds, but Concerns Remain” (SIGAR 14-32 Audit Report), January 30, 2014.

<sup>7</sup> GAO-16-100, “State and USAID Should Evaluate Actions Taken to Mitigate Effects of Attrition among Local Staff,” December 2015.

<sup>8</sup> USDH staff serve one-year tours of duty, which can be extended. FSNs and TCNs all serve one-year contracts, which can be renewed.

<sup>9</sup> USAID’s Journey to Self-Reliance is the Agency initiative designed to achieve greater development outcomes through the reorientation of strategies, partnership models, and program practices in the countries in which it operates.

<sup>10</sup> January 2020 World Bank Group, Afghanistan Development Update, <https://elibrary.worldbank.org/doi/pdf/10.1596/33210>, accessed September 11, 2020.

<sup>11</sup> Each mission has a Country Development Cooperation Strategy (CDCS) that defines how the mission will further USAID’s development assistance goals and objectives in that country over a 5-year period, unless exempted. USAID Afghanistan was not exempted and has a CDCS.

(ERM) and Internal Control.”<sup>12</sup> These sources cite the same essential elements of effective risk management, which comprise the criteria for this audit:

- Identify risks
- Assess risks
- Prepare risk responses
- Monitor risks
- Communicate risks

Consistent with these risk management principles and the applicable laws and regulations, USAID organizational units—including bureaus, missions, and independent offices—are required to conduct annual FMFIA reviews and certifications.<sup>13</sup> This process requires the completion of a risk assessment, a description of any control deficiencies and accompanying corrective action plans (if necessary), and management’s certification of the overall adequacy and effectiveness of its internal controls.

## **Congressional Notifications and Holds**

Appropriations legislation passed by Congress starting in 2019<sup>14</sup> requires certain Federal departments and agencies to submit a congressional notification (CN) to the appropriate congressional committees<sup>15</sup> in the event of significant planned changes such as the expansion, elimination, consolidation, or downsizing of an official U.S. presence overseas, including USAID workforce staffed there. If Congress does not agree, they can place holds on the actions described in the CN. On May 3, 2019, the State Department and USAID submitted a joint posture adjustment CN which recommended 50 percent staff cuts and 43 percent program cuts in Afghanistan. Two USAID officials familiar with the CN holds stated that Congress cited the risk of program oversight of such a large portfolio and placed four holds on the CN. USAID submitted a second CN on August 30, 2019, that recommended 39 percent staff cuts and did not specify any program cuts. Three congressional committees placed holds on this CN as well.<sup>16</sup> The Senate Appropriations Subcommittee on State, Foreign Operations (SACFO) directed USAID not to reduce staffing in Afghanistan below the pre-CN level of 114 until it provided

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<sup>12</sup> GAO Standards for Internal Control in the Federal Government criteria on risk assessment and the development and documentation of internal control, OMB Circular A-123 criteria on Enterprise Risk Management, and FMFIA criteria on conducting annual risk assessments, and preparing corrective action plans.

<sup>13</sup> ADS chapter 596, “Management’s Responsibility for Internal Control.”

<sup>14</sup> Consolidated Appropriations Act (2019), Public Law 116-6, Division F, Title VII, Sec. 7073(a).

<sup>15</sup> USAID submits congressional notifications primarily to four congressional committees: the House Appropriations Subcommittee on State, Foreign Operations (HACFO); the Senate Appropriations Subcommittee on State, Foreign Operations (SACFO); the House Foreign Affairs Committee (HFAC); and the Senate Foreign Relations Committee (SFRC).

<sup>16</sup> State and USAID respond to congressional holds differently. State typically implements the actions specified in a CN after a 15-day waiting period regardless of a congressional hold, whereas USAID does not. When USAID saw that the holds on the first CN were not lifted, it submitted the second CN independent of State in an effort to respond to the Secretary of State and Ambassador’s directive to reduce staff and programs.

“sufficient justification” for the reductions. We reviewed USAID documentation and confirmed that the holds on the CN are still in place, as of February 26, 2021.

In early 2019, when the Secretary of State, through the Ambassador, directed USAID to significantly reduce its staffing footprint in Afghanistan, senior USAID officials at the mission in Kabul and in Washington, DC, said they felt obligated to comply under the organizational structure of the two agencies and the mission. These officials said that the Ambassador, as Chief of Mission (COM), has control over the size, composition, and mandate of overseas full-time mission staffing for all U.S. Government agencies at post. Figure 1 outlines the roles and responsibilities of State and USAID components in Afghanistan.

**Figure 1. Organizational Components and Their Authority Over the USAID Mission in Afghanistan**

Entity/Position	Relevant Authority
<b>State Department</b>	
Ambassador/Chief of Mission (COM)	National Security Decision Directive 38 (NSDD-38) gives the Ambassador/COM control over the size, composition, and mandate of overseas full-time mission staffing for all U.S. Government agencies [at post]. This authority is also incorporated into the State Department’s Foreign Affairs Handbook (FAH). See 2 FAH-2 H-112.1; 6 FAH-5 H-351.
<b>USAID Mission and Headquarters</b>	
Mission Director	The most senior officer at the USAID mission, who is responsible for the direction and supervision of the Agency’s progress towards the achievement of its goals and objectives in Afghanistan.
Office of Afghanistan Affairs (OAF)	Formerly a function of an independent office, the Office of Afghanistan and Pakistan Affairs (OAPA), OAF is an office within USAID’s Asia Bureau that coordinates bilateral and regional activities, and provides extensive support to the mission, including technical assistance, monitoring and evaluation and programming, as well as counterterrorism vetting operations.
Office of Human Capital and Talent Management (HCTM)	The Agency’s lead office in all aspects of personnel activities, including recruitment, workforce planning, policy development, career development, and employee evaluation.
Workforce Planning and Program Division (WPP)	A division of HCTM that must be consulted for all reorganizations, such as the posture adjustment, according to Agency policy.
Bureau for Legislative and Public Affairs (LPA)	Manages and coordinates the Agency’s external affairs and serves as the point of contact with Congress, the media, interested stakeholders from the international development community, and the public.

