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**Audit of Bureau of International
Narcotics and Law Enforcement Affairs
Counternarcotics Assistance to Afghanistan**

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United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in blue ink, appearing to read 'N. P. Brown', written in a cursive style.

Norman P. Brown
Assistant Inspector General
for Audits

Acronyms

CN	Counternarcotics
FAM	<i>Foreign Affairs Manual</i>
FMAR	Financial Management Activity Report
GIRoA	Government of the Islamic Republic of Afghanistan
GLE	Governor Led Eradication
GPI	Good Performers Initiative
INL	Bureau of International Narcotics and Law Enforcement Affairs
MCN	Ministry of Counternarcotics
OIG	Office of Inspector General
PMP	Performance Measurement Plan
UNODC	United Nations Office on Drugs and Crime
USAID	U.S. Agency for International Development

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Executive Summary

Afghanistan produces three-quarters of the world's illicit opium, with cultivation reaching a record high in 2013. To reduce, among other things, illicit opium revenue for the insurgency in Afghanistan, the Department of State (Department), Bureau of International Narcotics and Law Enforcement Affairs (INL), assists the Government of the Islamic Republic of Afghanistan (GIRoA) with initiatives aimed at reducing opium's supply and demand. Since 2006, INL has expended \$220 million on seven Counternarcotics (CN) initiatives in Afghanistan according to its Financial Management Activity Report (FMAR).¹

The overall objective of this audit was to assess INL's management and oversight of its seven current CN initiatives in Afghanistan. The audit assessed whether INL had achieved intended and sustainable outcomes for its seven current CN initiatives and whether INL had adequately monitored the administration of two initiatives that are direct assistance—Governor Led Eradication (GLE) and the Good Performers Initiative (GPI). The Department's Office of Inspector General (OIG) conducted this audit under the authority of the Inspector General Act of 1978, as amended, to evaluate the management and oversight of INL's CN program for Afghanistan. See Appendix A for the scope and methodology.

The degree to which INL's CN program for Afghanistan has achieved desired results is unclear because INL has not fully developed or implemented Performance Measurement Plans (PMPs)² to track progress for its CN initiatives and to allow for appropriate budgeting. As a result, INL cannot determine whether its Afghan CN initiatives are successful or should be revised, reduced, or canceled. Additionally, the long-term viability of CN initiatives is unclear because INL had not worked with the GIRoA to develop required sustainment plans that detail how CN initiatives will continue without U.S. assistance.

This report contains four recommendations addressed to INL intended to improve the CN program. OIG recommends that INL implement PMPs for each initiative in Afghanistan; perform an analysis of its program spending patterns and modify its budget request accordingly; work with GIRoA to develop sustainment plans for each initiative; and establish a process to ensure that the GIRoA adheres to the reporting requirements in the Memorandum of Understanding (MOU).

In August 2014, OIG provided a draft of this report to INL and requested comment on the four recommendations we made to improve the program and financial management of the Afghanistan Counternarcotics Initiatives. In addition, OIG provided informational copies to the Bureau of South and Central Asian Affairs and the U.S. Embassy Kabul, Afghanistan.

¹ According to INL's Financial Management Handbook, the Financial Management Activity Report has been the primary financial management tool for tracking INL funds overseas for many years. The FMAR is both an unofficial record of daily financial activity for each project, and a financial report that allows program managers to track the status of obligations, subobligations, and liquidations at the project level.

² A PMP is a tool that enables the systematic and objective collection, analysis, and reporting of performance data throughout the lifecycle of a project. A PMP, when used correctly, provides managers with a coherent roadmap to assess the effectiveness of activities and track the progress a project is making towards specific results. PMPs are alternatively referred to as "performance monitoring plans" and "performance management plans."

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In its September 2014 response to the draft report (see Appendix E), INL concurred with one recommendations and partially concurred with three. Based on INL's response, OIG considers four recommendations unresolved. INL's response to the recommendations, as well as OIG's replies, are presented after each recommendation in the body of this report. INL also provided technical and general comments that were not directly related to the recommendations. OIG incorporated INL's technical comments where appropriate. OIG's replies to INL's general comments are summarized and presented in Appendix F.

Background

Afghans cultivate the vast bulk of the world's illicit opium poppy, which can be refined into heroin and morphine. Profits from this trade partly fund insurgents within Afghanistan who threaten the nation's stability, and the drug impacts millions and kills thousands.³ To reduce the destabilizing impact of illicit opium on Afghanistan and help Afghanistan fulfill its international treaty obligations to suppress poppy cultivation and related activities,⁴ INL assists the GIRoA with initiatives aimed at reducing opium's supply and demand. However, according to the United Nations Office on Drugs and Crime (UNODC), Afghans cultivated more than 209,000 hectares⁵ of poppy in 2013, a new record high. For additional information on cultivation and interdiction trends in Afghanistan, see Appendix B.

The INL CN program in Afghanistan currently consists of seven initiatives. The INL CN program has had other initiatives in the past. The scope of this audit is limited to the current seven CN initiatives in Afghanistan, as defined by INL's FY 2013 Program and Budget Guide. Of these seven initiatives, two initiatives—GLE and GPI—involve a direct transfer of funds to the GIRoA, which has control over the spending. For the purpose of this report, we refer to these two initiatives as "direct assistance" initiatives.⁶ For additional information on INL's counternarcotics objectives in Afghanistan, see Appendix C.

The following is a basic description of INL's current CN initiatives, along with each initiative's expenditures according to INL's FMAR. INL's FMAR shows that, since 2006, INL has expended \$220 million on the seven CN initiatives discussed in this report. In INL's response to the draft report, INL questioned our use of FMAR data but did not provide alternate expenditure data for the seven initiatives discussed in this report. Because the Deputy Executive Director of INL recommended that posts use FMAR data as a record of daily financial activity for each project to track obligations, subobligations, and liquidations at the project level,⁷ OIG used FMAR data in the conduct of this audit.

³ See U.S. Counternarcotics Strategy for Afghanistan March 2010, p. 11.

⁴ See United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Vienna, 20 December 1988 (Afghanistan ratified the Convention on February 14, 1992), Articles 2.1 and 3.1.

⁵ One hectare equals 2.47 acres.

⁶ To avoid confusion with the greater INL "program" in Afghanistan, we refer to the seven INL efforts that comprise the program as "initiatives." The term "direct assistance" initiative is used solely in this report to refer to GLE and GPI. These two programs involve a direct transfer of funds from INL to GIRoA controlled bank accounts. GIRoA then has control over the spending of funds for GLE and GPI. Due to an increased risk of fraud, waste, and abuse, OIG put a greater focus on these two initiatives.

⁷ Cable 14 STATE 49072.

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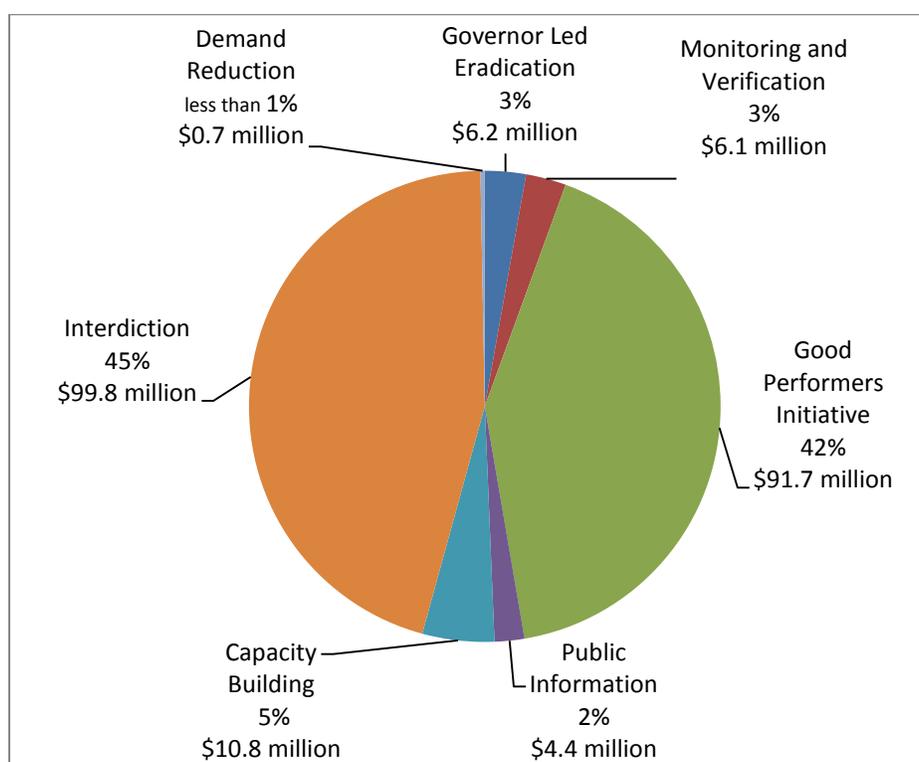
1. **Interdiction: \$99.8 million.** INL provides funds to support the operation and maintenance of existing Counternarcotics Police of Afghanistan facilities. This includes life support and salary supplements for police units mentored by the U.S. Drug Enforcement Administration.
2. **Monitoring and Verification: \$6.1 million.** INL provides funds to support UNODC monitoring of illicit poppy crops, eradication verification, and assessment surveys, including the UNODC Annual Opium Survey. This survey is an estimate of opium poppy cultivation in Afghanistan and serves as the basis for GPI awards and GLE reimbursements. INL's monitoring initiative also aims to build the Ministry of Counternarcotics' (MCN)⁸ ability to monitor and research drug trafficking and consumption trends in Afghanistan, and support programs to strengthen regional CN cooperation between Afghanistan and its neighbors.
3. **Demand Reduction: \$0.7 million.** INL provides funds for the development of a nationwide drug treatment system, including programs for women, children, and adolescents, as well as treatment protocols for infants. INL also provides funds for clinical services, mentoring programs for female addiction counselors, village based treatments, and drug prevention programs for Afghan boys' and girls' schools, mullahs/mosques, and madrasahs.
4. **Counternarcotics Public Information: \$4.4 million.** INL provides funds for MCN-led media campaigns for drug prevention. The Counternarcotics Public Information program provides support for MCN as it assumes increased responsibility, and expands MCN and Ministry of Education drug prevention initiatives in Afghan schools.
5. **Ministry of Counternarcotics Capacity Building: \$10.8 million.** INL embeds experts at MCN versed in areas such as administration, human resources, finance, procurement, and policy development. The initiative also provides training and mentoring for MCN staff members who administer INL-funded CN initiatives such as GPI, GLE, and Counternarcotics Public Information. Funds are provided for mentors, salary support, equipment, supplies, logistical needs, and IT infrastructure for the MCN.
6. **Good Performers Initiative (GPI): \$91.7 million.** (Direct assistance initiative) INL delivers development assistance to provinces that have successfully reduced or eliminated poppy cultivation. If a province eliminates or reduces poppy cultivation in a given year, the province can receive up to \$1 million per year in development assistance for projects like schools, irrigation canals, or tractors. GPI's objective is to incentivize and reward provincial governors' CN activities.
7. **Governor Led Eradication (GLE): \$6.2 million.** (Direct assistance initiative) INL provides financial reimbursement to provincial governments for verified poppy

