



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/AFGHANISTAN'S STRATEGY FOR MONITORING AND EVALUATING PROGRAMS THROUGHOUT AFGHANISTAN

AUDIT REPORT NO. F-306-16-001-P
DECEMBER 10, 2015

KABUL, AFGHANISTAN



Office of Inspector General

December 10, 2015

MEMORANDUM

TO: USAID/Afghanistan Mission Director, Herbert Smith

FROM: OIG/Afghanistan Country Director, Rob Mason /s/

SUBJECT: Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan (Report No. F-306-16-001-P)

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

The audit report contains nine recommendations to help the mission improve the monitoring and evaluation of USAID programs in Afghanistan. After reviewing information provided in response to the draft report, we acknowledge management decisions on all recommendations and final action on Recommendations 4, 8 and 9. Please provide evidence of final action on the open recommendations to the Audit Performance and Compliance Division.

Thank you and your staff for the cooperation and assistance extended to us during this audit.

CONTENTS

Summary of Results	1
Audit Findings	4
Strategy Lacked Standards to Measure Effective, Sufficient Oversight	4
Database’s Weaknesses Made It Less Useful.....	5
Implementation Support Team Did Not Analyze Data or Make Recommendations	7
Mission Did Not Establish Annual Monitoring Plans.....	8
Evaluations and Recommendations Were Not Recorded and Tracked in Database.....	9
Other Matters	11
Contractor May Have Billed Unauthorized Costs.....	11
Contract Was Extended Instead of Put Up for Bid Again as Required	12
Evaluation of Management Comments	14
Appendix I—Scope and Methodology	16
Appendix II—Management Comments	19

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
C/AOR	contracting/agreement officer’s representative
FAR	Federal Acquisition Regulation
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
M&E	monitoring and evaluation
MTM	multitiered monitoring
OAPA	Office of Afghanistan and Pakistan Affairs
OIG	Office of Inspector General
OSDBU	Office of Small and Disadvantaged Business Utilization
SUPPORT	Services Under Program and Project Offices for Results Tracking

SUMMARY OF RESULTS

Monitoring the progress of USAID activities and evaluating their impact are integral parts of the Agency's operating philosophy. Monitoring and evaluation (M&E) is especially important in Afghanistan because USAID has spent more than \$17 billion since 2002 to improve Afghans' security and prosperity and to support U.S. national interests.

The drawdown in U.S. forces, however, has created significant challenges for the Agency. The United States reduced the number of troops from roughly 100,000 in 2011 to around 10,000 in 2015. As a result, USAID lost access to regional facilities, from which the staff directly observe activities in the field. In addition, the number of Agency employees was scheduled to drop from 387 in 2012 to about 110 by the end of 2015. These reductions, in conjunction with ongoing fighting with the Taliban, have restricted the ability of USAID officials to travel to project sites and made monitoring the Agency's work in Afghanistan extremely difficult.

To overcome these challenges, USAID developed multi-tiered monitoring (MTM) in Afghanistan. During a Senate committee hearing in December 2013, the head of USAID's Office of Afghanistan and Pakistan Affairs (OAPA) described MTM and its goals.

USAID uses a multi-tiered monitoring approach that includes, as appropriate, independent monitoring contractors; observations by U.S. Government staff; reporting by implementing partners, local non-governmental organizations and civil society; and use of technological tools, such as time- and date-stamped photos. By using multiple sources of monitoring data, USAID can compare information received from separate sources to ensure the greatest degree of oversight possible. USAID will terminate projects, or specific activity sites within projects, if the Agency determines that adequate oversight is not possible or adequate development progress is not being made.

According to USAID/Afghanistan officials, MTM has five tiers.

- Tier 1. Direct observation by, or firsthand information from, U.S. Government sources.
- Tier 2. Reports from USAID partners carrying out activities.
- Tier 3. Reports from the Afghan Government and other donors.
- Tier 4. Reports from civil society, local organizations, and beneficiaries.
- Tier 5. Reports from contractors hired to monitor activities.

Data from these five tiers were supposed to be centralized in an online database called Afghan Info, which project managers would use to examine and analyze the data. To provide additional support, the mission established the Implementation Support Team in the program office. The team was expected to analyze data, discern trends, and make recommendations on whether activities should be discontinued, scaled down, or moved. According to the mission, monitoring, verification, and evaluation form the foundation for its decision-making process, and projects must demonstrate effective, sufficient oversight to be able to continue.

Since MTM's implementation, the mission has obligated and disbursed \$3.3 billion and \$2.8 billion respectively between January 2013 and March 2015.

The Office of Inspector General (OIG) in Afghanistan conducted this audit to determine whether USAID/Afghanistan's M&E strategy provided effective coverage over USAID's programs in the country. We found that, despite a few successes, the mission had not used MTM, and therefore it could not provide the effective oversight as envisioned.

Successes. To support its use of MTM, the mission gave us a case study in March 2015 that described how the staff used satellite imagery from the National Geospatial Agency for one project to see whether USAID's activities had contributed to a reduction in poppy cultivation. Mission officials said MTM gave them enough information to decide to continue the project for another year.

Technical offices that used Tier 5 of MTM also reported positive results. Staff in the Office of Transition Initiatives reported using information provided by a contractor was used to design future youth projects and to protect a water reservoir from pollutants. When staff in the Office of Social Sector Development learned from a contractor that health centers were out of some medical supplies, they were able to restock them. Another contractor demonstrated how it used smart phones and Global Positioning System technology to verify that activities were taking place at project sites.

Problems. Out of 127 awards—contracts, grants, and cooperative agreements—for project activities as of September 2014, the mission could provide information to show how only 1 used MTM as described. A mission official explained that MTM was still “aspirational.”