Source: OIG analysis of information provided by the State Department and USAID.

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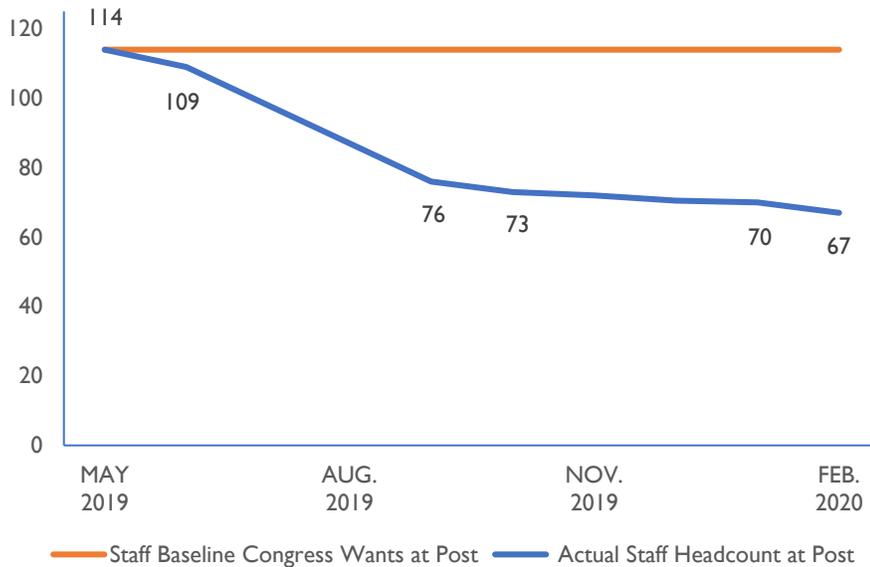
## **USAID IDENTIFIED WHICH STAFF POSITIONS TO CUT AT THE MISSION AND ASSESSED THE RISKS THOSE CUTS WOULD HAVE ON OVERSIGHT**

When the mission was directed by the Secretary of State through the Ambassador to reduce staffing, mission officials started to identify in February 2019 which staff positions it would retain, reduce, or eliminate. Those recommended changes were contained in the mission's posture adjustment CNs and a related document. The mission also assessed the risks associated with those staff reductions and determined that staff cuts and the potential effect on oversight presented a high risk and material weakness. Mission officials made this determination primarily through the annual FMFIA process (which was carried out in accordance with applicable OMB A-123 risk management requirements) and identified and prepared plans to respond to 62 risks—over 90 percent of which we determined to be material to the posture adjustment.

Mission staff—including the mission director, both deputy mission directors, office directors, and other cognizant staff—said these staffing reductions represented an increased risk. Also, 23 percent of respondents (14 out of 62) to our mission-wide survey noted that successful monitoring and oversight of the mission's portfolio was not at all likely after the posture adjustment, with 37 percent of respondents (23 out of 62) noting that it was only moderately likely. Twenty-nine percent of respondents (18 out of 62) did not have an opinion.

Nonetheless, in response to the Secretary of State and Ambassador's directive, USAID proceeded with downsizing its presence in Afghanistan. USAID has not replaced approximately 44 staff members that departed through attrition or Foreign Service tours that ended. The result has been a 39 percent reduction of USDH and PSC expatriate staff, while, according to mission officials surveyed, the remaining staff are essentially overseeing the same portfolio. Select responsibilities of portfolio oversight for USAID/Afghanistan mission staff include project management; the review, verification, and documentation of third-party monitoring; and direct engagement with local stakeholders. Each of these oversight responsibilities contributes to the achievement of the mission's objectives in Afghanistan and could be more difficult to complete with fewer staff responsible for the same portfolio. Figure 2 depicts the decline in staffing.

**Figure 2. Expatriate Staff Headcount at USAID Mission in Afghanistan, May 2019-February 2020**



Source: OIG analysis of data provided by the USAID mission in Afghanistan.

On September 3, 2019, USAID staff reported to the incoming assistant chief of mission that they had already reduced actual staff at post to 76, despite the holds placed by Congress. The staff reduction was not reversed even after a SACFO directive to maintain staff at 114. Documentation we reviewed showed that headcount has remained at 70 or below since then.