⁸ MCN is responsible for establishing CN policy for the GIRoA and coordinating counternarcotics activities and programs with other ministries, independent entities, and other concerned organizations.

eradication. INL supports government eradication planning and execution, including a program to reimburse provincial governments \$250 per hectare for UNODC and MCN verified eradication. INL also supports the Ministry of Interior's and provincial governors' information, planning, outreach, and implementation campaigns associated with eradication.

These seven initiatives, though funded separately by INL, are intended to work in concert. For example, data received from the monitoring initiative is used to verify eradication in the GLE and GPI initiatives. Expenditures for these seven initiatives varies greatly with Interdiction and GPI receiving about 87 percent of funds since 2006 (see Figure 1).

Figure 1. Expenditures for INL's Seven Counternarcotics Initiatives in Afghanistan, 2006-2013



Source: INL Counternarcotics Projects Financial Management Activity Report, January 6, 2014.

To aid the implementation of its CN program, INL is in the process of establishing Performance Measurement Plans (PMPs). A PMP is a tool that enables the systematic and objective collection, analysis, and reporting of performance data throughout the lifecycle of a project. A PMP, when used correctly, provides managers with a coherent roadmap to assess the effectiveness of activities and track the progress a project is making towards specific results. A PMP assigns criteria, standards, and rigor to the measurement of specific project results. It also explains exactly how, when, and by whom specific performance measurement tasks will be completed. PMPs help an organization generate up-to-date qualitative and quantitative

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performance data. This information enables a bureau to make decisions about funding programs, meet reporting requirements, and answer questions from Congress.⁹

Objective

The overall objective of this audit was to assess INL's management and oversight of its seven current CN initiatives in Afghanistan. The audit assessed whether INL has achieved intended and sustainable outcomes for its seven current CN initiatives and whether INL had applied adequate monitoring over the administration of two "direct assistance" initiatives—GLE and GPI.

Audit Results

Finding A. INL Has Not Fully Developed Performance Measurement Plans To Evaluate the Effectiveness of Its Counternarcotics Initiatives in Afghanistan

INL cannot fully determine the effectiveness of its CN initiatives in Afghanistan because it has not developed and implemented PMPs for each initiative. The purpose of PMPs is to allow agencies to measure program performance, communicate program results, and allow for appropriate budgeting. While the GIRoA has improved drug interdiction, poppy cultivation has risen in Afghanistan over the life of INL's CN program. Without PMPs, the degree of INL's impact on these trends cannot be measured and INL is unable to report on whether the initiatives have made progress. According to INL's FMAR, INL has only expended about \$220 million of \$466 million provided to the bureau by Congress since FY 2006, leaving about \$246 million in unexpended funds.

PMPs for the Seven Initiatives Had Not Been Fully Implemented

The degree of INL's impact on CN trends is largely unknown in part because INL has not fully implemented PMPs. According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, agencies need to establish and review performance measures and indicators for all programs. Further, internal control monitoring should assess the quality of performance over time. The purpose of PMPs is to address these requirements so that the Department can measure and manage program performance and communicate program results. To ensure sound performance measurement, PMPs distinguish between output, outcome, and impact and detail how to measure performance data. Without comprehensive PMPs with measurable outputs and outcomes, INL managers and policy makers in both Washington and Kabul are unable to make informed decisions about the future of the program or its effectiveness.

INL guidance directs project managers to develop PMPs for each CN initiative that outline intended outcomes. However, the seven PMPs we reviewed, six of which are still in draft, did not contain sufficiently accurate and targeted output, outcome, and impact methodologies or measures to track program achievements and results. While the PMPs we reviewed did list various outputs and outcomes, they were not sufficient for measuring progress towards intended results. For example, INL's Interdiction initiative focuses on the operation and

⁹ INL Program Management Guide: Guide to Developing a Performance Measurement Plan (PMP)

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maintenance of facilities that house GIRoA’s CN police and the U.S. Drug Enforcement Agency. However, the PMP for the Interdiction initiative lists one planned outcome as “increase in percentage of investigations planned.” The planning of investigations is not under INL’s control and the PMP does not detail how INL’s operation and maintenance of facilities would lead to that outcome. More appropriate metrics would relate to GIRoA’s capacity to maintain its facilities, provide life support, and ensure the timeliness of contract deliverables. Another example is GPI where INL transfers funds to GIRoA that are used for various construction projects. However, the PMP for GPI lists one planned outcome as “improved adherence to milestone timelines from approval to contract.” The PMP does not detail how INL will influence GIRoA into improving this adherence to timelines.

Planning, Performance, and Budgeting Were Not Integrated

The Office of Management and Budget Circular No. A-123, *Management for Internal Controls*, states that agencies should develop strategic plans and set performance goals that are integrated into the budget process. Furthermore, INL’s guide to developing PMPs recognizes that the performance data generated by effective PMPs enables the bureau to make and communicate effective decisions about funding programs, justifying resource requests, and answering questions from Congress, other agencies, and the public. INL’s draft PMPs also state that one of the primary objectives of PMPs is communicating program results to justify budget requests. However, because INL has not implemented PMPs, it cannot accurately report on program outcomes for future budgeting.

According to INL’s FMAR, since 2006, INL has only expended about \$220 million of \$466 million provided by Congress—an expenditure rate of approximately 47 percent (see Figure 2).

Figure 2. INL CN Allotments and Expenditures 2006-2013

Program	Allotted	Expended	Unexpended Balance
Interdiction	\$169,228,000	\$99,818,000	\$69,410,000
Monitoring and Evaluation	17,905,000	6,089,000	11,816,000
Demand Reduction	676,000	655,000	21,000
Public Information	17,860,000	4,435,000	13,425,000
Capacity Building	36,377,000	10,835,000	25,542,000
Good Performers Initiative	206,462,000	91,701,000	114,761,000
Governor Led Eradication	17,021,000	6,163,000	10,858,000
Total	\$465,529,000	\$219,696,000	\$245,833,000

Source: INL Financial Management Activity Reports as of September 3, 2013, and January 6, 2014.

Evaluating the effectiveness of its CN program initiatives in Afghanistan has been a recurring problem for INL. A December 2009 OIG report¹⁰ recommended that INL efforts “include clearly defined objectives and performance measures, and milestones for achieving the stated objectives” (see Appendix D). INL concurred with the recommendation and said that it

¹⁰ *Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan* (MERO-A-10-2, December 2009).

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would draft implementation plans for their key objectives with measures included in these plans. However, as shown by this audit, INL has not fully implemented this recommendation as intended.

Recommendation 1. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement Performance Measurement Plans for all initiatives in Afghanistan that measure and manage program performance and communicate program results.

INL Response (August 2014): INL agrees with this recommendation, noting that it has developed and implemented Performance Measurement Plans for its Afghan counternarcotics programs. According to INL, beginning in October 2013, it refreshed its PMPs and renamed them Performance Measurement Plans to better align with Bureau and Department guidance on performance measurement.

OIG Reply: OIG considers the recommendation unresolved. This recommendation can be resolved when OIG receives and accepts a corrective action plan with target dates, where appropriate, that addresses the recommendation. This recommendation can be closed when OIG receives and accepts evidence that INL has developed and implemented Performance Measurement Plans that measure and manage program performance and communicate program results for all of its initiatives in Afghanistan.

Recommendation 2. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs analyze its counternarcotics spending patterns and prior expenditure rates and adjust its budget requests accordingly.

INL Response (August 2014): INL partially agreed with this recommendation, noting that it regularly analyzes its counternarcotic spending patterns and prior expenditure rates and adjusts its budget requests accordingly.

OIG Reply: OIG considers this recommendation to be unresolved. Although INL partially agreed with this recommendation, it did not provide evidence demonstrating that it has analyzed its counternarcotics spending needs and adjusted its budget accordingly. This recommendation can be resolved when OIG receives and accepts a corrective action plan with target dates, where appropriate, that addresses the recommendation. This recommendation can be closed when OIG receives and accepts evidence that INL has analyzed its counternarcotics spending needs and adjusted its budget based on that analysis.

Finding B. INL Had Not Developed Required Sustainment Plans for Its Counternarcotics Initiatives

INL and GIRoA have not yet developed mandatory written sustainment plans for its CN initiatives.

Section 7046 of the Consolidated Appropriations Act, 2012 requires that the Secretary of State certify to the Committee on Appropriations, before funds may be obligated for assistance

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for the Government of Afghanistan, that the funds will be used to design and support programs in accordance with the June 2011 “Administrator’s Sustainability Guidance for USAID in Afghanistan.”¹¹ That guidance requires that sustainment plans be put in place and cost effectiveness reviews be conducted.

The *Foreign Affairs Manual*¹² (FAM) defines sustainability as independence from foreign aid for partners and the ability of these partners to progress on their own. INL officials do not know if or when Afghanistan will be able to continue with CN initiatives without U.S. assistance. INL and MCN officials acknowledged they do not believe sustainability is possible in the near term.