The mission could not fully implement MTM for several reasons. First, USAID did not provide the technical offices with any guidance to help determine (1) the level of monitoring necessary to constitute sufficient oversight and (2) the proper mix of data derived from each of the tiers to conclude whether the oversight was effective (page 4). For example, under Tier 1 MTM called for U.S. Government employees to make site visits to activities. Yet according to our survey of C/AORs responsible for these 127 awards, lack of access to certain areas affected 74 percent of activities, so they had to use other tiers. The survey also showed that some C/AORs considered visits to the partner's office as a site visit and reading partners' reports constituted checking the accuracy of partner-supplied data. Second, Afghan Info did not have the capability to centralize data collected from the five tiers (page 5). This, in turn, prevented the Implementation Support Team from being able to analyze data and make recommendations to USAID leadership as envisioned (page 7). Furthermore, as of March 2015, technical offices had not established annual monitoring plans to help plan site visits conducted by contractors hired to monitor activities. These plans ensure that the activities of these contractors help confirm the results reported by the mission to Congress (page 8).

A senior official in the Afghan Ministry of Economy told auditors that the ministry, which oversees the Afghan Government's M&E efforts, does not have a system for verifying data received from other ministries. He said other ministries also have problems verifying data and that “the minister's signature is the only verification that the information is correct.” Afghan officials from the Independent Directorate of Local Governance echoed this assessment.

Although USAID officials said they used data from other ministries and not the Ministry of Economy, the ministry's inability to carry out its crucial oversight role weakens the credibility of the Afghan Government's data.

In addition to the MTM problems, the mission had not tracked the implementation of recommendations in Afghan Info for evaluations issued between fiscal years 2013 and 2015, as

required (page 9). Half of the 74 recommendations from 7 reports were not implemented, and although USAID was not required to implement every recommendation, in 14 instances there was no evidence the recommendation was even considered. C/AORs said they did not know about the significant problems the evaluators were reporting, such as USAID partners comingling USAID funds with those from other donors and not allowing female staff to be interviewed.

The audit also found other problems pertaining to a federal supply schedule contract (page 11) and a contract that was extended instead of being put up for bid again as required (page 12).

To address these concerns, we recommend that USAID/Afghanistan:

1. Implement written standards for what constitutes effective, sufficient oversight, including the amount of monitoring deemed necessary for an activity to continue, the relative contributions of the five tiers, and potential events that warrant a decision on the status of the activity (page 4).
2. Implement written procedures for having mission managers decide whether to continue an activity if standards are not met or if such future events occur (page 4).
3. Prepare a written determination to add a module to capture and analyze monitoring data in Afghan Info, or establish a different system to store centralized monitoring data for analysis and set a deadline for making any design changes (page 5).
4. Implement procedures to periodically reconcile awards listed in Afghan Info with records held by the Office of Acquisition and Assistance, the Office of Program and Project Development, and technical offices, including those based in Washington D.C., and update Afghan Info as necessary (page 6).
5. Adopt a policy of reviewing Mission Order 203.02 or any subsequent order on monitoring at its quarterly monitoring review meetings to make sure all staff are aware of the requirement to promptly verify and approve reports submitted in Afghan Info (page 7).
6. Implement a strategy to analyze project performance information and make recommendations to mission leaders in light of anticipated staffing reductions and travel restrictions (page 8).
7. Develop procedures to verify that annual monitoring plans required under Mission Order 203.02 or any subsequent order on monitoring are prepared and used to structure the activities of its third-party monitors (page 8).
8. Implement procedures to help ensure that all evaluations, assessment reports, and recommendations are recorded and tracked in Afghan Info (page 9).
9. Implement procedures to follow up on the status of open evaluation recommendations periodically (page 10).

Detailed findings appear in the following section. Appendix I contains information on the scope and methodology, and management comments appear in Appendix II. Our evaluation of management comments begins on page 14.

AUDIT FINDINGS

Strategy Lacked Standards to Measure Effective, Sufficient Oversight

In its “Monitoring Approach Overview” USAID/Afghanistan stated that monitoring the performance of its programs was critical to making sure they were effective and used taxpayers’ dollars wisely. Reiterating this standard, the mission said in May 2013 that it would not implement projects it could not monitor effectively.

According to an official in USAID’s program office, C/AORs did not know how to gauge the amount of monitoring necessary because USAID did not set standards to determine the level and nature of the monitoring that constituted effective, sufficient oversight. Furthermore, the mission had not assessed the relative benefits and risks associated with each tier. For example, reports from USAID partners (Tier 2) and the Afghan Government (Tier 3) had the same degree of credibility as direct observations made by U.S. Government employees (Tier 1). Since direct observations are more credible, we believe that data from Tier 1 should carry more weight than the other two.

In addition, the mission provided MTM plans for only 6 of its 127 project activities in March 2015. These plans described how the activities planned to use each of the five tiers. However, none of the plans explained how the mission could determine how much monitoring was needed to decide whether an activity should continue. Mission officials did not say why this happened.

Without standards for what constitutes effective, sufficient monitoring determined on a case-by-case basis, USAID risks continuing projects that it cannot oversee adequately. This is an especially acute problem in Afghanistan because monitoring projects is much more difficult there than in other parts of the world. We recognize that changing circumstances and compelling national interests in the country may override preset benchmarks. However, creating such standards, as well as deciding what potential events would trigger a review and establishing a process for deciding whether a project should continue allows for the maximum flexibility in policy while preserving this prudent control. Consequently, we make the following recommendations.

Recommendation 1. *We recommend that USAID/Afghanistan implement written standards for what constitutes effective, sufficient oversight, including the amount of monitoring deemed necessary for an activity to continue, the relative contributions of the five tiers, and potential events that warrant a decision on the status of the activity.*

Recommendation 2. *We recommend that USAID/Afghanistan implement written procedures for having mission managers decide whether to continue an activity if standards are not met or if such future events occur.*

Database’s Weaknesses Made It Less Useful

Afghan Info is an online database USAID uses to report foreign assistance activities and spending. Within MTM, Afghan Info was designated to be the central repository for monitoring data and the principal mechanism for project managers to examine and analyze them.

We found several weaknesses with the database and its use by USAID that made it less effective.

Monitoring Data Not Centralized. USAID described Afghan Info as a database that centralized monitoring data. In addition, a standard requirement in USAID’s off-budget awards (funds not provided directly to the Afghan Government) required contactors to report data in Afghan Info, and stated that the purpose of the database was “to track the location of project implementation, document the use of funds, and monitor development projects.”