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## **USAID DID NOT FULLY IDENTIFY AND ASSESS THE RISKS THAT PROGRAM CUTS COULD HAVE ON THE SUSTAINABILITY OF ITS INVESTMENTS IN AFGHANISTAN**

Though the mission identified and assessed the risks related to staff reductions consistent with risk management criteria,<sup>17</sup> it did not fully do so for programs to ensure the sustainability of U.S. investments in Afghanistan. The mission prepared multiple spreadsheets to evaluate whether to retain, reduce, or eliminate individual programs in its portfolio. The mission provided a spreadsheet that outlined which awards were underperforming or could be consolidated, provided recommendations for which awards to retain, or if projects could be transferred to another donor or partner/activity if USAID funding were reduced. In its 2019 FMFIA risk assessment, the mission assessed the risk of program cuts more completely for only one of its offices,

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<sup>17</sup> GAO, “Standards for Internal Control in the Federal Government” (GAO-14-704G), September 2014, Principle 7-Identify, Analyze, and Respond to Risks.

the Office of Health and Nutrition, rather than for the entire portfolio. A subsequent analysis completed in July 2019 identified which awards the mission was considering maintaining or discontinuing, and a brief, general rationale for each decision. However, in both cases, these spreadsheets lacked key aspects of a comprehensive risk assessment because neither one identified all programs being proposed for retention, reduction, or elimination; assessed the level of risk or potential impact of each; or provided strategies for addressing those risks that would impact the sustainability of its investments in Afghanistan.

Sustainability is identified as a key factor to achieving USAID's goals in Afghanistan in the mission's most recent CDCS, completed in September 2018. However, a senior mission official told us that the effects of program cuts to sustainability were not fully assessed before either CN was sent to Congress. For example, the first posture adjustment CN was sent to Congress in May 2019 with a proposed 43 percent cut in programming, which was before the completion of the mission's first analysis. The most recent CN, submitted August 30, 2019, does not propose any program changes. A mission staff member said that due to the congressional holds, they stopped considering the risks of program cuts to sustainability and other areas related to the posture adjustment in September 2019.

The completeness and timing of the mission's analysis of the posture adjustment and related risks is relevant because USAID documentation of several briefings indicates that congressional staff have asked for these specifics on numerous occasions,<sup>18</sup> including a list of programs being proposed for reduction, potential impacts, and the sustainability of programs. A senior Agency official said Congress did not agree with the recommended cuts because the remaining staff would not provide adequate portfolio oversight, and that is why congressional holds are still in place. Mission staff and other U.S. Government stakeholders also raised concerns about program sustainability. Results of our survey of mission staff and interviews show that the mission did not identify how the development gains and current programs would be sustained in Afghanistan for several key sectors if significant funding is cut from USAID's programming budget. Specifically:

- A Lead IG report on Operation Freedom's Sentinel in 2019 noted that over 70 percent of health care facilities in Afghanistan are funded by international donors,<sup>19</sup> and mission data for 2018-20 shows that USAID accounted for \$900 million, or 37 percent, of this. In addition, 54 percent of Afghan public expenditures in 2018 came from international donors to which USAID currently provides hundreds of millions of dollars a year.<sup>20</sup>

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<sup>18</sup> Between May 23, 2019 and June 2, 2020, USAID officials held nine briefings and answered questions from four congressional subcommittees that had placed holds on the posture adjustment CN.

<sup>19</sup> Operation Freedom's Sentinel Lead Inspector General Report to the U.S. Congress, October 1, 2019-December 31, 2019.

<sup>20</sup> USAID OIG Office of Global Strategic Overseas Contingency Operations (GSOCO) Talking Points, March 2019, prepared for the three lead Inspectors General for U.S. Government operations in Afghanistan: The Department of Defense, State, and USAID.

- The mission's Office of Agriculture has long promoted alternative crops for Afghan farmers to grow instead of opium—a critical effort designed to complement other U.S. Government departments and agencies, including the Drug Enforcement Administration (DEA). According to an unnamed DEA representative in Afghanistan, DEA could not support or sustain their operations there without continued USAID, State department, and DOD support. Yet according to a cognizant mission official, they project that the office's program funding will be reduced from \$100 million this year to \$30 million by 2021.
- The mission promotes educational and employment opportunities for girls and women, ranging from increased learning opportunities for more than three million Afghan girls to small business assistance designed to equip women to support themselves and stabilize neighborhoods. According to the mission's Gender Office director, under the posture adjustment, the office projects a 67 percent decrease in awards they oversee, representing \$30-40 million in cuts. Moreover, Gender Office staff said some gender-related mission program funding, including some of their programming, would not be sustainable without continued USAID funding.

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## **USAID DID NOT USE ALL AVAILABLE INFORMATION RESOURCES IN PREPARING RISK RESPONSES FOR STAFF AND PROGRAM CUTS**

The nature of USAID's work in challenging and dynamic environments like Afghanistan has led to the accumulation of significant institutional resources across Agency bureaus and offices related to transformation and reorganization. Accordingly, a range of resources was available, such as consultations with specialists in HCTM, the Transformation Task Team (T3), and mission staff, but we found these resources were not fully utilized and the mission missed an opportunity to improve its response to the risks it identified.

### **Mission Leaders Did Not Consult With HCTM Experts in Organizational Development**

Mission leadership did not leverage internal subject matter experts (SME) that could have strengthened its response to the posture adjustment. Overseen by HCTM and intended to consult on organizational changes to ensure the most efficient and effective solution, WPP was not engaged with the design and implementation of the posture adjustment. When we asked about the extent of its consultation with WPP, mission leaders noted they were in frequent contact with HCTM, and the mission received temporary-duty support from two Washington, DC-based HCTM staff members in February 2020 to assist with OAPA's merger into the Asia Bureau.