OIG found that INL has not yet written a fully developed sustainment plan for any of the seven current initiatives in its CN program. We reviewed the Mission Kabul Portfolio for each initiative and found no plans. We also interviewed MCN officials who provided some draft sustainment plans. However, these plans were very general and did not meet the requirements of USAID’s 2011 Sustainability Guidance. For example, MCN has a demand reduction policy with objectives, but no measures of success. These officials also acknowledged that GIRoA would be unable to fund the larger CN initiatives in the near future. INL officials we interviewed similarly expressed doubt that GIRoA would be able to sustain the larger initiatives like GPI and the Interdiction initiative without U.S. assistance.

Sustainment planning has been a recurring problem for INL. In a December 2009 OIG¹³ report, we found the U.S. Government’s approach to counternarcotics in Afghanistan lacked an articulated end state and recommended that INL “establish benchmarks designed to transition responsibilities to the Government of Afghanistan for each of the bureau’s counternarcotics programs in Afghanistan.” INL agreed with this recommendation and reported that the National Security Council was leading an effort to develop benchmarks that would be coordinated with the President’s Afghanistan-Pakistan Strategy and the 2010 U.S. Counternarcotics Strategy for Afghanistan. OIG closed the recommendation pending the provision of additional details. However, CN benchmarks have not yet been developed and neither strategy has detailed plans for sustaining CN initiatives.

Recommendation 3. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs comply with the U.S. Agency for International Development’s 2011 Sustainability Guidance and conduct a review of its counternarcotics initiatives and work with the Government of the Islamic Republic of Afghanistan to develop sustainment plans for transitioning the counternarcotics initiatives to Afghan control that assure that they will be able to operate independent of U.S. support.

INL Response (August 2014): INL partially agreed with this recommendation. According to INL, its programs in Afghanistan meet the core principles of the U.S. Agency for International Development’s 2011 Sustainability Guidance, which calls

¹¹ Public Law 112-74, sec. 7046(a).

¹² 18 FAM 055.1, “Sustained Development Outcomes.”

¹³ MERO-A-10-2, *Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan Performance Audit*, December 2009.

for programs to develop Afghan ownership and capacity, contribute to Afghan stability and confidence, and exhibit cost and program effectiveness. However, INL also acknowledges that its counternarcotics programs will require a long-term donor commitment, and recognizing the realities of the Afghan economy, it is not possible to transition all counternarcotics program costs in the foreseeable future.

OIG Reply: OIG considers this recommendation unresolved. According to the “Afghan Ownership and Capacity” section of the USAID Administrator’s Sustainability Guidance, “programs must include an Afghan commitment to sustain. If this characteristic is not present in the programs now, there should be a realistic plan for achieving it in the short-to-medium term.” This recommendation can be resolved when OIG receives and accepts a corrective action plan with target dates, where appropriate, that addresses this recommendation. This recommendation can be closed when OIG receives and accepts evidence that INL has conducted a review of its counternarcotics initiatives, developed sustainment plans for transitioning the counternarcotic initiatives to Afghan control, and demonstrated how GIRoA will operate the CN initiatives independently of U.S. support.

Finding C. Required Documentation for Direct Assistance Initiatives Was Missing

INL funds two initiatives in which the GIRoA has control over spending—GLE and GPI. These direct assistance initiatives are also administered by the GIRoA with INL taking on a supporting role. OIG found oversight problems with both initiatives.

GLE is a reimbursement program that pays provincial governments for each hectare of poppy they eradicate. The Letter of Agreement between the U.S. and Afghan governments on GLE requires that GLE payments be based on UNODC eradication reports. OIG compared GLE payments against eradication reports for years 2006-2013 and found management control issues in several years (see Figure 3). For example, all documentation was missing for 2009 and documentation for 2008 and 2012 was not sufficient to allow an analysis. Problems in other years include an overpayment of about \$323,000 in 2007 and the use of about \$1,354,000 in GPI funds for GLE activities in 2011.

Figure 3. Comparison of GLE Payments and Eradication Reports, 2006 - 2013

Year	Documentation
2006	No issues noted
2007	Paid \$323,000 over UNODC verified eradication
2008	Documentation insufficient for analysis
2009	No documentation provided
2010	No issues noted
2011	Used \$1,354,000 in GPI funds for GLE activities
2012	Documentation insufficient for analysis
2013	No issues noted

Source: OIG Review of GLE Documentation.

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GPI is an incentive initiative where provincial governments are rewarded with assistance for eliminating or reducing poppy cultivation. Provinces that eliminate poppy cultivation in a given year can receive up to \$1 million in development assistance for projects like schools, roads, and other infrastructure projects.¹⁴ GIROA then administers these projects with construction performed by third-party Afghan contractors. To ensure that the funds are used as intended, the Memoranda of Understanding (MOU) between the U.S. and Afghan governments on GPI requires MCN to submit a monthly progress report on all GPI projects to ensure work is completed, and that projects are being used as intended. Further, the MOU's annex contains a checklist requiring photos be included to document that work is being carried out.

OIG reviewed supporting documentation for all 91 GPI projects reported as complete and compared project files to documentation requirements. OIG found that MCN was not submitting required monthly progress reports. In addition, 15 of the 91 projects (16 percent) did not have the photos, and photos in other project files were often inconclusive in documenting whether work had been completed. In response to the draft report, INL stated that many projects were initiated prior to February 2013 before the inclusion photos became a requirement under the GPI MOU.

Recommendation 4. OIG recommends the Bureau of International Narcotics and Law Enforcement Affairs establish a process to ensure that the Government of the Islamic Republic of Afghanistan adheres to the reporting requirements in the Memorandum of Understanding.

INL Response (August 2014): INL partially agreed with this recommendation. INL reports that it recognizes the importance of reporting requirements, particularly in direct assistance programs, and the Government of the Islamic Republic of Afghanistan already meets the reporting requirements in the Memorandum of Understanding. However, INL reports that it is committed to strengthening its record keeping of these host country reports so that its files are better organized.

OIG Reply: OIG considers this recommendation unresolved. This recommendation can be resolved when OIG receives and accepts a corrective action plan with target dates, where appropriate, that addresses the recommendation. This recommendation can be closed when OIG receives and accepts evidence that INL has established a process to ensure the Government of the Islamic Republic of Afghanistan adheres to reporting requirements in the Memorandum of Understanding.

¹⁴ Alternatively, a province that reduces net poppy production by 10 percent will receive \$1,000 in development assistance per hectare above 10 percent, with a ceiling of \$10 million for a single province. A province may also receive a \$500,000 special recognition award for exemplary CN performance.

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement Performance Measurement Plans for all initiatives in Afghanistan that measure and manage program performance and communicate program results.

Recommendation 2. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs analyze its counternarcotics spending patterns and prior expenditure rates and adjust its budget requests accordingly.

Recommendation 3. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs comply with the U.S. Agency for International Development's 2011 Sustainability Guidance and conduct a review of its counternarcotics initiatives and work with the Government of the Islamic Republic of Afghanistan to develop sustainment plans for transitioning the counternarcotics initiatives to Afghan control that assures that they will be able to operate independent of U.S. support.

Recommendation 4. OIG recommends the Bureau of International Narcotics and Law Enforcement Affairs establish a process to ensure that the Government of the Islamic Republic of Afghanistan adheres to the reporting requirements in the Memorandum of Understanding.

Scope and Methodology

The overall objective of this audit was to assess the Bureau of International Narcotics and Law Enforcement Affairs' (INL's) management and oversight of its seven current counternarcotic (CN) initiatives in Afghanistan. Specifically, the audit was to assess whether INL had achieved intended and sustainable outcomes for its seven current CN initiatives and whether INL had adequately monitored the administration of two initiatives that are direct assistance—Governor Led Eradication (GLE) and Good Performers Initiative (GPI). The scope of the audit was INL's seven counternarcotics initiatives in Afghanistan to include the direct-support programs for years 2006-2013. The Office of Inspector General (OIG) conducted this performance audit under the authority of the Inspector General Act of 1978, as amended and in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on its audit objective. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objective. The team followed generally accepted government auditing standards and conducted such tests and procedures as were considered necessary for the assignment.

To evaluate the management and oversight of INL's CN program for Afghanistan, OIG, Office of Audits, performed fieldwork from July 2013 to August 2014. During fieldwork, OIG conducted interviews at INL in Washington, D.C., with Department of State staff and other relevant personnel as appropriate. The team also traveled to Kabul and other selected sites in Afghanistan. While in Kabul, the audit team interviewed United Nations Office on Drugs and Crime (UNODC) personnel, Afghan Ministry of Counternarcotics Executives, and appropriate INL and Drug Enforcement Administration officials. The team also interviewed Foreign Service Officers, members of the International Security Assistance Forces, and U.S. Agency for International Development (USAID) officials and observed INL funded CN projects at Kandahar Air Base, Herat, and Mazar-e Sharif.

The audit team identified appropriate oversight criteria, policies, processes, and procedures of the counternarcotics program. The team reviewed the one completed INL Performance Measurement Plan (PMP), six draft PMPs, and other performance-related documents. OIG analyzed the PMPs to determine whether they met applicable guidance and contained performance goals, indicators, and measures; whether INL collected, analyzed, and reported output and outcome data; and whether program outputs were linked to program outcomes and compared against benchmarks for success.

OIG analyzed INL documents for evidence of program sustainment planning to determine whether the requirements of the Consolidated Appropriations Act of 2012 were met. OIG obtained documentation on program funding and its sources and assessed Government of the Islamic Republic of Afghanistan's (GIROA's) contributions to program sustainment as required by Public Law 112-74 Section 7046(a) and the 2011 USAID Sustainability Guidance.

OIG used Financial Management Activity Report (FMAR) data to determine and evaluate INL initiative expenditures. According to INL's Financial Management Handbook, the FMAR has been the primary financial management tool for tracking INL funds overseas for

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many years. The FMAR is both an unofficial record of daily financial activity for each project, and a financial report that allows program managers to track the status of obligations, subobligations, and liquidations at the project level.