Despite USAID’s intent, monitoring data were not in Afghan Info because the system did not have a place to enter it. Instead, the system was limited to storing documents, such as quarterly performance reports and agreements, added by mission and partner officials. USAID staff said no such module was included in the original design because when Afghan Info was introduced in 2010—before MTM—USAID still had a substantial number of employees based outside of Kabul who could monitor projects through site visits. So, the need to compile data from various sources in a central location for verification and analysis was not as great at that time.

According to mission officials, the program office is considering developing a module in Afghan Info similar to an Excel tool it introduced in March 2015, but doing so could take a year to complete. In addition, they explained, no standard data entry module could be developed because of the wide array of activities implemented in Afghanistan, many of which would require custom templates to capture useful data.

Without this capability, Afghan Info cannot be the principal mechanism to analyze monitoring data. Resources devoted by USAID and its partners to add documents to Afghan Info could be wasted if the system is not used for analytical purposes. Consequently, we make the following recommendation.

Recommendation 3. *We recommend that USAID/Afghanistan prepare a written determination to add a module to capture and analyze monitoring data in Afghan Info, or establish a different system to store centralized monitoring data for analysis and set a deadline for making any design changes.*

Award List Inaccurate and Incomplete. A 2012 U.S. Government Accountability Office (GAO) report¹ recommended that USAID “take steps to ensure that all its awards are included in Afghan Info, including direct, on-budget assistance to the Afghan government.” In an August 2013 directive, U.S. Embassy Kabul reiterated that all U.S. Government agencies spending foreign assistance funds in Afghanistan were required to report expenditures quarterly in Afghan Info. Furthermore, agencies were supposed to record in the database any new projects and awards using foreign assistance funds that were approved during the preceding quarter.

¹ *Agencies Could Benefit from a Shared and More Comprehensive Database on U.S. Efforts*, GAO-13-34, November 7, 2012.

A list of active awards (contracts, grants, and cooperative agreements) produced by USAID from Afghan Info as of August 2014 showed 93 awards. Yet we determined there were 127 awards active at this time after reviewing financial records with the program, contracting, and technical offices. Furthermore, those that were listed could not be reconciled with the mission's financial records.

According to program office officials, the discrepancy in number of awards occurred because employees did not update Afghan Info. The reconciliation differences happened for several reasons. Some awards were labeled incorrectly or had been cancelled. For example, one was combined with a different activity, while another was transferred to a different U.S. Government agency. Food for Peace and Office of Foreign Disaster Assistance activities were not recorded in Afghan Info because these awards were managed by their respective offices in Washington, D.C.

Without a complete, current list of awards derived from Afghan Info, USAID employees did not have a readily available control mechanism to help verify that all awards were covered under MTM. The U.S. Embassy designated Afghan Info as the database for reporting all U.S. foreign assistance spending in Afghanistan. However, if some USAID awards are missing from the database, then the ability to use it to identify potential duplication throughout all U.S. Government agencies is diminished. Therefore, we recommend the following.

Recommendation 4. *We recommend that USAID/Afghanistan implement procedures to periodically reconcile awards listed in Afghan Info with records held by the Office Acquisition and Assistance, the Office of Program and Project Development, and technical offices, including those based in Washington, D.C., and update Afghan Info as necessary.*

Partner Reports Not Approved. A standard requirement in USAID/Afghanistan's contracts states that awardees "shall provide at least a quarterly update of information on the activities under the contract and task orders by entering this information into the USAID/Afghanistan management information system." USAID's 2012 M&E mission order, 203.02, states that USAID officials should verify and approve these reports promptly.

Despite these requirements, C/AORs approved only 4 reports out of a sample of 27 that USAID partners added to Afghan Info for the quarter ending December 31, 2014. This occurred because some USAID officials said they did not know they were supposed to approve reports promptly—although this requirement was in the mission order.

The order also stated that the program office was responsible for training C/AORs and making sure they verified the information quarterly. Since this office conducts quarterly reviews of M&E with C/AORs, this requirement could be discussed then. However, because only 4 of the 27 approvals in our sample were in the system, there was little evidence that the accuracy of data in Afghan Info had been verified.

The 2012 GAO report cited above said, "Without policies and procedures for reporting and verifying information on development activities, USAID risks disruptions in the availability of information about its development efforts—information that is needed to monitor projects and coordinate with other stakeholders." Although the mission order came out in response to the GAO report and was intended to avoid these effects, it was not followed because of frequent staff turnover and in part because staff did not read it or follow it. Consequently, we make the following recommendation.

Recommendation 5. *We recommend that USAID/Afghanistan adopt a policy of reviewing Mission Order 203.02 or any subsequent order on monitoring at its quarterly monitoring review meetings to make sure all staff are aware of the requirement to promptly verify and approve reports submitted in Afghan Info.*

Implementation Support Team Did Not Analyze Data or Make Recommendations

The Implementation Support Team was designed as an integral component of MTM. According to the “Monitoring Approach Overview,” this new unit within the mission’s program office would:

[C]entralize, review, and analyze project performance and operating environment information, including security information, and identify trends that might affect project implementation. IST will make real-time, evidence-based programmatic recommendations to USAID leadership, and it will help USAID/Afghanistan respond to changes in the operating environment and make timely decisions to maximize impact.

In December 2013 and April 2014, a senior OAPA official testified to Congress that USAID/Afghanistan had established the ten-member team to provide “an additional layer of critical review and analysis” of monitoring reports from various sources and propose “alternative courses of action” if needed. In October 2014 a mission official told a senior U.S. Government delegation visiting Kabul that USAID had established an analytical unit that would use data to recommend terminating, decreasing, or relocating projects. Another mission official said the team’s function was to aggregate data, identify trends, and disseminate findings throughout the mission.

Despite the team’s importance, it was not functioning and had neither analyzed data nor made any recommendations to USAID leadership as envisioned. This occurred for three main reasons.

1. Each technical office kept its own monitoring data and did not record them in Afghan Info or another central location because Afghan Info did not have a space to enter such data (discussed in the previous finding) and because employees had no incentive to use it.

Therefore, the team did not have access to the data to analyze and make recommendations to mission leadership. Members said it was difficult to analyze decentralized data as this would require going to every technical office and USAID project official to review records. One member said, “The process is not there yet,” adding that MTM was still conceptual rather than operational.