However, Agency documentation that tracks the position and office of every USDH worldwide<sup>21</sup> showed that neither of the HCTM staff members in question worked with WPP at that time. Further, in April 2020, the director of HCTM told us that they were not involved in the development of the posture adjustment and provided no temporary-duty support to the mission during that period. Instead, HCTM primarily managed the reassignment of FSOs whose positions were placed on hold during the posture adjustment. Their reassignments stemmed from a plan that was developed and implemented without consultation with WPP, even though it is required by Agency policy.<sup>22</sup>

### **Mission Leaders Did Not Draw on a T3 Report That Recommended Reducing Programs Before Staff**

Broadly charged with the management of transition and reorganization of USAID's structure, processes, workforce, and programs, T3 issued a survey to all mission staff in Afghanistan on August 24, 2019. Though this survey was not specifically conducted in response to the posture adjustment, the resulting report contained insights and recommendations regarding the footprint reduction/downsizing and best practices for Afghanistan. However, less than a week after this survey was initiated, USAID submitted its second CN, with anticipated staff cuts of 39 percent. As a result, the mission could not draw on the results of the survey or T3's final report, which noted that previous USAID downsizing in Iraq and Pakistan benefited from gradual programming reductions before staffing reductions to reduce the oversight burden on mission staff.<sup>23</sup> Indeed, our interviews with mission staff, including each of the 14 office directors, revealed that reducing staff before programming has compromised oversight effectiveness. Mission leadership, including 1 of 2 deputy mission directors and 13 of 14 mission office directors, said they believe cutting staff before programming had negatively impacted oversight.

### **Mission Leaders Did Not Fully Inform Mission Staff or Consult Staff Engaged in Risk Management**

While the mission director held town halls, and senior staff met with every office director and PSC, approximately 40 percent of the respondents (27 out of 65) to our mission-wide survey said they made no contribution regarding the posture adjustment. They also said that communication from mission leadership was unclear. Thirty-five

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<sup>21</sup> USAID staffing pattern reports are produced monthly by the National Finance Center, a shared service provider operated by the U.S. government that carries out administrative tasks for specific human resource and financial management functions for select client agencies.

<sup>22</sup> ADS section 102.3.2 requires operating units within USAID to first consult with WPP to ensure the type of organizational change is the most efficient and effective solution and that this must be done for all organizational changes at headquarters in Washington, DC and overseas.

<sup>23</sup> USAID commissioned Deloitte Consulting, LLP to study the Agency's business model in nonpermissive environments, as informed by the missions in Afghanistan and Pakistan. Completed in November 2019, the final report, "Assessment of Non-Permissive Environments Functions and Footprints at USAID," recommended staff composition and retention mechanisms to USAID/Afghanistan and highlighted best practices from missions in similar environments from the recent past.

percent of the survey respondents (31 out of 81 answering this question) said they were not aware of the criteria used to select programs for reduction, and 41 percent (32 out of 79) said they were not aware of the criteria used to select staff positions for reduction. Among the survey respondents were office directors who have a detailed understanding of the program portfolio and would be responsible for implementing the posture adjustment. Similarly, a majority of senior staff we interviewed said there were no clear criteria established. A number also said little was communicated in writing to explain the process.

Moreover, mission leadership did not consult II staff the mission had identified as working in risk assessment and risk management. Through our interviews with each of the II staff, we found that their input was largely not solicited. As a result, they could not inform the mission's posture adjustment response. A senior mission official responsible for the FMFIA process said it was because most of them had a limited role in the process.

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## **USAID DID NOT FULLY COMMUNICATE INFORMATION REGARDING RISKS OF THE POSTURE ADJUSTMENT TO CONGRESS AND KEY INTERNAL STAKEHOLDERS**

Federal criteria require management to communicate with and provide quality information to external stakeholders to better manage risks and achieve the entity's objectives.<sup>24</sup> USAID provided documentation that it communicated actual staff levels resulting from cuts to only one of four congressional committees that placed holds on the CN. Out of nine congressional briefings about Afghanistan held between May 2019 and June 2020, USAID indicated only once that the actual number of staff at the mission was down from 114 to 70. This communication—to HFAC, not SACFO—occurred 5 months after SACFO directed the Agency not to reduce staffing at the mission and nearly 8 months after the first CN was submitted. USAID could not provide documentation that SACFO, Senate Foreign Relations Committee (SFRC), or the House Appropriations Subcommittee on State, Foreign Operations (HACFO)—each of which placed holds on the CN and had concerns about USAID's oversight capabilities with reduced staff—have been informed of the decline in staff headcount at the mission.

USAID officials said they felt they could not disclose information about implementing the posture adjustment with Congress and mission staff because State had classified the May 2019 joint CN. As one official put it, USAID had to “salute the flag” and implement the posture adjustment. A senior USAID official in Washington, DC, confirmed this, saying “USAID did not have a lot of say. . . the State Department decided we [USAID] were cutting staff and programs [in Afghanistan].” Although State's classification of the joint CN sought to limit USAID's ability to widely share detailed information with all mission

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<sup>24</sup> GAO, Standards for Internal Control in the Federal Government, Principle 15-Communicate Externally.

staff, that is not the case for Congressional stakeholders, who can receive classified information.