Work Related to Internal Controls

To assess INL's internal controls over the administration of direct-assistance programs, auditors determined which agencies in Afghanistan have control of assets during the funding process. OIG reviewed reporting documentation, program results, and Memoranda of Understanding and Letters of Agreement and amendments between the U.S. and Afghan governments. Auditors examined documentation to determine whether INL adequately accounted for and tracked finances. The team reviewed internal controls to determine their adequacy and whether activities were sufficiently segregated to help avoid potential fraud and financial risk. OIG reviewed reporting documentation, program results, and interagency agreements between INL and other U.S. Government agencies. The results of work performed on internal controls during the audit are detailed in the Audit Results section of this report.

Data Reliability

Data availability and reliability are problems in Afghanistan because of issues such as the remoteness of many provinces, security issues, and political corruption. As a result, INL primarily relies on data developed by GIROA and UNODC.

UNODC works with the Ministry of Counternarcotics (MCN) to analyze the illicit opium trade in Afghanistan and verify the eradication results for the GLE and GPI programs. INL does not participate in this process except to help fund UNODC's work and promote MCN capacity building. Although OIG reviewed UNODC's opium survey methodology to assess the reliability of data, OIG was unable to independently verify UNODC's survey results because we could not travel to remote provinces because of security issues.

Use of Computer-Processed Data

OIG used data that included computer-generated spreadsheets developed by INL and MCN. To assess the reliability of the spreadsheets, OIG interviewed officials knowledgeable about the data and reviewed existing documentation related to the data sources. OIG believes that the data were sufficiently reliable for the purposes of this report. OIG therefore believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Prior Audit Reports

MERO-A-10-02, December 2009, Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan

OIG found that civilian agencies and the U.S. military had not agreed on the appropriate roles for future CN actions. Also, the Department had not planned transition responsibilities with the Afghanistan government when funding decreases. Another finding focused on a lack of government contract monitoring within Afghanistan.

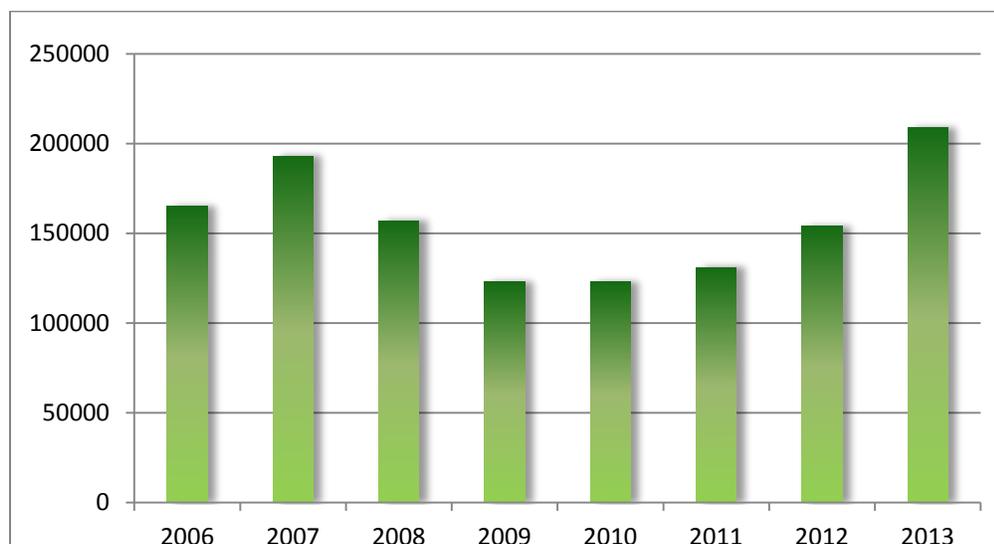
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Performance measures were not fully developed and could be manipulated to show success.

**Poppy Cultivation, Production, Eradication, and Interdiction
Trends in Afghanistan, 2006-2013**

According to United Nation’s Office on Drugs and Crime’s (UNODC’s) Annual Opium Surveys¹ (products supported by the Bureau of International Narcotics and Law Enforcement Affairs (INL’s) Monitoring, Verification, and Regional Cooperation initiative), poppy cultivation has been on the rise in Afghanistan since 2010 when poppy cultivation was at an 8-year low of 123,000 hectares. However, by 2013, poppy cultivation had rebounded to a new record high of 209,000 hectares (see Figure 1).

Figure 1. Poppy Cultivation in Afghanistan (Hectares)

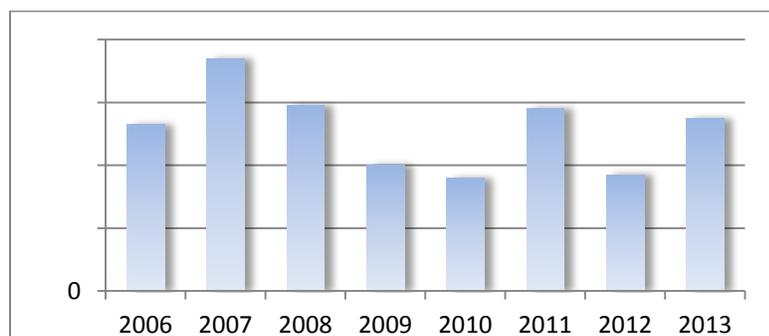


Source: UNODC Afghanistan Opium Survey 2013.

Opium production has historically followed poppy cultivation figures. After a period of reduction in 2009 and 2010 when opium production dropped to 3,600 metric tons, production rebounded to 5,500 metric tons in 2013 (see Figure 2). However, the 2013 level of production is less than Afghanistan’s peak 2007 level of 7,400 metric tons. It should be noted that weather, soil conditions, and agricultural diseases can cause significant variance in the amount of poppy and, in turn, opium yielded in a given year.

¹ OIG reviewed UNODC’s annual survey results from 2006 through 2013. However, OIG did not independently verify the UNODC’s survey results.

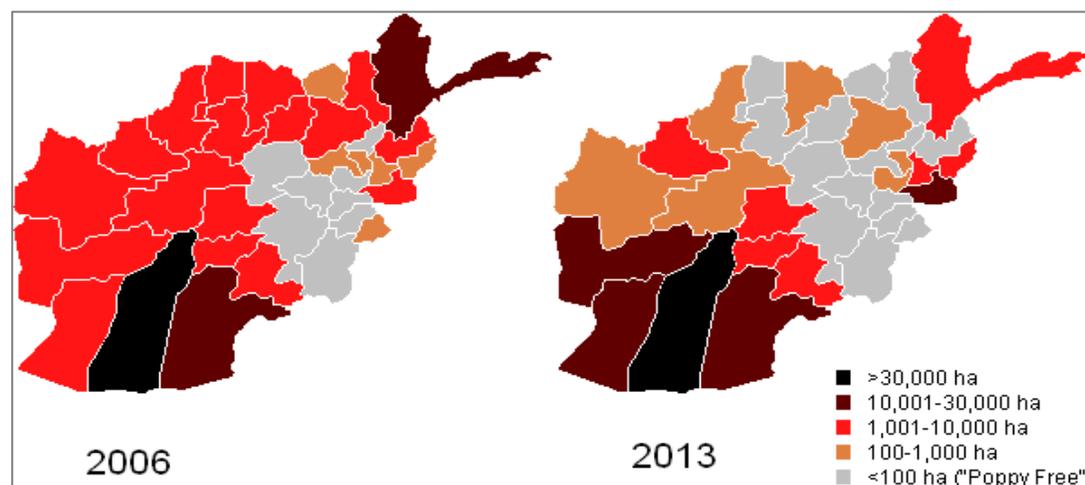
Figure 2. Opium Production in Afghanistan (Metric Tons)



Source: UNODC Afghanistan Opium Survey 2013.

While overall poppy cultivation in Afghanistan has risen, there has been a shift in where poppy is cultivated. According to UNODC, the number of “poppy free”² provinces rose from 8 to 15 of Afghanistan’s 34 provinces from 2006 to 2013 (see Figure 3). These 15 provinces are in the northern part of the country and are now eligible for Good Performers Initiative (GPI) funding. However, these decreases in northern province poppy cultivation have been offset by increases in southern province cultivation. Four southern provinces (Farah, Helmand, Kandahar, and Nimroz) accounted for 81 percent of poppy cultivation in 2013, up from 56 percent of poppy cultivation in 2006.

Figure 3. Status of Poppy Cultivation in Afghanistan by Province



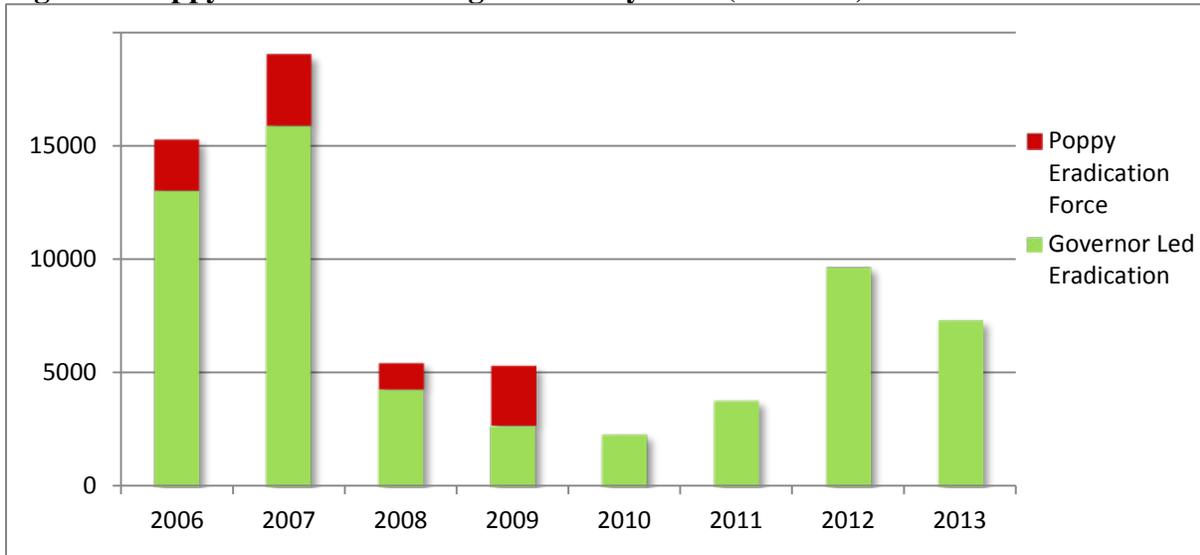
Source: OIG analysis of UNODC Afghanistan Opium Survey 2006, 2013.