2. A team official said the members’ responsibilities were unattainable given that they all had other full-time duties, and their team responsibilities were secondary.
3. The team did not get enough guidance from mission officials. Although they drafted two documents listing the team’s roles and responsibilities, neither were approved or finalized. USAID staff said that although MTM outlined the team’s responsibilities, there were no formal processes for implementing their tasks.

Since the team did not provide the “critical review” emphasized by USAID officials, problematic projects, activities, and trends could have gone unidentified. In November 2015 mission officials said the team was no longer being used. Although the mission has disbanded the team, the planned reduction in USAID/Afghanistan staff, combined with the current security situation and resulting travel restrictions, make the team’s purpose even more important. Therefore, we make the following recommendation.

Recommendation 6. *We recommend that USAID/Afghanistan implement a strategy to analyze project performance information and make recommendations to mission leaders in light of anticipated staffing reductions and travel restrictions.*

Mission Did Not Establish Annual Monitoring Plans

Tier 5 of MTM uses contractors, often referred to as third-party monitors, to monitor USAID activities in the field. To help plan the work of these contractors, Mission Order 203.02 required USAID/Afghanistan’s technical offices to establish annual monitoring plans that described how data would be collected, reported, and verified; how frequently these tasks would be done; and who should perform them.

However, as of March 2015, the offices did not have annual monitoring plans as required. Instead of basing the activities of third-party monitors on a systematic plan linked to other monitoring tools required by Agency policy, technical offices generally made ad hoc requests. For example, one of the monitoring contractors randomly selected activities to monitor from its activity tracker. Although third-party monitors made important contributions, such as verifying the existence of USAID-funded infrastructure, attendance at meetings, or receipt of drugs from the Ministry of Public Health, in the absence of annual monitoring plans we could not tell whether they verified what the mission reported. Nobody at the mission could explain why technical offices had not established these plans.

With increasing restrictions on the ability of USAID employees to visit activity sites in Afghanistan, the mission’s use of third-party monitors is likely to increase. Since 2006 USAID has spent more than \$242 million on these monitoring services. Annual monitoring plans help ensure that these funds are spent most effectively by linking the activities of third-party monitors to the results reported to Congress and the public, and used in making future policy decisions. Consequently, we make the following recommendation.

Recommendation 7. *We recommend that USAID/Afghanistan develop procedures to verify that annual monitoring plans required under Mission Order 203.02 or any subsequent order on monitoring are prepared and used to structure the activities of its third-party monitors.*

Evaluations and Recommendations Were Not Recorded and Tracked in Database

USAID uses evaluations to improve the effectiveness of its programs and make decisions about current and future programming. To accomplish this, Automated Directives System (ADS) 203.3.1.9 requires the Agency to address evaluation findings and recommendations. Required actions include deciding whether the team accepts or supports each finding and recommendation, identifying the remedial actions needed, and assigning responsibility for completing those actions by a specific date. An integral part of these actions is determining the impact of any limitations or impediments encountered in the course of the evaluation. Furthermore, USAID should share and discuss evaluation results with relevant stakeholders.

Reinforcing ADS 203, Mission Order 203.02 requires the program office to keep a record of all evaluations and assessment reports in Afghan Info and track implementation of the accompanying recommendations. It also makes the program office responsible for reviewing evaluation reports and approving them.

Despite these requirements, the mission had not entered into Afghan Info 12 of 22 evaluation reports completed between January 2013 and November 2014. Moreover, none of the 74 recommendations from the 7 evaluations that we reviewed was tracked in the database as required, and only 37 were implemented as of March 2015. Although USAID was not required to implement every evaluation recommendation, 14 of the ones we reviewed did not have any documentation to show that they had even been considered.

Two of the seven C/AORs we interviewed said they did not know about significant problems evaluators reported. One said he did not know that USAID funds possibly were comingled with those from other donors, and the other said he was unaware that the partner had not given evaluators documents they asked for and did not allow them to interview female employees.

Program office officials said no one currently at the mission was present when the requirement to track recommendations in Afghan Info was established, and they did not know why it was not used. They explained that the mission is attempting to track the status of recommendations in a spreadsheet based on input from the technical offices, but some of those offices did not respond when asked for updates.

Employees in the technical offices gave several reasons for not tracking recommendations. One C/AOR attributed it to workload and competing priorities. Two blamed the unorganized files left by their predecessors. Others noted the poor quality of some evaluations and said the evaluators did not understand the activity well enough to make meaningful recommendations.

By not tracking evaluations and recommendations, USAID did not confirm that it made or considered potential improvements in key areas such as program strategy, budgeting, and gender. In addition, the nearly \$3.2 million USAID spent on these 22 evaluations was not used effectively. Staff turnover and competing priorities underscore the need for a systematic, consistent way of managing evaluations. Therefore, we recommend the following.

Recommendation 8. *We recommend that USAID/Afghanistan implement procedures to help ensure that all evaluations, assessment reports, and recommendations are recorded and tracked in Afghan Info.*

Recommendation 9. *We recommend that USAID/Afghanistan implement procedures to follow up on the status of open evaluation recommendations periodically.*

OTHER MATTERS

Contractor May Have Billed Unauthorized Costs

Federal supply schedules are lists of commercial goods and services available from contractors approved in advance (scheduled contractors) through the U.S. General Services Administration (GSA). The advantages to using the lists are that they generally offer better pricing and quicker acquisitions for items on those schedules.

Federal Acquisition Regulation (FAR), Section 8.402(b) explains that GSA contracts require all scheduled contractors to publish a federal supply schedule price list with all supplies and services they offer, as well as terms and conditions pertaining to each item. FAR 8.402(f) states that a contracting officer may add items that were not on the price list to an individual task order only under certain conditions, such as:

- All applicable acquisition regulations pertaining to the purchase of the items not on the Federal Supply Schedule have been followed (e.g. publicizing [Part 5], competition requirements [Part 6], acquisition of commercial items [Part 12], contracting methods [Parts 13, 14, and 15], and small business programs [Part 19]);
- The contracting officer has determined the price for the items not on the Federal Supply Schedule is fair and reasonable;
- The items are clearly labeled on the order as items not on the Federal Supply Schedule.

