



***Fiscal Year 2014***  
***October-March***

# USAID Office of Inspector General

## Afghanistan Oversight Semiannual Brief

USAID OIG provides comprehensive oversight of USAID programs in Afghanistan.

- Our Kabul office had 13 staff midway through fiscal year (FY) 2014.

OIG performs the full complement of oversight activities in Afghanistan.

- *Performance audits and reviews* provide independent assessments of USAID systems, programs, activities, and functions against objective criteria, best practices, and other information.
- *Financial audits* are designed to determine whether costs charged to the U.S. Government were reasonable, allocable, or allowable under U.S. Government and USAID requirements and the terms of the grant, cooperative agreement, or contract. These audits also examine related internal controls and compliance.
- *Investigations* of criminal, civil, and administrative violations cover all facets of USAID programs and operations.
- *Outreach and coordination* are also central features of OIG's oversight engagement in Afghanistan.

### **Audit program**

- Since the start of FY 2003, USAID OIG has issued 136 financial audits, performance audits, and reviews of Afghanistan-related assistance efforts. These reports made 462 recommendations for improvement.

### *Performance audits and reviews*

- OIG has issued 57 performance audits and reviews relating to USAID programs and activities in Afghanistan since FY 2003.

In recent years, OIG performance audits and reviews have addressed a broad range of USAID programs in Afghanistan, including:

- Activities to develop and sustain the country's infrastructure and financial system.
- Government-to-government funding of Afghan ministries.
- Programs focused on economic growth, including support for licit and profitable agricultural activities.
- Support to the country's electoral processes and efforts to foster an active civil society.

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OIG performance audits and reviews conducted in recent years have noted needed improvements in several areas.

- Two-thirds of OIG performance audit reports found noncompliance with relevant regulations or procedures.
- More than four in ten reports found inadequate internal controls.
- One-third of our reports found weaknesses in contract or project management.

In the first half of FY 2014, OIG issued 2 Afghanistan-based performance audits and 1 review.

**Audit of USAID/Afghanistan's Financial Access for Investing in the Development of Afghanistan Project (Report No. [F-306-14-002-P](#), March 29, 2014).** USAID's Financial Access for Investing in the Development of Afghanistan Project was initiated to build a sustainable, diverse, and inclusive financial sector to generate and sustain employment. Efforts to build capacity in financial institutions were generally working toward the overarching project goal and beneficiaries who received training had positive reviews. Moreover, roughly 23 percent of the project's financial industry trainees were women, a notable percentage because women make up a considerably smaller percentage of workers in the industry. However, the project is not meeting all of its objectives, particularly in the areas of facilitating job-creating loans to enterprises; improving the enabling environment for policy, legal, and regulatory matters; and expanding mobile money and branchless banking.

**Audit of USAID/Afghanistan's Management Controls Over Overtime Compensation (Report No. [F-306-14-001-P](#), March 23, 2014).** For USAID employees working in Afghanistan, the service recognition package recognizes the "exceptional factors involved in service in Afghanistan." In addition to basic salary, the package includes overtime and other types of premium pay to compensate certain categories of employees for substantial amounts of extra work performed, provided employees manage their time effectively and make sure that any overtime worked is essential to meet U.S. Government goals. OIG determined that although USAID/Afghanistan paid approximately \$16.6 million for overtime compensation, 94 percent of the overtime hours—worth more than \$15 million—were paid without any record of overtime requests in the online time and attendance system. OIG found widespread noncompliance, noting that correct procedures were not followed for 98 percent of the overtime hours audited. OIG attributed these deficiencies to USAID/Afghanistan supervisors and employees who were not following established requirements for requesting and approving overtime.