Accordingly, an Agency LPA official said that some in Congress felt State and USAID lacked transparency and good faith, and since then, Congress is now requiring USAID to disclose more in detailed prebriefings. This strain on trust and good working relations, as noted by the Agency official, could potentially affect Agency funding and the development work it can do in the future, if not addressed by sharing relevant information with those who have the appropriate clearance level.

GAO has also reported that proactive engagement with staff, such as the use of a communication strategy that creates shared expectations and promotes transparency, is critical to the success of workforce transformation initiatives.<sup>25</sup> According to mission officials, the mission held two town hall meetings, the Embassy held another two regarding the posture adjustment, and mission leaders met with every personal service contractor and office director. However, the results of our mission-wide survey indicated that more than 35 percent of staff were still not aware of the process or criteria for selecting programs and staff positions for reduction. Similarly, interviews with select staff across several of the mission’s offices indicated that mission leaders could have done more to communicate specifics of the plan to implement the posture adjustment, and that it was not widely understood. Those interviewees and survey respondents cited the negative effects of the uncertainty and lack of information as a potential cause for FSN turnover of 29 percent in 2019, which exceeded each of the previous three years, as shown in figure 3, as well as some PSC staff reconsidering whether to renew their contracts.

**Figure 3. Turnover of USAID/Afghanistan Foreign Service Nationals and Their Reason for Departure, 2016-2019**

<b>Reason for Departure</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Special Immigrant Visa (SIV)	29	28	11	39	-
Other employment	9	9	4	8	-
<b>Total FSN Departures</b>	<b>38</b>	<b>37</b>	<b>15</b>	<b>47</b>	<b>-</b>
FSNs at beginning of calendar year	207	186	167	175	148
Turnover due to SIV and other employment	19%	21%	9%	29%	-

Note: Turnover calculated using the total FSN departures divided by the average of total FSN staff at the beginning and end of that year.

Source: OIG analysis of data provided by the USAID mission in Afghanistan.

The increased turnover of local FSN staff should be concerning to the mission because, according to GAO, these staff contribute institutional knowledge, language skills, and

<sup>25</sup> GAO-04-39, “Human Capital: Key Principles for Effective Strategic Workforce Planning,” Principle I.

local relationships to the mission, the loss of which could diminish the U.S. government's capacity to carry out its mission.<sup>26</sup>

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## CONCLUSION

USAID performs critical development work in Afghanistan, overseeing hundreds of millions of dollars a year in U.S. assistance aimed at improving democracy and governance, education, agriculture, health and nutrition, economic growth, gender equality, and the building of infrastructure. This work was already difficult, with security concerns, pervasive corruption, and frequent staff turnover. However, it has become even more difficult since 2019 with a change in U.S. national security strategy that includes a reduction in programming and staff at the U.S. Embassy in Kabul, which includes the USAID mission. In executing this process, USAID has the responsibility to better manage risks and improve communication with Congress and key stakeholders. While USAID has identified and assessed some risks, its approach to date has been limited in the consideration of the risk of sustainability and its engagement and coordination with Congress, Agency experts, and other key stakeholders. What is lacking is a comprehensive risk management process that identifies and assesses all risks of staff and program reductions, leverages the expertise of Agency experts and information resources, and communicates results to Congress and other key stakeholders. By taking action now, the Agency would better position itself to continue making development gains in Afghanistan and promoting sustainability of U.S. investments—even with a reduced footprint.

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## RECOMMENDATIONS

We recommend that USAID/Afghanistan take the following actions:

1. Develop and implement a mission policy requiring the completion of a comprehensive risk assessment which identifies programs that the mission is considering retaining, reducing, or eliminating, including the risks to their sustainability, how it plans to address those risks, and the optimal number and type of staffing needed to oversee remaining programs. The mission should coordinate with the Office of Afghanistan Affairs and develop the risk assessment in consultation with key stakeholders, including Congress, mission staff, and the Office of Human Capital and Talent Management.
2. Establish requirements in the mission policy that the comprehensive risk assessment be updated annually, or as needed, and that the results be communicated to Congress and key internal stakeholders.

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<sup>26</sup> GAO, “Afghanistan: State and USAID Should Evaluate Actions Taken to Mitigate Effects of Attrition Among Local Staff” (GAO-16-100), December 3, 2015.

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## OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to USAID on December 21, 2020, and received its response on February 18, 2021, which was subsequently updated to remove sensitive but unclassified markings and returned to OIG on March 2, 2021, and is included as appendix B of this report. USAID also included technical comments with its response, which we considered and incorporated into the final report, as appropriate.

The report included two recommendations, which the Agency agreed with, and we acknowledge management decisions for both. However, we disagree that the Agency has taken final action on recommendation 1 and consider it open and unresolved. This is because the response does not meet the intent of the recommendation that the Agency include in an updated mission policy specific steps to consult with key stakeholders and to consider the sustainability risks related to programs the Agency is considering retaining, reducing, or eliminating, in the development of a comprehensive risk assessment.

We also disagree that the Agency has taken final action on recommendation 2 and consider it open and unresolved because the updated mission policy does not specify how the Agency intends to communicate the results of an annual comprehensive risk assessment to Congress and key internal stakeholders.