To implement the mission's Services Under Program and Project Offices for Results Tracking (SUPPORT) Project, USAID/Afghanistan awarded a task order under the Checchi and Company Consulting Inc. GSA federal supply schedule contract for consulting and project management services from October 2006 through August 2012.

However, we found that Checchi had billed USAID for security costs (\$1.3 million) as well as other direct costs such as vehicle rentals, diesel fuel, phone services, bulletproof vests, helmets, gardeners, cleaners, cooks, drivers, office supplies, and fringe benefits (all for \$1.1 million) that were not included on the price list as of January 2010.

Furthermore, a financial audit of costs that Checchi billed to the mission between October 2006 and August 2012 identified \$670,151 in questioned costs for procurements that used either sole-source methods or competitive procedures for which documentation was unavailable. The audit report said, "The timeframes within which Checchi could complete the procurements and begin work were short to an extent that Checchi considered the use of competitive procedures to be prohibitive." FAR 8.402(f) required that items not on the price list follow all applicable acquisition regulations, which included competition requirements.

In addition, the financial audit reported that USAID's Acquisition Regulation (AIDAR) 752.219-8 required Checchi to notify the Office of Small and Disadvantage Business Utilization (OSDBU)

whenever it procured contracts worth more than \$100,000. The financial audit of SUPPORT showed \$1.8 million in contracts that exceeded \$100,000 but had not been reported to OSDBU. Therefore, Checchi had not complied with AIDAR 752.219-8 or FAR 8.402(f)(1). According to the financial audit, small and disadvantaged businesses “were potentially not afforded the opportunity to compete.”

Because the conditions specified under FAR 8.402(f) may not have been met, the contractor could have inappropriately billed for items not on the price list worth about \$4.9 million. Mission officials did not explain why this happened.

We are not making a recommendation on this issue because this contract ended in August 2012. However, we want to bring it to the attention of USAID’s management because it may be a systematic problem as the same issue was discussed in a 2013 audit we did of USAID/Pakistan’s M&E.²

Contract Was Extended Instead of Put Up for Bid Again as Required

FAR 16.306(d) defines a term form contract as a type of cost-plus-fixed-fee contract. It obligates the contractor to devote a specified level of effort for a stated period of time. According to FAR 16.306(d)(2), “Renewal for further periods of performance is a new acquisition that involves new cost and fee arrangements.”

The mission awarded a cost-plus-fixed-fee term form contract (task order) to Tetra Tech EM Inc. to provide technical services for the Afghanistan Engineering Support Program starting on November 9, 2009, and ending on November 8, 2014. However, instead of completing a new acquisition to support the program after the end date, on September 24, 2014, USAID/Afghanistan modified the task order by extending the period of performance for an additional year. In doing so, the mission increased the ceiling price by \$9,015,984 and the total cost from \$62,984,016 to \$72 million. The fixed-fee portion also increased from \$4,120,450 to \$4,710,281.

A new acquisition would require the mission to hold a full and open competition that solicited bids from other contractors besides Tetra Tech. If mission officials did not want to do this, they needed to follow ADS 302.3.4.5 (a), which states, “When properly justified and approved [contracting officers] may award contracts without providing for full and open competition. However, [contracting officers] must ensure that justification and approval documents are approved.”

However, the contracting officer did not prepare a justification and approval document for other than full and open competition to extend the period of performance under the task order as required by ADS. A review of the negotiation memorandum for the modification stated that it was based on FAR 52.243-2 and “authorizes the Contracting Officer to make ‘within-scope’ changes in time, place of performance and description of services.”

The memorandum acknowledged that there was no change in the services performed, the hours and days worked, or place of performance. It stated that the mission cited this FAR clause

² *Audit of USAID/Pakistan’s Independent Monitoring and Evaluation Program* (No. G-391-13-003-P), October 28, 2013 (Revised).

as a basis for the modification “to avoid the costs associated with issuing a new procurement.” Yet, avoiding the costs associated with issuing a new procurement was not cited to justify changes according to FAR 52.243-2.

A mission official said the modification to extend the task order was “badly worded” and could not explain why the mission had not complied with FAR 16.306(d)(2). Extending the period of performance on Tetra Tech’s task order instead of complying exposed USAID to potential protests that could end in claims awarded against the Agency.

We are not making a recommendation on this issue because the task order was scheduled to expire in November 2015.

EVALUATION OF MANAGEMENT COMMENTS

Based on management comments, we deleted Recommendation 7 in the draft report and renumbered Recommendations 8, 9, and 10. The mission agreed with the nine recommendations in the final report. We acknowledge management decisions on all nine and final action on 4, 8, and 9. Our evaluation of management comments and supporting documentation follows.

Recommendation 1. The mission agreed on the need to implement written monitoring guidance. To do so, mission officials said they would develop a new mission order by February 29, 2016, that would provide guidelines to all employees on the level of monitoring needed. We acknowledge the mission's management decision.

Recommendation 2. The mission agreed and said it would develop a new mission order by February 29, 2016, that would identify trigger points for when mission leaders should make decisions about an activity's status. We acknowledge the mission's management decision.

Recommendation 3. The mission agreed with the intent of the recommendation and said it is drafting a new mission order that will require program/activity managers to use an existing tool to document and track their monitoring. The mission also said that the monitoring tool will eventually become web-based as part of a new monitoring system to be designed under the Monitoring Support Project. In subsequent correspondence, the mission set a target date of December 10, 2016, for final action. We acknowledge the mission's management decision.

Recommendation 4. The mission agreed and has created a spreadsheet that serves as a master list of all awards implemented by USAID/Afghanistan. Based on the mission's comments and the supporting documentation provided, we acknowledge the management decision and final action.

Recommendation 5. The mission agreed. It plans to distribute copies of the new performance monitoring mission order (currently being developed) to all program/activity managers at its next quarterly monitoring review and discuss it at that time. In subsequent correspondence, the mission set a target date of July 31, 2016, for final action. We acknowledge the mission's management decision.