Eradication has been de-emphasized since its peak 2007 level when about 19,000 hectares of poppies were eradicated (see Figure 4). However, the 2013 eradication level of 7,300 hectares was higher than the 2010 level of 2,300 hectares. This shift follows a 2010 U.S. Government counternarcotics (CN) strategy change for Afghanistan from an emphasis on eradication to interdiction and alternative crop development. A national Poppy Eradication Force

² UNODC defines provinces as “poppy free” if cultivation is less than 100 hectares of poppy per year.

was disbanded in 2009, although local eradication is still supported by INL through the GLE program.

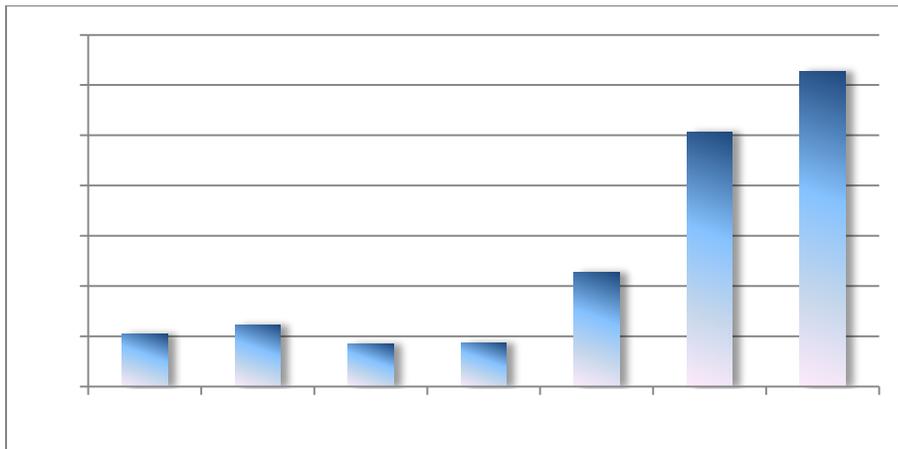
Figure 4. Poppy Eradication in Afghanistan by Year (Hectares)



Source: UNODC Afghanistan Opium Survey 2013.

Interdiction efforts have increased from 87 metric tons of opium seized in 2009 to 628 metric tons seized in 2012 (see Figure 5). These seizure levels are 17 percent of total opium production and equivalent to the cultivation of nearly 19,000 hectares of poppy.

Figure 5. Opium Seizures in Afghanistan by Year (Metric Tons)



Source: UNODC Afghanistan Opium Surveys 2006-2013.

**Bureau of International Narcotics and Law Enforcement Affairs (INL)
Counternarcotics (CN) Program in Afghanistan**

INL has established the following counternarcotics objectives for Afghanistan:

Objective 1: Disrupt and dismantle the narcotics-insurgent-corruption nexus targets.

Enhance the capacity and sustainability of specialized investigative and interdiction units of the Counter Narcotics Police of Afghanistan to collect intelligence, target drug traffickers and corrupt actors, and disrupt processing operations and trafficking networks.

Objective 2: Increase support for Government of the Islamic Republic of Afghanistan's (GIROA's) demand reduction and treatment programs. Increase support for residential and outpatient drug treatment facilities, particularly for women, adolescents, and children, and coordinate and implement a national drug abuse prevention, treatment, and rehabilitation program.

Objective 3: Support sub-national supply reduction programs. Support provincial Afghan-led supply reduction efforts, including Counternarcotics Public Information, Governor-Led Eradication (GLE), and the Good Performers Initiative (GPI) program.

Objective 4: Improve counternarcotics strategic communications. Integrate counternarcotics communications with other information and public diplomacy efforts, enhance the effectiveness of the Ministry of Counternarcotics outreach and public information efforts and support the development of a comprehensive year-round public information campaign.

Source: International Narcotics and Law Enforcement Affairs Program and Budget Guide, Fiscal Year 2013 Budget, p.151-153.

List of Recommendations from the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, MERO-A-10-02, December 2009

Recommendation 1. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul and under the direction of the Office of the Special Representative for Afghanistan and Pakistan, should formulate a defined end state to be pursued through U.S. Government supported counternarcotics programs in Afghanistan. The end state should include clearly defined objectives and performance measures, and milestones for achieving the stated objectives.

Recommendation 2. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul and the Bureau for South and Central Asian Affairs, and under the supervision of Office of the Special Representative for Afghanistan and Pakistan, should establish benchmarks designed to transition responsibilities to the Government of Afghanistan for each of the Bureau's counternarcotics programs in Afghanistan.

Recommendation 3. Embassy Kabul, in coordination with and under the supervision of Office of the Special Representative for Afghanistan and Pakistan (SRAP), should routinely provide updates to Provincial Reconstruction Teams (PRT) on counternarcotics programs, request that the PRTs apprise provincial officials and local citizens of counternarcotics programs and seek their support for these programs, and request the PRTs report the results of their efforts to the Embassy. (Action: Embassy Kabul in coordination with INL and under the supervision of SRAP)

Recommendation 4. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul and under the supervision of the Office of the Special Representative for Afghanistan and Pakistan, should develop a workforce plan to ensure sufficient, experienced, and trained personnel are assigned as in-country contracting officer's representatives and direct-hire staff for the Narcotics Affairs Section.

Recommendation 5. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul and under the supervision of the Office of the Special Representative for Afghanistan and Pakistan, should establish procedures to ensure in-country contracting officer's representatives are conducting periodic assessments of contractor performance and its impact. The Bureau, in consultation with the Embassy, should also ensure contract files, as required by Federal Acquisition Regulations, are properly maintained and available, including approved work plans, contract modifications, progress reports, and documentation of acceptability/unacceptability of contract deliverables.

Recommendation 6. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul, should modify contracts related to counternarcotics programs so they include more accurate statements of work, meaningful performance measures, and

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specific reporting requirements that allow the bureau and the Embassy to evaluate both program and contractor effectiveness.

Recommendation 7. Embassy Kabul, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, should reinstitute regularly scheduled coordination meetings and include representatives from each department or agency with responsibility for counternarcotics programs in Afghanistan.

Recommendation 8. The Bureau of International Narcotics and Law Enforcement Affairs, in consultation with Embassy Kabul and under the supervision of the Office of the Special Representative for Afghanistan and Pakistan, should develop a workforce plan to ensure sufficient, knowledgeable, and experienced personnel are assigned to execute counternarcotics programs in the poppy-producing southern provinces.

**Bureau of International Narcotics and Law Enforcement Affairs
Response to the Draft Report**



United States Department of State

*Assistant Secretary of State
for International Narcotics and
Law Enforcement Affairs*

Washington, D.C. 20520

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**MEMORANDUM FOR OIG ASSISTANT INSPECTOR GENERAL
NORMAN P. BROWN**

FROM: INL – James A. Walsh, Executive Director *AW*

SUBJECT: (U) INL Response to the Draft Report, “Audit of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Assistance to Afghanistan” (AUD-MERO-14-XX, August 2014)

(U) The Bureau of International Narcotics and Law Enforcement Affairs (INL) welcomes the opportunity to comment on this draft OIG report and offers additional information and clarification for your consideration. Countering the Afghan narcotics trade is a strategic priority for the U.S. Government, and INL remains committed to delivering flexible, responsive counternarcotics (CN) assistance efforts that strengthen the capability of the Afghan government to tackle the drug trade on its own.

(U) INL identified a number of concerns with the language in the OIG draft report and respectfully requests that the OIG consider adjustments to address these concerns when it publishes the final report. Detailed recommendation responses are provided below in the section entitled “INL Responses to the OIG’s Draft Recommendations;” technical corrections are provided as Tab 1 to this memo. We ask that the OIG reflect this revised information throughout its final report.

(U) INL agrees with many of the draft report’s recommendations and findings, including the need for Performance Measurement Plans (PMPs) that measure and manage program performance and communicate program results. INL developed and began PMPs for its key Afghan CN programs in the fall of 2012, and provided them to the OIG on July 26, 2013. Beginning in October 2013, prior to receiving the draft audit report on August 12, 2014, INL refreshed its PMPs to better align with Bureau and Department guidance on performance measurement which was issued subsequent to the development of the original PMPs. As part of that process, INL program officers re-mapped their activities, outputs, outcomes, and

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impacts to their program objectives, connecting them in an explicit logical framework, and added performance targets in line with the OIG's current recommendations.

(U) The budget calculations presented in OIG's August 2014 draft report are incorrect and do not reflect appropriated, obligated, and expended funding levels for all INL Afghan counternarcotics programs from Fiscal Year 2006 to Fiscal Year 2013. For example, the OIG asserts that since 2006, INL has been appropriated \$466,000,000 for Afghan counternarcotics; instead, INL was appropriated \$1,587,394,000 for Afghan counternarcotics since 2006. Further, it appears that OIG used the Financial Management Activity Report (FMAR), which is an internal financial management control report that reflects only a portion of overall funding for each program area at a point in time (Tab 2).

(U) INL wishes to emphasize that the Bureau adheres to the core principles of the USAID Administrator's Sustainability Guidance and is working diligently with the Afghan government to develop transition and sustainability plans for Afghan CN programs. Referencing the communication of July 26, 2013, INL reiterates the fact that U.S. experience in other countries shows that counternarcotics foreign assistance efforts require a long-term, enduring commitment. Recognizing the need for long-term donor support as well as the current realities of the Afghan economy, INL's programmatic goals have two phases: first, transitioning programs so they are planned, led, and implemented by the Afghan government, with steady reductions in U.S. assistance requirements; and second, transitioning programs responsibly and gradually to Afghan government funding.

(U) The Governor Led Eradication (GLE) and Good Performers' Initiative (GPI) programs are planned, led, and implemented by the Afghan government. In August 2013 INL codified its Transition Plan for Substance Abuse Treatment in Afghanistan with the Afghan government, which is currently being implemented. Similarly, INL has a concrete, written plan for transitioning Public Information to the Afghan government. INL is continuing to develop its transition plans for Interdiction and Monitoring and Verification, which due to the inherent nature of such programs will take longer to transition. The Ministry of Counter Narcotics (MCN) Capacity Building program is not designed to be transitioned – once the MCN's capacity has been sufficiently built, that program is slated to end.