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## APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from September 2019 through December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit objective was to determine to what extent USAID applied risk management principles in selecting staff positions and programs for reduction in Afghanistan. To answer the audit objective, we assessed if the mission (1) identified and assessed the risks of staff cuts to oversight, (2) identified and assessed the risks of program cuts to sustainability, (3) prepared risk responses to address those risks, and (4) communicated information regarding risks of the posture adjustment to Congress and key internal stakeholders. The period under audit is January 2019 to July 2020. Fieldwork interviews, electronic correspondence, and analysis took place in Kabul, Afghanistan; Frankfurt, Germany; and Washington, DC.

Our audit criteria were derived primarily from U.S. Government internal control and risk management standards established by OMB and GAO, including Principles 1-5, 7, 10, 12, and 14-17; portions of the USAID Automated Directives System dealing with risk management reorganization and restructuring; criteria regarding consultation and coordination with internal and external stakeholders; and the 2019 Consolidated Appropriations Act and related SACFO report.

We submitted two document requests for USAID's key strategies and plans in Afghanistan, details of the mission's quarterly staff headcount organized by offices and titles, internal and external stakeholder correspondence, a detailed timeline of key events, and risk management process documents for each of the years 2016-19. USAID provided documents through MS Word, MS Excel, and Adobe PDF files. To assess the reliability of the data received from the mission, we performed an analysis of each document to understand how the content therein and sources could affect our audit objective. In doing so, we found that most of the documents received were supported through corroborating evidence or stakeholder correspondence throughout the development of the posture adjustment. However, we received two detailed spreadsheets that were obtained from USAID's Phoenix financial system. Upon review of USAID OIG's financial audits of Agency financial systems in 2017 and 2018, we concluded that Phoenix had "no instances of substantial noncompliance with Federal financial management system requirements."<sup>27</sup> As we did not expect these two documents to directly affect our ability to answer the audit objective, we determined that the information received is sufficiently reliable for the purposes of this report.

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<sup>27</sup> USAID OIG, "Audit of USAID's Financial Statements for Fiscal Years 2018 and 2017" (0-000-19-001-C), December 17, 2018.

We focused on the Agency's FY2019 FMFIA and FY2019 ERM risk profile to determine if they contained and adequately addressed the essential elements of risk management identified by GAO and OMB. We judgmentally selected from those documents 18 out of 62 mission risks, which represent 50 percent of high risks, and 25 percent of medium and low risks, as classified by the mission's management and staff in its FY2019 FMFIA risk assessment. We selected the risks for our nongeneralizable sample based on their material relevance to the posture adjustment, particularly staff cuts to oversight and program cuts to sustainability. The results of this sample were not projectable to the universe.

In addition to our review of the required annual risk assessment, we obtained correspondence and accompanying analyses provided by the mission that demonstrated the process through which it developed a response to the Secretary of State and Ambassador's directive to reduce staff and programs. The correspondence received was primarily between internal USAID leaders and office directors in Washington, DC, and Kabul, and key analyses exhibiting the iterative process. Some of the correspondence was also with external stakeholders at State and in Congress.

We reviewed USAID's CDCS for Afghanistan for 2019-23, a U.S. Government and Government of Afghanistan Civilian Assistance Review report, and the U.S. Ambassador's list of priorities for future U.S. activities in Afghanistan. We also reviewed relevant past audit reports from USAID OIG, SIGAR, and GAO.

Informed by our review of these documents, we conducted 43 interviews of separate cognizant USAID staff and other key stakeholders in Kabul and Washington, DC, including:

- A senior Senate staff member
- Embassy officials, including the Assistant Chief of Mission; Regional Security Officer; and section chiefs including those from the Management Office, Bureau of International Narcotics and Law Enforcement Affairs, Drug Enforcement Administration, Department of Justice, Consular Section, Department of the Treasury; and the legal attaché for the Federal Bureau of Investigation
- USAID/Afghanistan mission officials, including the Mission Director, Front Office deputy mission directors, all office directors, and all staff identified by the mission as working in the areas of risk assessment and risk management
- USAID/Washington officials, including the Assistant to the Administrator and Deputy Assistant to the Administrator for the USAID Office of Afghanistan and Pakistan Affairs, the Director of Human Capital and Talent Management, and Acting Director of Legislative and Public Affairs

We surveyed all mission staff in Kabul to understand the degree to which they were aware of, contributed to, and could provide specific insight about the process for developing USAID's response to the Ambassador. Our survey was sent to all staff assigned to USAID/Afghanistan between January 1, 2019 and December 31, 2019, as indicated by mission records, except for FSN staff we found were no longer working at

the mission. There were 240 eligible staff in this universe, from whom we received 77 responses, a rate of 32 percent. We do not project the results of this survey to the universe.

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## APPENDIX B. AGENCY COMMENTS



### MEMORANDUM

**TO:** David Thomanek, Middle East and Eastern Europe Audit Director

**FROM:** Tina Dooley-Jones, USAID/Afghanistan Mission Director /s/

**DATE:** March 02, 2021

**SUBJECT:** Management Comment(s) to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, “USAID Needs To Implement a Comprehensive Risk Management Process and Improve Communication As It Reduces Staff and Programs in Afghanistan (8-306-21-00X-P)” (Task No. 881F0119).

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The U.S. Agency for International Development (USAID) thanks the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with the two recommendations therein, and provides the actions already taken to address both recommendations, as well as additional comments.