Recommendation 6. The mission agreed and said it would develop a new mission order by February 29, 2016, that would identify trigger points warranting a decision by mission leadership on the status of the activity. Elsewhere in its comments, the mission described other actions that are also responsive to this recommendation, such as establishing a security working group and analyzing data during portfolio and monitoring reviews. We acknowledge the mission's management decision.

Recommendation 7 (Recommendation 8 in the draft report). The mission agreed and said it is drafting a new mission order that will mandate the use of customized plans incorporating the use of any third-party monitors deemed necessary. The mission clarified the target date as

February 29, 2016, in subsequent correspondence. We acknowledge the mission's management decision.

Recommendation 8 (Recommendation 9 in the draft report). The mission partially agreed and said that it was using an evaluation tracking tool to track all evaluations, assessments, and recommendations since Afghan Info did not allow for the level of detail needed. This tool, upgraded in August 2015 and provided to OIG by the mission, now consists of a series of spreadsheets used to track evaluations by sector, including the status of all recommendations. We acknowledge the mission's management decision and final action.

Recommendation 9 (Recommendation 10 in the draft report). The mission agreed and implemented Mission Order 203.03, "Evaluation," on August 15, 2015. We acknowledge the mission's management decision and final action.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. They 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 one scope limitation related to USAID/Afghanistan's inability to provide a complete, accurate list of all contracts, grants, and cooperative agreements as of September 2014, we believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Afghanistan's M&E strategy provided effective coverage over its activities in Afghanistan. The audit covered all five tiers of MTM used to oversee USAID activities between January 1, 2013, and March 31, 2015. The unaudited amounts obligated and disbursed during that period were approximately \$3.3 billion and \$2.8 billion respectively. There were 22 performance evaluation reports issued between fiscal years 2013 and 2015, costing approximately \$3.2 million. The audit reviewed seven of these based on judgmental selection.

We performed audit fieldwork between August 26, 2014, and March 31, 2015, at the U.S. Embassy and USAID offices in Kabul. The audit team also held meetings at the offices of USAID partners, other international donors, and the Afghan Government. To speak with USAID staff based outside of Kabul, auditors held teleconferences with employees in Washington, D.C., as well as with locally hired staff located at U.S. Government regional platforms in Herat, Kandahar, and Mazar-e-Sharif.

We based our conclusions on the following sources and methods:

- Interviews with the USAID/Afghanistan team lead for M&E, C/AORs, the Afghan Info program specialist, and the acting Implementation Support Team lead.
- Reviewing contracts and contractors' records to gain an understanding of how MTM data were collected and reported to USAID/Afghanistan.
- Assessing the risks associated with each of the five tiers and the mission's quarterly MTM reviews.
- Meeting with other international donor organizations such as the United Kingdom Department for International Development and UN Assistance Mission in Afghanistan, as well as Afghan Government officials from the Ministry of Economy and the Independent Directorate for Local Governance.
- Reviewing Afghan Info, C/AOR files, and an Excel spreadsheet the mission used to track the results of performance evaluations.

- Presentations and meetings with seven of USAID/Afghanistan's partners (International Relief and Development, Tetra Tech, Checchi, Management Systems International, U.S. Institute for Peace, Rahman Safi Impact Consultancy, and ECC LLC).
- Past OIG M&E audits conducted in Afghanistan, Iraq, and Pakistan, as well as FAR, Part 16.

We assessed the following significant internal controls for the mission and contractors performing monitoring: (1) planning and design documents for the Monitoring Support Program and design documents for the Engineering Support Program, (2) the program office's quarterly reviews of how the technical offices used MTM, (3) Afghan Info internal controls, (4) Mission Order 203.02, (5) ADS 203.3.1.9, responding to evaluation findings, (6) portfolio review conducted in January 2015, and (7) contractors' procedures for collecting and reporting monitoring data reported to USAID/Afghanistan.

The mission had no official system of record to determine the total number and status of activities it was implementing in Afghanistan as of September 2014. As a result, the 127 activities we identified during the audit may not be a complete, accurate list of mission activities. Without such a list, we could not determine whether the mission had used MTM to monitor all its activities. Because of this uncertainty, we could not know for sure whether we had surveyed all C/AORS using the first and second tiers.

Methodology

We used a number of sources to understand whether the mission's M&E approaches were providing effective coverage for USAID projects and activities implemented throughout Afghanistan. We interviewed key personnel from OAPA, mission office directors, and employees from the Office of Program and Project Development, Office of Social Sector Development, Office of Transition Initiatives, Office of Democracy and Governance, Office of Economic Growth and Infrastructure, Office of Agriculture, Office of Financial Management, and Office of Acquisition and Assistance, as well as other key U.S. Government employees from the U.S. Institute for Peace, International Security Assistance Force, and State Department. We interviewed employees from International Relief and Development, Tetra Tech, Checchi, ECC, Rahman Safi Impact Consultancy, and Management Systems International to review their records and to confirm our understanding how data were collected and reported to the mission. In addition, the audit team met with officials in Kabul from the United Kingdom Department for International Development, UN Assistance Mission in Afghanistan, the European Union, and the Independent Joint Anti-Corruption Monitoring and Evaluation Committee, and corresponded with the Norwegian Government. Further, the audit team also met with two Afghan Government entities, the Ministry of Economy and the Independent Directorate of Local Governance.

To determine how effectively the mission's technical offices had used Tiers 1 and 2, we surveyed C/AORs responsible for 127 activities. To spot-check the responses we received on the survey, we judgmentally selected 43 responses from respective C/AORs based on the dollar amount of activities, and to provide coverage of activities implemented by different technical offices. Auditors asked for supporting documentation to confirm their responses. The results of our judgmental sample cannot be projected to the universe.

Furthermore, to determine whether the mission had tracked performance evaluation recommendations using Afghan Info as required, we judgmentally selected 7 of the 22 performance evaluation reports for testing based on funding amounts for activities implemented, to provide coverage of activities from different technical offices, and to include evaluations for completed and ongoing activities. To determine whether the mission had tracked the implementation of recommendations in these reports, we selected 74 recommendations resulting from the reports to determine whether they were tracked in Afghan Info as required or in C/AOR files. The results of our judgmental sample cannot be projected to the universe.