(U) INL established a new internal Biannual Program Review process for Afghanistan programs on May 2, 2014, subsequent to the Department of State's Office of the Procurement Executive's approval of INL's Afghanistan Program

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Monitoring and Oversight Policy. This template was developed in accordance with Embassy Kabul's 2013 Mission Contract and Grant Oversight and Monitoring Policy, the 2012 appropriations sustainability certification requirement, and the 2011 U.S. Agency for International Development (USAID) Administrator's Sustainability Guidance. This Biannual Review, which includes the program's goal, objectives, monitoring and oversight plan, host government ownership, cost and program effectiveness, the sustainability and transition plan, and budget pipeline, will provide another opportunity to assess and improve upon our programs on a regular basis and enhances INL's compliance with the USAID Administrator's Sustainability Guidance.

(U) INL respectfully requests that the OIG note the safeguards that govern the funds directly transferred to the Afghan government. As specified in the Memoranda of Agreement and Understanding that INL provided to OIG on September 24, 2013, and later reviewed by OIG at post, these safeguards include, but are not limited to:

- (1) a formal agreement with the Afghan government governing the use of the funds;
- (2) reporting/documentation requirements;
- (3) a monitoring and evaluation plan;
- (4) a risk mitigation strategy;
- (5) a special joint bank account for disbursement of funds;
- (6) Ministerial submission of invoice and supporting documentation for review;
- (7) INL review of invoice and supporting documentation prior to disbursement;
- (8) review of condition satisfaction prior to disbursement;
- (9) reimbursement method of disbursement;
- (10) funds held outside of the Afghan financial sector until disbursement to ministry;
- (11) INL visibility over disbursement bank account;
- (12) INL monitoring of on-budget assistance implementation; and
- (13) audits of funds.

(U) INL is hopeful that the aforementioned corrections and additions as well as those included in the attachments will be integrated into the final OIG report, including as an Appendix. Additionally, INL offers the following responses to specific recommendations contained in the August 2014 draft report.

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INL Responses to the OIG's Draft Recommendations

Recommendation 1. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement Performance Management Plans for all initiatives in Afghanistan that measure and manage program performance and communicate program results.

INL Response (August 2014)

INL agrees with this recommendation, noting that it has developed and implemented Performance Measurement Plans for our Afghan counternarcotics programs. Beginning in October 2013, INL refreshed its PMPs and renamed them Performance Measurement Plans to better align with Bureau and Department guidance on performance measurement.

Recommendation 2. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs analyze its counternarcotics spending patterns and prior expenditure rates and adjust its budget requests accordingly. Furthermore, OIG recommends that the Bureau determine how much of its unexpended \$246 million can be reprogrammed or returned to the U.S. Treasury.

INL Response (August 2014)

INL partially agrees with this recommendation, noting that it regularly analyzes its counternarcotics spending patterns and prior expenditure rates and adjusts its budget requests accordingly. As noted previously, the funding information reflected in this report, including the amount of \$246 million in unexpended funds is incorrect.

Recommendation 3. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs comply with the U.S. Agency for International Development's 2011 Sustainability Guidance and conduct a review of its counternarcotics initiatives and work with the Government of Islamic Republic of Afghanistan to develop sustainment plans for transitioning the counternarcotics initiatives to Afghan control that assures that they will be able to operate independent of U.S. support.

INL Response (August 2014)

INL partially agrees with this recommendation. INL's programs in Afghanistan meet the core principles of the U.S. Agency for International Development's 2011 Sustainability Guidance, which calls for programs to develop Afghan ownership and capacity, contribute to Afghan stability and confidence, and exhibit cost and

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program effectiveness. However, as noted above, counternarcotics programs will require a long-term donor commitment, and recognizing the realities of the Afghan economy, it is not possible to transition all counternarcotics program costs in the immediate future.

Recommendation 4. OIG recommends the Bureau of International Narcotics and Law Enforcement Affairs establish a process to ensure that the Government of the Islamic Republic of Afghanistan adheres to the reporting requirements in the Memorandum of Understanding.

INL Response (August 2014)

INL partially agrees with this recommendation. INL recognizes the importance of reporting requirements, particularly in direct assistance programs, and the Government of the Islamic Republic of Afghanistan already meets the reporting requirements in the Memorandum of Understanding. However, INL commits to strengthening our record keeping of these host country reports so that our files are better organized.

Attachments:

Tab 1 – Technical Comments

Tab 2 – May 16, 2014 Email regarding the Financial Management
Activity Report

Tab 3 – FY 2013 Congressional Program Budget Guide

Tab 4 – Purchase Authorization for 2011 GLE Reimbursement

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Approved: INL/FO – A/S William R. Brownfield (✓)
INL/FO – Acting PDAS LEArreaga (ok)
INL/FO – DAS MBDarby (ok)
INL/FO – Acting DAS JWalsh (ok)

Drafted: INL/AP – Amy Schmisser, ext. 6-[Redacted] (6) and blackberry [Redacted] (b) (6)

Cleared: INL/AP – JDeHart (ok)
INL/AP – DBates (ok)
INL/RM/AOS – PThomas (ok)
L/LEI – PPrugh (ok)
INL/Kabul – MCoook (ok)
INL/Kabul – JCarleton (ok)
INL/Congressional – SAarthun (ok)
SRAP -- JGusack (ok)
F – Brendan Dallas (ok)

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Tab One

**Technical Response to the Office of Inspector General's Audit of the Bureau
of International Narcotics and Law Enforcement Affairs (INL)
Counternarcotics Assistance to Afghanistan
(August 2014)**

INL offers the following technical comments and corrections for consideration as requested by the OIG at the exit conference on August 19, 2014, and respectfully requests that the corrections be reflected throughout the final OIG report.

1. **Page 1, Paragraph 1; Page 2, Paragraph 1; and Page 6, Paragraph 1:** INL respectfully requests that the OIG correct the amount of funding INL has expended since 2006 on counternarcotics (CN) program in Afghanistan, as well as the amount that was appropriated. From Fiscal Year 2006 to Fiscal Year 2013, INL was appropriated \$1,587,394,000 for a variety of CN programs in Afghanistan, has obligated \$1,485,585,000, and has expended \$1,095,208,000.
2. **Page 1, Paragraph 3:** INL disagrees with the OIG's assertion that the Bureau cannot determine whether its CN initiatives are successful or should be revised, reduced, or cancelled because Performance Management Plans (PMPs) were not fully developed or implemented. INL developed and began implementing PMPs for Afghanistan CN programs in the fall of 2012, after the issuance of the non-mandatory Department guide for monitoring and evaluation entitled "The Performance Management Guidebook" (issued June 2012). Prior to developing the PMPs, INL robustly tracked the performance of CN initiatives in Afghanistan. PMPs are one of many tools in determining program success.

To further clarify, INL's "Performance Management Plans" were renamed "Performance Measurement Plans" to be consistent with Bureau and Department guidance, which defines performance measurement as one component within the larger performance management lifecycle.

3. **Page 2, Paragraph 1:** INL notes that while cultivation is an important indicator of CN progress, it is not the sole indicator. As discussed during the OIG's field visit to Afghanistan in August-September 2013, the Government of Afghanistan has made significant strides since 2006 in countering the illicit economy, particularly in program areas such as interdiction and narcotics prosecutions, and mitigating the human impact of narcotics through drug treatment services.

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4. **Page 2, Paragraph 2:** Per the response memo, INL respectfully requests that the OIG note the safeguards INL has implemented regarding direct assistance funds.

5. **Page 2-3, #1-7 and Footnote 5; Page 4, Figure 1; Page 7, Paragraph 2 and Figure 2; and Page 11, Paragraphs 1 and 4:** INL respectfully requests that the OIG amend the program descriptions to more accurately describe INL's current CN efforts in Afghanistan, based on INL's FY 2013 Congressional Budget Justification (Attachment 3). In particular, INL recommends that the OIG reference INL's support for DEA and correct the criteria for GPI awards. For example, a province receives \$1 million in development assistance projects if it is found to be poppy free by the United Nations Office on Drugs and Crime (UNODC), and, if a province reduces poppy cultivation by over 10 percent from one year to the next, it receives \$1,000 in development assistance projects for every hectare above 10 percent.

INL is unsure of OIG's approach for defining budgetary numbers for the total appropriated, total obligated, total liquidated, or yearly cost. The seven initiatives do not accurately reflect the total amount appropriated to INL for CN between FY 2006 and FY 2013. This fundamental adjustment is needed throughout the entire draft report. INL is committed to assisting the OIG with creating an accurate budget picture and respectfully requests clarification from the OIG regarding their intent with the seven initiatives identified in the draft report.

To fully encapsulate all of INL's counternarcotics efforts with FY 2006-FY2013 funding, a broader programmatic perspective is required to include the Poppy Eradication Force, the CN Advisory Teams, Strengthening Sub-National Governance in Afghanistan, and Ministry of Counter Narcotics Leadership Fellows Program, support to DEA, and Aviation support, among others. INL recommends referencing its CBJs from FY 2006 to FY 2013 for program descriptions, which can be found at: <http://www.state.gov/s/d/rm/rls/cbj/> and <http://www.state.gov/f/releases/iab/index.htm>.

Alternatively, if the OIG's intent is to select certain programs to highlight within the seven initiatives, INL respectfully requests that the OIG provide the proper clarification so reported budget tables may crosswalk with total CN funding amounts.

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The OIG's draft report states that activities may or may not exist in the following statements:

- "INL provides funds intended to support the operation and maintenance"
- "INL provides funds intended to support UNODC monitoring"
- "INL asserts that it supports the development of a nationwide drug treatment"
- "INL reports that it supports MCN-led media campaigns"
- "INL reports that it embeds experts at MCN"
- "INL reports that it provides financial reimbursement"

INL requests that the OIG correct this draft report language to reflect that "INL provides funds to support" the above initiatives. OIG's August-September 2013 fieldwork included visits to a drug treatment clinic, a GPI-funded school, the Interdiction camp, the Ministry of Counter Narcotics, the UN's offices, among other sites demonstrating the existence of these activities.