### **Background**

The proposed posture adjustment efforts were led by the Department of State and included all agencies under Chief of Mission authority. While 6 FAH-5 H-351.2 communicates the NSDD-38 process and the authority granted the Chief of Mission to determine the size and composition of the U.S. Government executive agencies at Post, the Management Counselor articulated to USAID Senior Management at Post that the NSDD-38 policy does not apply at this Post. Instead, the workload count provided by each

Agency annually on May 1, in compliance with the International Cooperative Administrative Support Services (ICASS) policy and procedures determines the staffing levels at post.

### **Risk Management Process**

Agency-wide policies, procedures, and systems exist to address all risks including programmatic sustainability and human capital. Refer to Automated Directives System (ADS) Chapters 200 series, 300 series, 400 series, and 590 series. These policies, procedures, and systems were applied during the proposed posture adjustment activities; risks were identified and Corrective Action Plans (CAP) were developed and monitored to ensure effective risk mitigation.

As required by the Federal Managers Financial Integrity Act (FMFIA) of 1982, the Agency carries out an annual Uniform Risk and Internal Control Assessment (URICA) to identify risks and internal control weaknesses associated with the Mission portfolio of programs and support operations. The Mission's URICA results are provided to Asia Bureau senior management, who evaluate the risks identified and determine which are consolidated into a report submitted to the Agency's Management Council on Risk and Internal Control (MCRIC) for further evaluation. The Agency MCRIC makes an internal control report recommendation to the Administrator, which once approved is incorporated into the Agency's Annual Financial Report.

On June 2, 2019, the Mission's MCRIC analyzed risks associated with the proposed posture adjustment and agreed to incorporate all staffing and programmatic risks identified during the FMFIA exercise. This was submitted to the former Office of Afghanistan and Pakistan Affairs (OAPA) Bureau on July 17, 2019.

Additionally, as required by ADS 596, the Mission executes an external risk profile process that identifies external risks associated with the Mission's operations in Afghanistan. These risks were also reported to the former OAPA Bureau on June 27, 2019.

The Mission performs Quarterly Financial Reviews (QFRs) and semi-annual holistic Financial Strategic Review (FSR/a.k.a.Portfolio Reviews) to discuss programmatic, operational, and financial oversight of projects and activities. These activities identify internal and external risks associated with operational efficiency and sustainability goals articulated in the Mission's County Development Cooperative Strategy (CDCS). The recommendations and findings identified in these reviews are incorporated in Mission development activities to align with the current internal and external risks environment. The risks associated with the proposed posture adjustment were discussed in depth during FY2019 and FY2020's internal reviews. Please note that the Bureau is also invited to the Mission's portfolio reviews. QFRs were held on May 14-17, 2019, August 6-8, 2019, November 20-26, 2019, May 14-19, 2020, August 25-27, 2020 and two FSRs were held between February 20-23, 2020 and November 2-10, 2020. The February 20-23 FSR was attended by the Assistant Chief of Mission and D.C. representation at post.

Since the proposed posture adjustment discussions and deliberations began, development program de-scoping and staff realignment were constantly evaluated until September 30, 2019. Presently, the Mission continues important programmatic and operational risks oversight of projects and activities.

### **Mission Consultation**

The Mission remains committed to responding to Congressional inquiries in a quick and forthright manner, in coordination with the Bureau for Legislative and Public Affairs (LPA). The former Office of Afghanistan and Pakistan Affairs (OAPA), along with State/SCA senior management, convened briefings with Congressional offices responsible for Afghanistan Mission oversight to communicate the proposed posture adjustment and its impact on Mission operations. A detailed read-out of these briefings and dates were provided to OIG auditors on July 13, 2020, and again on July 27, 2020.

On February 13, 2019, and April 11, 2019, USAID/Afghanistan's leadership held two meetings with American and Third Country National (TCN) staff to discuss the staffing implications of the proposed posture adjustment. In addition, on March 19, 2019 and September 22, 2019, the Embassy senior management convened two meetings with American and TCN staff to discuss the proposed staff realignment. USAID/Afghanistan's Front Office also met with the Locally Engaged (LE) staff Committee to brief them on the proposed posture adjustment. During this time, the Mission Director, the cognizant Deputy Mission Director, and the Executive Officer (EXO) met with each USPSC and TCNPSC to inform them of the impending staff realignment decision.

Furthermore, USAID/Afghanistan senior management and EXO were in constant communication with the Office of Human Capital and Talent Management (HCTM) throughout the proposed posture adjustment discussions. An HCTM/Workforce Planning and Program Division team traveled to Kabul in February 2020. This Agency reorganization team was tasked by the Transformation Task Team (T3) to commission an assessment of Afghanistan Mission functions and footprint.

Finally, of the 59 FSN departures during FY 2019, there were 39 who departed due to Special Immigrant Visas (SIV), 11 to security revocations, 8 to other employment opportunities, and 1 for cause.

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED,“USAID NEEDS TO IMPLEMENT A COMPREHENSIVE RISK MANAGEMENT PROCESS AND IMPROVE COMMUNICATION AS IT REDUCED STAFF AND PROGRAMS IN AFGHANISTAN (8-306-21-00X-P)” (Task No. 881F0119).**

Please find below the management comments from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains two recommendations for USAID:

**Recommendation 1:** Develop and implement a mission policy requiring the completion of a comprehensive risk assessment which identifies programs the mission is considering retaining, reducing, or eliminating, including the risks to their sustainability, how it plans to address those risks, and the optimal number and type of staffing needed to oversee remaining programs. The mission should coordinate with the Office of Afghanistan Affairs and develop the risk assessment in consultation with key stakeholders, including Congress, mission staff, and HCTM.