**Review of USAID/Afghanistan's Electoral Assistance Program (Report No. [F-306-14-001-S](#), February 6, 2014).** To support the Afghan Government's commitment to conduct credible, inclusive, and transparent elections in April 2014, USAID sponsored efforts to improve Afghanistan's voter registry, promote civic coalition building, and encourage civic education and advocacy efforts. OIG found that USAID assistance strengthened Afghan institutions' ability to promote electoral credibility, inclusiveness, and transparency and contributed to Afghan solutions to longer-term electoral issues. OIG also noted limitations in plans for electoral support, including a lack of support arrangements for electoral dispute resolution, a need to further define and implement plans for support of independent domestic observers and women in key electoral roles, as well as a need to refine the focus of USAID-sponsored civic education and outreach activities. Several significant voter registration weaknesses cited in a previous OIG report remained. Other problems identified included weaknesses in sustainability of activities and in monitoring and reporting.

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Four additional OIG performance audits and reviews were under way at the end of the quarter.

- This work related to USAID's use of Department of Defense Commanders' Emergency Response Program (CERP) funds, the civilian assistance program, government-to-government assistance, and the sustainability of operations at the Tarakhil Power Plant.

### *Financial audits*

- Financial audits are conducted annually on foreign nonprofits that expend \$300,000+ in U.S. funds per year, U.S. nonprofits that expend \$500,000+, and for-profit firms based on risk. In addition, USAID audits all grant, cooperative agreement, and contract costs incurred in Afghanistan.
- OIG has overseen 79 financial audits of Afghanistan-based programs and activities since FY 2003.
- These financial audits have covered nearly \$2.2 billion in funds and identified more than \$187 million in questioned costs. Of this total, USAID had sustained \$116 million.

OIG issued 8 Afghanistan-based financial audits during the period while 26 others were underway as of March 2014 .

### **Investigative Program**

Since FY 2003, OIG has initiated 214 investigations related to Afghanistan that have produced:

- 44 referrals for civil or criminal prosecution
- 15 arrests and 14 indictments
- 13 convictions and pleadings
- 125 administrative actions (e.g., contract and employee terminations)
- \$164 million in savings and recoveries

OIG investigations are associated with a range of different types of allegations. In most cases, underlying allegations have pertained to program fraud (35 percent) or bribery and kickbacks (24 percent).

By the end of the period, OIG had 51 ongoing investigations pertaining to activities in Afghanistan.

- During the period, investigators opened 7 cases in Afghanistan and closed 25 others.

During the period, investigative results included the reimbursement by a USAID contractor of \$445,000 as a result of an employee fraud scheme in one case and the termination of USAID contractor employee and reimbursement of \$6,767 in stolen project funds in another case.

- An OIG investigation revealed that fraud was committed by two former Afghan employees of the Central Asia Development Group (CADG) by creating fictitious payment sheets on several cash for work projects which caused CADG to overcharge USAID approximately \$445,000. The contractor reimbursed this amount to USAID. Both employees resigned prior to CADG's discovery of the fraud and the matter was reported to the Afghan National Police.

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- In another case, Chemonics disclosed to the OIG that an Afghan employee working on the Regional Afghan Municipalities Program for Urban Populations – Regional Command-South had committed fraud and stolen approximately \$6,800 in project funds. The contractor terminated the employee and implemented a new cash payment procedure to prevent future thefts. The contractor also reimbursed USAID for funds it had already charged USAID. The employee was referred to the Afghan Attorney General’s Office for local prosecution.

## Outreach and Coordination

OIG investigators conduct fraud awareness briefings to alert employees, contractors, grantees, and sub-recipients to fraudulent practices and provide guidance on how to report fraud.

- During the first half of FY 2014, OIG investigators delivered 8 fraud awareness briefings in Afghanistan attended by 32 participants.
- OIG has provided 178 fraud awareness briefings to 3,165 participants since FY 2003.

OIG coordinates investigative and audit activity with other oversight and law enforcement agencies and works with local authorities when appropriate.

OIG’s approach to oversight in Afghanistan has produced dividends for taxpayers.

- Whereas we have expended \$28.7 million on oversight in Afghanistan since FY 2003, our work has yielded \$311 million in returns to the U.S. Government through audit and investigative savings and recoveries.
- This amounts to a \$10.84 return on each dollar spent on USAID OIG oversight in Afghanistan.

In addition to these direct savings and recoveries, OIG prevents a significant amount of waste, fraud, and abuse, and contributes to future economies and efficiencies through investigative and audit work.



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