- 6. Page 6, Paragraph 2:** INL requests the OIG amend its statement that "the degree of INL's impact on CN trends is largely unknown in part because INL has not fully implemented PMPs." As mentioned in Technical Comment #2, INL has implemented PMPs for 12 of its Afghan CN programs. INL's PMPs identify relevant impact indicators to track for each program. The Bureau also relies heavily on – and often commissions – external data collection to help measure impact. In the area of illicit crop cultivation, for example, INL is a key donor to the annual Afghanistan Opium Survey, which is implemented jointly by the UN Office on Drugs and Crime (UNODC) and the Afghan Ministry of Counter Narcotics (MCN).
- 7. Page 6, Paragraph 3:** In its draft report, the OIG stated, "However, the seven PMPs we reviewed, six of which are still in draft." INL respectfully requests that the OIG correct this to reflect that all of INL's PMPs are living documents, requiring iterative adjustments to reflect evolving issues, as explained in INL's meeting with the OIG on November 1, 2013. INL provided 12 PMPs to the OIG (on July 26, 2013), as well as data collected from nine of the 12, demonstrating active implementation of PMPs marked as "draft." INL uses PMP data to continuously improve our programs. PMPs are routinely revised to reflect these changes as they help inform critical stakeholders involved with program implementation.
- 8. Page 6, Paragraph 3; and Page 7, Paragraphs 1 and 3:** With regard to the OIG's assertion that INL's PMPs "did not contain sufficiently accurate and

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targeted output, outcome, and impact methodologies or measures to track program achievements and results.” INL offers clarification that beginning in October 2013, INL refreshed its PMPs to better align them with Bureau and Department guidance on performance measurement. As part of that process, INL program officers re-mapped their activities, outputs, outcomes, and impacts to their program objectives, connecting them in an explicit logical framework and added performance targets, in line with the OIG’s current recommendations.

- 9. Page 6, Paragraph 3:** INL believes the OIG’s characterization of the Interdiction and GPI PMP examples is incorrect. As noted in the documentation provided to the OIG on July 26 and September 24, 2013, INL’s interdiction program is much broader than the operations and maintenance support as described in the draft report, and includes specific support towards building the capacity of the CN police vetted units to plan investigations. Similarly, a key component of INL’s GPI program is ensuring that provinces receive the development assistance initiative as swiftly as possible after achieving poppy free or poppy reducing status and complying with management controls for the release of funds. An Embassy Kabul Foreign Service Officer engages almost daily with the MCN/GPI Directorate on improving its adherence to timelines.
- 10. Page 7, Paragraph 2:** In addition to comments provided above regarding the accuracy of these numbers, INL would point out that its unexpended Afghan counternarcotics funds include \$112,806,000 in FY2013 funds. These funds were only made available to INL in July 2014, and the Bureau anticipates obligating them before September 30, 2014. A large portion of the unliquidated obligations are costs already accrued to existing multi-year contracts, including interdiction, aviation, Camp Gibson operations, and individual GPI development assistance awards.
- 11. Page 9, Paragraph 1:** INL requests that the OIG rephrase its assertion that “INL has not worked with the GIRoA to develop mandatory sustainment plans for INL CN initiatives.” INL reiterates information offered on July 26, 2013, in that INL has seven American direct hire U.S. government employees in Afghanistan working on its CN programs. All of these employees regularly engage with their Afghan government counterparts in the development of transition and sustainment plans for INL’s CN programs. For example, on demand reduction, in addition to day-to-day interaction, INL, the Afghan MCN, the Afghan Ministry of Public Health, the Colombo Plan, UNODC, and

relevant nongovernmental organizations meet twice a year in formal stakeholders meetings to discuss program effectiveness, implementation, transition, and sustainability, among other topics. In August 2013, this group codified the Transition Plan for Substance Abuse Treatment in Afghanistan.

12. Page 9, Paragraph 2: INL notes that its CN programs are consistent with the core principles of the USAID Administrator's Sustainability Guidance for USAID, which called for programs to develop Afghan ownership and capacity, contribute to Afghan stability and confidence, and exhibit cost effectiveness and program effectiveness. INL's Afghanistan CN programs are executed in close collaboration with the Afghan government; two of them (GPI and GLE) have already transitioned to Afghan government implementation.

13. Page 9, Paragraph 5: INL requests that the OIG revise this paragraph, as the 2010 U.S. Counternarcotics Strategy for Afghanistan includes 158 individual CN benchmarks.

14. Page 11, Paragraph 2 and Figure 3: INL respectfully requests that the OIG revise its first sentence due to significant factual inaccuracies. INL offers the following statement for OIG's consideration: "Under the 2012 Memorandum of Understanding between the U.S. and Afghan governments for GLE, INL reimburses the Afghan government \$250 per hectare of poppy eradicated, as verified by the UN." It is inaccurate to state that INL currently reimburses provincial governors; it is similarly inaccurate to call the Memorandum of Understanding a Letter of Agreement.

INL notes that in response to the OIG's request on August 31, 2013, and clarification on September 2, 2013, INL only provided a sample of documentation for 2012, which was later acknowledged as acceptable to OIG. INL respectfully disagrees with the OIG's finding that \$1,354,000 in GPI funds were used for GLE activities in 2011. Documentation sent to the OIG on September 24, 2013, shows that GLE funds were used for the \$1,354,000 payment (Attachment 4).

15. Page 11, Paragraph 5: INL requests that the OIG clarify which of the 15 out of 91 projects did not have required photos. Many projects were initiated prior to February 2013, when INL included photos as a requirement under the GPI MOU. INL notes that with each Memorandum of Agreement with the Afghan government on GPI, it further strengthens the reporting requirements. These MOAs were provided to the OIG on September 24, 2013.

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- 16. Page 14, Paragraph 1:** INL notes that as INL requested in the entrance conference, a more clearly defined audit scope would have allowed INL to proactively provide additional documentation that may have been helpful to the OIG's review. Specifically, that the audit's scope ranged from FY 2006-FY 2013 was never communicated to INL.
- 17. Page 15, Paragraph 2:** INL disagrees with the OIG's assertion that INL primarily relies on data developed by GIRA and UNODC. Materials provided to OIG on July 26 and August 14, 2013 demonstrate the Bureau's reliance on a wide range of data related to its Afghanistan CN programs, including, but not limited to: U.S. government direct hires, Locally Employed Staff, implementing partners, the Colombo Plan, third party auditors, DEA, USAID, and other U.S. government agencies.
- 18. Page 15, Paragraph 3; and Page 17, Paragraph 3:** INL disagrees with the OIG's statement that "OIG was unable to independently verify UNODC's survey results because we could not travel to remote provinces because of security issues." To clarify, the opium cultivation survey does not require travel to remote provinces; it is compiled using aerial imagery and overflight photos.
- 19. Page 16, Paragraph 4; and Page 17, Paragraph 1:** INL respectfully requests that the OIG include additional context regarding opium poppy yield/production. As noted in the OIG's draft audit report on page 17, "there has been a shift in where poppy is cultivated." As documented in the UNODC's annual survey, opium poppy cultivation is now largely concentrated in less secure, less stable regions, where governance, security, and development present broader challenges for counternarcotics efforts. This shift, and the resulting decline in opium poppy yield in some areas from more marginal soil, is an impact of INL and the Afghan government's counternarcotics efforts.
- 20. Page 19:** INL notes that Objectives 5-7 refer to its Administration of Justice program in Afghanistan rather than INL's Counternarcotics program.

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Officer of Inspector General Replies to the Bureau of International Narcotics and Law Enforcement Affairs General Comments

In addition to the Bureau of International Narcotics and Law Enforcement Affairs (INL) comments regarding our recommendations, it also provided general and technical comments (see Appendix E for INL's comments in their entirety). We incorporated INL's technical comments in this report where appropriate. Office of Inspector General (OIG) replies to INL's summarized general comments are presented below.

Counternarcotics Expenditures

INL questioned OIG's depiction and use of the Financial Management Activity Report (FMAR) expenditure data. According to INL's response to the draft report, it has expended since 2006 approximately \$1.1 billion on its counternarcotic (CN) activities, as compared to the \$220 million identified in this report. INL directed OIG to its Congressional Budget Justification for information on program funding. It also noted that \$113 million in FY 2013 funds were not made available to INL until July 2014

OIG Reply: OIG acknowledges that INL's total spending on its counternarcotics activities was larger than the amounts discussed in this report. However, the scope of this audit involved initiatives that were ongoing in Afghanistan in 2013, excluding aviation support to the counternarcotics program. Initiatives that were no longer listed in the FMAR, such as the Poppy Eradication Force, were not included. OIG modified the report wording to more clearly define the INL initiatives included in our analysis. Funding that was only made available in 2014 was not included because the scope period of this audit was from 2006 to 2013.

It should also be noted that according to INL's Financial Management Handbook, the Financial Management Activity Report is the primary financial management tool for tracking INL funds overseas. The Deputy Executive Director of INL also recommended that the FMAR be used as a record of daily financial activity for each project and as a tool to track the obligations, subobligations, and liquidations at the project level, as outlined in cable 14 STATE 49072. Furthermore, other than the FMAR, INL did not provide documentation from any other source that shows obligations, subobligations, and liquidations at the project level for its counternarcotics initiatives.

In the exit conference, INL's Financial Management Officer stated that INL would provide OIG information on its obligations, subobligations, and liquidations at the project level. However, INL did not provide OIG any additional information. INL's response to the draft report directs OIG to its Congressional Budget Justification. However, INL's Congressional Budget Justification does not include information on obligations, subobligations, and liquidations.