**Management Comments:**

USAID concurs with Recommendation 1 and provides the corrective actions taken to address the recommendation.

As required by the Federal Managers Financial Integrity Act (FMFIA) of 1982, the Agency carries out a Uniform Risk and Internal Control Assessment (URICA) that identifies risks and internal control weaknesses associated with Agency operations. Material weaknesses and significant deficiencies are included in the annual FMFIA assurance statement and reported in the Agency's Annual Financial Report (AFR) as a separate assessment of the effectiveness of the internal controls over financial reporting. A summary of corrective actions are reported to Congress annually in the Agency's AFR. This Mission-level URICA is forwarded to the Asia Bureau, who consolidates bureau reportable risk for submission to the Agency's Management Council on Risk and Internal Control (MCRIC) for further evaluation. The Mission's risks associated with staff realignment were identified, categorized, and included in the Mission's FMFIA

Corrective Action Plan (CAP). For reference, the Mission's FMFIA FY2019 CAP and FY2020 CAP that summarize the Mission risk annual assessments are attached.

Similar to the FMFIA, the Mission conducted an external risk management profile which identified the impact of staff realignment to operations and programs. In June 2018, USAID issued the Agency's Risk Appetite Profile that detailed the type of external risks associated with external threats and opportunities impacting development program stakeholders. This risk profile process is performed annually. The Mission prepared the FY2019 and FY2020 Risk Management Profiles. It is important to note that the Agency established a high risk appetite level for programmatic risks with emphasis placed on programmatic risks associated with "strengthening the capacity of local organizations and systems to enhance sustainability." The Enterprise Risk Management (ERM) profile is forwarded to the former Office of Afghanistan and Pakistan Affairs (OAPA), now part of the Asia Bureau.

On November 20, 2020, the Mission updated its MCRIC Mission Order Number 596.03 to ensure internal and external control procedures and policies align with current programmatic and operational sustainability goals. The updated Mission Order details the MCRIC responsibilities, which are to: (a) conduct periodic assessments of the Mission's operations; (b) continuously perform internal control assessments in accordance with instructions issued by M/CFO/APC, identifying deficiencies in operations and in the implementation of programs; and (c) develop corrective action plans to address deficiencies and tracking the progress of corrective actions to ensure timely and effective results. The MCRIC ensures all concerned offices are actively engaged in executing a thorough risk assessment of their office operations to address potential deficiencies.

Between November 2-10, 2020, USAID/Afghanistan carried out a Financial and Strategic Review (FSR) of the Mission program portfolio that assessed the Mission's active and planned activities and projects, the effects of COVID-19, and related staffing challenges. In addition, assessment presentations included ongoing peace negotiations and staffing challenges exacerbated by Global Authorized Departure and unique Locally Engaged (LE) staff telework challenges. See attached the Mission-wide and Technical Offices Presentations. The FSRs included an in-depth assessment of COVID-19, the ongoing peace negotiations and staffing impact on

programmatic sustainability.

Pursuant to Agency policy, Automated Directives System (ADS) Chapters 101 and 556, the Bureau for Legislative and Public Affairs (LPA) is the primary liaison with Congress. The Mission supports LPA's efforts to keep Congress informed of pertinent issues impacting the Asia Bureau. The Mission remains committed to responding to Congressional inquiries in a quick and forthright manner.

**Target Completion Date:** Based on the actions taken above, USAID requests the closure of Recommendation 1 upon issuance of the Final Audit Report.

**Recommendation 2:** Establish requirements in the mission policy that the comprehensive risk assessment be updated annually, or as needed, and that the results be communicated to Congress and key internal stakeholders.

**Management Comments:**

USAID concurs with Recommendation 2 and provides the corrective actions taken to address the recommendation.

On November 21, 2020, the Mission updated the MCRIC Mission Order 596.03, which details policy and procedures governing internal and external risks impacting program sustainability and staff challenges. These procedures require diligent oversight over FMFIA CAP and ERM profile activities.

The Mission will continue to comply with: (a) the annual FMFIA process, (b) the annual risk profile to identify any risks, and (c) develop corrective action plans. The Mission will also continue its financial and programmatic oversight to discuss programmatic, staffing, and sustainability risks, and to make realignments as needed. In addition, the Mission will continue to support LPA's and the Agency's efforts to communicate with Congress in line with Agency policy.

**Target Completion Date:** Based on the actions taken above, USAID requests the closure of Recommendation 2 upon issuance of the Final Audit Report.

In view of the above, we request that the OIG inform USAID when it agrees or disagrees with the management comments.

Attachments:

Attachment 1: FY2019 FMFIA Mission's Corrective Action Plan

Attachment 2: FY2020 FMFIA Mission's Corrective Action Plan

Attachment 3: Agency Risk Appetite Profile

Attachment 4: FY 2019 Risk Management Profile

Attachment 5: FY 2020 Risk Management Profile

Attachment 6: Mission Order 596.03 on MCRIC

Attachment 7: Strategic Financial Review Mission-wide and  
Technical Office Presentations

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## **APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT**

The following people were major contributors to this report: David Thomanek, audit director; David Clark, assistant director; Brian Smith, auditor; Jack Nelson, auditor; Tovah Rom, writer-editor; and Jacob Rutz, auditor.