Although we planned to rely on the computer-processed data from the mission to support our audit conclusions, we did not do so. USAID/Afghanistan had not used Afghan Info to centralize data collected by technical offices, and technical offices kept data in decentralized files. Therefore, there was no centralized computer-processed data to rely on. In addition, we did not establish the reliability of computer-processed data the five contractors used for reporting to USAID/Afghanistan because we could not compare their data to a centralized database within Afghan Info. As a result, we cannot provide projections, conclusions, or recommendations based on this data.

MANAGEMENT COMMENTS



MEMORANDUM

November 21, 2015

TO: Christine M. Byrne
Deputy Assistant Inspector General for Audit

FROM: Herbert Smith, Mission Director

SUBJECT: Draft OIG Report titled “USAID Afghanistan Strategy for Monitoring and Evaluation Programs throughout Afghanistan (F-306-16-001-P)

REFERENCE: OIG Transmittal email dated 10/20/2015

Thank you for providing USAID/Afghanistan with the opportunity to review and respond to the subject draft audit report. Discussed below are the Mission’s comments on the recommendations in the report.

GENERAL COMMENTS

For USAID/Afghanistan to continue to assist Afghans throughout the country while advancing U.S. policy and programmatic goals, the Mission will need constant and regular information on project performance. The Multi-Tiered Monitoring (MTM) approach was developed by the Mission to address the monitoring challenges in Afghanistan in the context of the current operating environment. USAID/Afghanistan welcomes the release of the OIG Report titled “USAID Afghanistan Strategy for Monitoring and Evaluation Program throughout Afghanistan”, as it will help to address identified gaps in the Mission’s M&E approach, and serve to improve overall performance monitoring and evaluation across all technical sectors.

COMMENTS ON OIG'S RECOMMENDATIONS

Recommendation 1. We recommend that USAID/Afghanistan implement written standards for what constitutes effective, sufficient oversight, including the amount of monitoring deemed necessary for an activity to continue, the relative contributions of the five tiers, and potential events that warrant a decision on the status of the activity.

USAID Management Response: The Mission concurs with Recommendation 1 in regards to the need for implementation of written monitoring guidance.

USAID/Afghanistan will provide guidelines to all Mission staff on the level of monitoring needed for effective monitoring of programs through a revision to the Mission's Performance Monitoring Mission Order. These guidelines will include written standards that provide a process by which to analyze monitoring efforts and implement monitoring plans to ensure monitoring efforts are being carried out.

The Mission Order will not include language quantifying specific criteria or thresholds that must be met, but rather a set of guidelines that can be adapted and customized to the different sectors/types of activities being implemented by USAID/Afghanistan. The new Performance Monitoring Mission Order will mandate the use of the Monitoring Capture Tool (MCT) for each individual implementing mechanism. Monitoring and evaluation specialists in Office of Program and Project Development (OPPD) will review the MCTs during regularly scheduled Monitoring Reviews and assess the level and quality of monitoring being conducted by each individual A/COR, On-Budget Monitor, and Activity Manager. This assessment will be shared with all technical offices and Mission leadership.

The Mission Order will not include language determining the relative contributions of the five tiers as the MTM approach is built on the use of triangulation of data across a minimum of three tiers, regardless of the type of tiers employed in the triangulation. There are inherent strengths and challenges associated with each tier. Therefore, no one single data point will lead to a programmatic decision being made. Rather, data collected across multiple tiers will be used to cross-check findings. In such cases where the data does not agree with each other (data collected from

different tiers are showing different results), this will require further analysis and data collection, thereby widening the data collection pool.

Actions Taken/Planned: USAID/Afghanistan is drafting a new Performance Monitoring Mission Order that will provide guidelines to all Mission staff on the level of monitoring needed for effective monitoring. The Mission Order will also identify trigger points affecting project implementation that will warrant a decision to be made by Mission Leadership as to the status of the activity.

Target Closure Date: February 29, 2016

The Mission deems that Recommendation 1 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision.

Recommendation 2. We recommend that USAID/Afghanistan implement written procedures for having mission managers decide whether to continue an activity if standards are not met or if such future events occur.

USAID Management Response: The Mission concurs with Recommendation 2.

Actions Taken/Planned: USAID/Afghanistan is drafting a new Performance Monitoring Mission Order that will identify trigger points affecting project implementation that will warrant a decision to be made by Mission Leadership as to the status of the activity. When one or more trigger points are reached, Mission leadership will be notified. The response to the trigger will be assessed on a case-by-case basis, taking into account the nature of the activity, the political sensitivity of the activity, how it fits into the national interest, etc. The Mission will document the process thoroughly, including: who are the decision makers, what decision was taken and what reason or rationale was made to justify the decision taken. In cases of political sensitivity, the final decision will lie with the USAID Mission Director or the Ambassador.

Target Closure Date: February 29, 2016

The Mission deems that Recommendation 2 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision.

Recommendation 3. We recommend that USAID/Afghanistan prepare a written determination to add a module to capture and analyze monitoring data in Afghan Info, or establish a different system to store centralized monitoring data for analysis and set a deadline for making any design changes.

USAID Management Response: The Mission concurs with the intent of Recommendation 3.

Actions Taken/Planned: USAID/Afghanistan is drafting a new Performance Monitoring Mission Order that includes a provision to mandate all program/activity managers utilize the existing Monitoring Capture Tool (MCT), which has data visualization capabilities, to document and track their monitoring efforts. The MCT will eventually become web-based as part of a monitoring system/portal to be designed under Task Order 4 of the Monitoring Support Project.

Target Closure Date: February 2016 for the Mission Order to be completed. Task Order 4 procurement is estimated to start the second quarter of FY 2016.

The Mission deems that Recommendation 3 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision.

Recommendation 4. We recommend that USAID/Afghanistan implement procedures to periodically reconcile awards listed in Afghan Info with records held by the Office of Acquisition and Assistance (OAA), the Office of Program and Project Development (OPPD), and technical offices, including those based in Washington, D.C., and update Afghan Info as necessary.

USAID Comments: The Mission concurs with Recommendation 4.