Performance Measurement Plans and Success

INL disagreed with the OIG's assertion that it cannot determine whether its CN initiatives are successful or should be revised, reduced, or cancelled because Performance Measurement Plans (PMPs) were not fully developed or implemented. INL states that PMPs are one of many tools in determining program success. INL also disagreed with the OIG statement that "the degree of INL's impact on CN trends is largely unknown, in part, because INL has not fully implemented PMPs." INL also stated that it relies on other external data collection like the United Nations Office on Drugs and Crime (UNODC) Opium Survey to help measure impact. Further, INL stated that "INL has implemented PMPs for twelve of its Afghan CN programs. INL's PMPs identify relevant impact indicators to track for each program." Finally, INL stated that its Program Management Guides are non-mandatory. INL also notes that it uses the term "Performance Measurement Plan" instead of "Program Management Plan."

OIG Reply: According to INL's Guide to Results Framework, PMPs are the primary tools that are used to determine success. The Guide states that PMPs are "fundamental to sound project management. A well-designed performance measurement system clearly assigns roles and responsibilities and provides detail about what the project expects to achieve and how. This transparency enables project staff to be accountable for achieving expected results that are measured to a specific standard." As such, OIG used the PMPs as our primary source for evaluating whether CN initiatives have been successful.

Further, collecting data by itself is not sufficient to show project impact. The data collected needs to be linked to program activities to demonstrate causation. INL's Guide to Developing a PMP states: "Indicators should demonstrate that the measure of progress is attributable to the project. Attribution refers to the extent to which changes are plausibly caused by project activities. It is difficult to prove an individual project caused a desired effect in dynamic contexts where other donor agencies are working in the same sector." OIG therefore reviewed seven PMPs that aligned with the seven current INL programs in Afghanistan, as defined by the FY 2013 Program and Budget Guide. These seven PMPs, six of which were in draft, did not contain sufficiently accurate and targeted output, outcome, and impact methodologies or measures to track program achievements and results. INL provided an additional five PMPs to OIG (for a total of twelve PMPs). However, these additional five PMPs did not align with the INL initiatives listed in the Program and Budget Guide, Mission Kabul Portfolio Reviews, or the FMAR. OIG therefore concluded these PMPs were outside of the scope of the audit.

While INL's Program Management Guides may be "non-mandatory," the performance plans are not. The Government Performance and Results Act of 1993 requires each agency to prepare performance plans with quantifiable and measureable goals.¹ Agencies must establish performance indicators to measure outputs and outcomes of each program activity. INL's Guide to Results Framework specifically cites PMPs as documents meant to fulfill this requirement. Finally, OIG did change our reference to "Program Management Plan" to "Performance

¹ Public Law 103-62, sec. 1115(a)

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Measurement Plan” to accurately reflect a change in INL terminology that occurred during the course of the audit.

Sustainment Plans

INL requested that OIG rephrase its assertion that “INL has not worked with the GIRoA to develop mandatory sustainment plans for INL CN initiatives.” INL stated that it adheres to the core principles of the U.S. Agency for International Development (USAID) Administrator’s Sustainability Guidance and is working with the Afghan government to develop transition and sustainability plans for Afghan CN programs. It also said that it has seven U.S. government employees that regularly engage with their Afghanistan government counterparts in the development of transition and sustainment plans. INL also stated that it established a new internal Biannual Program Review process for Afghanistan programs in May 2014 that will examine sustainability.

OIG Reply: OIG adjusted the report to say “INL and GIRoA have not yet developed mandatory written sustainment plans for its CN initiatives. In order to be consistent with the USAID Administrator’s Sustainability Guidance, INL programs must include an Afghan commitment to sustain. If this characteristic is not present in the programs now, there must be a realistic plan for achieving it in the short-to-medium term. According to the guidance:

“Afghan Ownership and Capacity. To help create the conditions for the transition, and for those conditions to be sustainable, USAID programs must increase Afghan ownership, Afghan capacity to manage and lead, and Afghan commitment to sustain. If these characteristics are not present in the programs now, there must be a realistic plan for achieving these in the short-to-medium term.”

“If our work establishes recurrent costs, then we must determine with our Afghan partners and other donors whether they will have the interest and resources, amongst many competing demands and decreasing resources, to maintain the investment over time, so that it is sustainable.”

Further, the guidance requires that INL show the cost and program effectiveness of its initiatives.

“Cost Effectiveness and Program Effectiveness. As foreign assistance budgets decrease, difficult choices will have to be made between important programs that satisfy both of the above principles. Programs must be reviewed for both program effectiveness (is each program on track to achieve what we intended?), and for cost effectiveness (can we achieve similar results for less money? (For example, by using different modalities, or by changing our programming).”

OIG’s review of INL’s sustainment activities found no evidence that either of these requirements had been met. Although INL stated in its response to the draft report that it had established a Biannual Program Review that examines sustainability, INL did not provide OIG any sustainment plans or results from the Biannual Program Review.

The 2010 U.S. Counternarcotics Strategy and Benchmarks

INL stated that the 2010 U.S. Counternarcotics Strategy for Afghanistan includes 158 individual CN benchmarks.

OIG Reply: OIG’s review of the 2010 U.S. Counternarcotics Strategy for Afghanistan found no benchmarks. The Strategy includes broad goals (e.g., Address the narcotics-corruption nexus and reinforce the Government of Afghanistan) and objectives (e.g., Develop institutional capacity in support of the overall Governance Strategy). However, there are no benchmarks within the document.

Letter of Agreement Titles and the Reimbursement of Provincial Governments

INL asserted that it was inaccurate to call the GLE Memorandum of Understanding a Letter of Agreement and that the program reimburses provincial governments rather than governors.

OIG Reply: OIG uses the term Letter of Agreement because the document referenced in the Governor led eradication agreement is titled “The Letter of Agreement.” OIG did change provincial “governors” to provincial “governments” in the body of the report.

The Use of GPI Funds for the GLE Initiative

INL disagreed with OIG’s finding that INL used \$1,354,000 in GPI funds for GLE activity in 2011.

OIG Reply: INL documentation shows it used GPI funds for GLE activity in 2011. Specifically, memos signed by the director of INL and dated February 23, 2011, and April 24, 2011, recommend the use of \$1,354,000 in GPI funds for GLE activities. Further, purchase authorizations dated April 18, 2011, and April 24, 2011, show \$1,354,000 in GPI funds had been obligated to the GLE program. Moreover, in our exit conference with INL and prior to the issuance of our draft report, INL officials acknowledged that it had used GPI funds for GLE activity in 2011, but the Financial Management Officer stated that the money was returned. OIG requested evidence that the money had indeed been returned, but INL did not provide such evidence.

GPI Photos

INL requested that OIG provide information on the 15 GPI projects that did not have required photos. It noted that many projects were initiated prior to February 2013, before INL included photos as a requirement under the GPI Memorandum of Understanding (MOU).

OIG Reply: Below is the list of 15 projects that did not have photos.

- 1) MCN/046/ICB Procurement of Goods for Supply of Agriculture Machinery in Balkh Province
- 2) MCN/044/NCB Procurement of 15 Tractors with Attachment for Baghlan Province

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- 3) MNC/122/NCB Survey and Design of 8km Asphalt Road in Sar-e-Pul Province
- 4) MCN/047/NCB Construction of Irrigation Structure and Primary School Building Project for Sar-e-Pul Province
- 5) MCN/042/NCB Construction of Irrigation System in Kunar Province
- 6) MCN/088/NCB Procurement of Goods Supply of Tractor Attachments for Jawjzan Province
- 7) MCN/087/NCB Survey and Design of Asphalt Road in Kapisa Province
- 8) MCN/055/SSS Procurement of Goods for the Supply of 15 Nos of Agro-Machinery (Tractors) for Faryab Province
- 9) MCN/103/NCB Procurement of Goods Supply of Agricultural Farm Machinery Attachments for Faryab Province
- 10) MCN/095/NCB Procurement of Goods Supply of Tractors for Faryab Province
- 11) MCN/102/NCB Procurement of Goods Supply of 20 Tractor with Attachments for Ghor Province
- 12) MCN/057/NCB Procurement of Goods for the Supply of Agro-Machinery Project for Takhar Province (tractors 30 unit)
- 13) MCN/056/NCB Procurement of Goods for the Supply of Agro-Machinery Attachments for Takhar Province
- 14) MCN/686/NCB Procurement of Goods for the Supply of 28 (Tractors) for Kunduz Province
- 15) MCN/064/NCB Procurement of Goods Supply of Agricultural Farm Machinery Attachments for Kunduz Province

OIG Scope

INL asserted that if OIG had communicated the range of its audit scope as FY 2006-FY 2013, it would have been more proactive in providing documentation.

OIG Reply: OIG did communicate the audit scope period to INL at the entrance conference. Notwithstanding, INL did not provide any sustainment plans or financial documents detailing program obligations, subobligations, and expenditures, even though requests for these documents were repeatedly made and their significance to addressing the objectives of this audit obvious.

INL Information Sources

INL disagreed with OIG's assertion that INL primarily relies on data developed by GIRA and UNODC and mentioned it also uses other sources for information.

OIG Reply: OIG made no changes to the report. OIG acknowledges that INL uses other sources to obtain information. However, our analysis confirms that INL *primarily* relies on data provided by GIRA and UNODC.

Independent Verification

INL disagrees with the OIG's statement that "OIG was unable to independently verify UNODC's survey results because we could not travel to remote provinces because of security issues." To clarify, the opium cultivation survey does not require travel to remote provinces; it is compiled using aerial imagery and overflight photos.

OIG Reply: OIG made no changes to the report. This statement refers specifically to OIG's limitation to independently verify data provided by UNODC.

INL's Potential Impact

INL requests that OIG attribute the movement of poppy cultivation in Afghanistan to INL and the Afghan government's counternarcotics efforts.

OIG Reply: OIG made no changes to the report. OIG does not have sufficient evidence to directly attribute the movement of poppy cultivation to INL's counternarcotic efforts. Other factors such as military movements and growing conditions also can impact poppy cultivation.

Cultivation as an Indicator

INL noted that while cultivation is an important indicator of CN progress, it is not the sole indicator.

OIG Reply: OIG made no changes to the report. OIG agrees that many indicators exist to measure progress, but cultivation is a primary indicator used by UNODC in its Annual Opium Survey.

INL Financial Safeguards

INL requested that OIG note safeguards INL has implemented regarding direct assistance funds.

OIG Reply: OIG made no changes to the report. INL did not provide sufficient information for OIG to comment on the effectiveness of these potential safeguards.

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