Actions Taken/Planned: OPPD has created an Excel spreadsheet that serves as the master list for all awards implemented by USAID/Afghanistan. OPPD staff members confer with OAA, technical offices, and Washington D.C. to update the awards list on a weekly basis. The weekly awards list is distributed to Mission and OAPA staff. The updated awards list will be uploaded into Afghan Info on a regular basis.

Closure Request:

The Mission deems that Recommendation 4 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision and closure of the recommendation.

Recommendation 5. We recommend that USAID/Afghanistan adopt a policy of reviewing Mission Order 203.02 or any subsequent order on monitoring at its quarterly monitoring review meetings to ensure all staff are aware of the requirement to promptly verify and approve reports submitted in Afghan Info.

USAID Management Response: The Mission concurs with Recommendation 5.

Actions Taken/Planned: OPPD will distribute copies of the new Performance Monitoring Mission Order (currently being developed) to all program/activity managers at its next Quarterly Monitoring Review, and ensure a discussion on the Mission Order is included as one of the agenda topics. Furthermore, OPPD will re-institute the use of Afghan Info Quarterly Dashboards, which will track data submission and data review in the system. These dashboards, which will be created for each sector and show the status of data submission into Afghan Info, will be distributed to all technical office directors and Mission leadership.

Closure Request:

The Mission deems that Recommendation 5 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision and closure of the recommendation.

Recommendation 6. We recommend that USAID/Afghanistan implement a strategy to analyze project performance information and make recommendations to Mission leaders in light of anticipated staffing reductions and travel restrictions.

USAID Management Response: The Mission concurs with Recommendation 6.

Actions Taken/Planned: USAID/Afghanistan is drafting a new Performance Monitoring Mission Order that will identify trigger points affecting project implementation that will warrant a decision to be made by

Mission Leadership as to the status of the activity. Please see Actions Taken/Planned under Recommendation 2 for more details.

Target Closure Date: February 29, 2016

The Mission deems that Recommendation 6 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision.

Recommendation 7. We recommend that USAID/Afghanistan clarify the role of the Implementation Support Team by approving guidance on its role, responsibilities, and composition, including the number of members and amount of time each will devote to these duties.

USAID Comments: The Mission concurs with the intent of Recommendation 7.

USAID/Afghanistan no longer utilizes the Implementation Support Team. The functions previously designated under the IST will be undertaken through a three-pronged approach.

A central review and analysis of performance monitoring data will take place during Portfolio Reviews. During the Portfolio Review, data will be collected to inform Mission staff on the progress and challenges to reaching the Mission's strategy and its associated results framework indicators. This review focuses on the performance of portfolios at the Technical Office level and examines the most relevant indicators at the Intermediate Result (IR) and sub-IR levels in the Mission's Performance Management Plan (PMP), as well as relevant evaluation findings and action plans based on those findings.

During regularly scheduled Monitoring Reviews, the MCTs will be reviewed and assessed to ensure the Multi-Tiered Monitoring approach is being implemented to monitor activities, guidelines on adequate monitoring (established in the Performance Monitoring Mission Order) are being followed, and that monitoring efforts are being adequately and systematically documented. Dashboards for each technical office will be created to measure the following: Activity M&E Plans exist for each activity, Monitoring Overview Plans exist for each activity, and MCTs are being utilized correctly to capture monitoring efforts for each activity. Should the review and assessment determine that the A/COR, On-Budget Monitor, or

Activity Manager is having difficulties collecting monitoring data, the M&E specialists in OPPD will provide individualized/customized assistance to address the issue.

The Mission has established a Security Working Group (SWG), which is an advisory committee, which meets regularly to discuss the ever-changing security landscape and its implications on program implementation. The SWG is chaired by the Deputy Mission Director.

Actions Taken/Planned: The Implementation Support Team is no longer being utilized.

Closure Request:

The Mission deems that Recommendation 7 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision and closure of the recommendation.

Recommendation 8. We recommend that USAID/Afghanistan develop procedures to verify annual monitoring plans required under Mission Order 203.02 or any subsequent order on monitoring are prepared and used to structure activities of its third-party monitors.

USAID Management Response: The Mission concurs with Recommendation 8.

Actions Taken/Planned: USAID/Afghanistan is drafting a new Performance Monitoring Mission Order that mandates the use of Monitoring Overview plans for each program/activity manager. The Monitoring Overview plan will be customized and tailored to the individual implementing mechanism, and will allow program/activity managers to plan the use of third party monitors as part of a systematic monitoring plan, if they determine that third-party monitoring is necessary. This new requirement replaces Mission Order 203.02 mandate to develop annual monitoring plans by technical office.

Target Closure Date: February 2016

The Mission deems that Recommendation 8 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision.

Recommendation 9. We recommend that USAID/Afghanistan implement procedures to help ensure that all evaluations, assessment reports, and recommendations are recorded and tracked in Afghan Info.

USAID Management Response: The Mission partially concurs with Recommendation 9. USAID/Afghanistan utilizes an evaluation tracking tool to track all evaluations and assessments broken out by fiscal year. The evaluation tracking tool includes data fields that document and track how each evaluation and assessment report was utilized by the technical office/Mission. The Afghan Info evaluation module does not allow for the level of detail currently available on the evaluation tracking tool. Therefore, the Mission will continue to use the evaluation tracking tool in addition to Afghan Info to record and track evaluations, assessment reports, and recommendations.

Actions Taken/Planned: USAID/Afghanistan is utilizing an evaluation tracking tool that records and tracks how evaluations, assessment reports, and recommendations are being utilized.

Closure Request:

The Mission deems that Recommendation 9 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision and closure of the recommendation.

Recommendation 10. We recommend that USAID/Afghanistan implement procedures to follow up on the status of open evaluation recommendations periodically.

USAID Management Response : The Mission concurs with Recommendation 10.

Actions Taken/Planned: Mission Order 203.03 entitled "Evaluation", effective August 15, 2015 details how the Mission will respond to and share evaluation findings.

Closure Request:

The Mission deems that Recommendation 10 is being adequately addressed and therefore requests OIG's concurrence with the proposed management decision and closure of the recommendation.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
<http://oig.usaid.gov/>
Audit Task No. FF101014