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AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

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**Audit of the Bureau of International
Narcotics and Law Enforcement Affairs
Law Enforcement Reform Program
in Pakistan**

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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".

Norman P. Brown
Assistant Inspector General
for Audits

Acronyms

A/LOA	Amendment to the Letter of Agreement
FAM	Foreign Affairs Manual
FMO	Financial Management Officer
GFMS	Global Financial Management System
GOP	Government of Pakistan
ICITAP	International Criminal Investigative Training Assistance Program
INL	Bureau of International Narcotics and Law Enforcement Affairs
INL/AP	Bureau of International Narcotics and Law Enforcement Affairs, Office of Afghanistan and Pakistan
JPTC	joint police training center
KPk	Khyber Pakhtunkhwa
MOU	Memorandum of Understanding
OIG	Office of Inspector General
RFMS	Regional Financial Management System
ULO	unliquidated obligation
USG	U.S. Government

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Executive Summary

In 1982, the U.S. Government (USG) and the Government of Pakistan (GOP) signed a letter of agreement obligating the USG to provide funds to support Pakistani law enforcement. Since 1982, U.S. Embassy Islamabad (Pakistan) and the GOP have periodically signed amendments to the Letter of Agreement (A/LOA)¹ to provide assistance to Pakistani law enforcement under a number of programs.² The Bureau of International Narcotics and Law Enforcement Affairs (INL) manages this assistance, including the Pakistan Law Enforcement Reform Program (the Program), which provides infrastructure, training, and equipment support to the Pakistani police. The goal of the Program is to increase the ability of the Pakistani police to maintain peace and security, extend the Pakistan government's authority along the Pakistan-Afghanistan border, and disrupt and defeat al-Qa'ida and other extremist organizations within Pakistan. The A/LOA identified funding and set performance targets for training, equipment, and infrastructure projects. Since FY 2006,³ the USG has committed \$333.3 million to the Program.

The Department of State (Department), Office of Inspector General (OIG), initiated this audit under the authority of the Inspector General Act of 1978, as amended. The primary audit objective was to evaluate the effectiveness of the Program in enhancing the professionalism, survivability, mobility, and communications capacity of the Pakistani police. Specifically, OIG evaluated whether INL was achieving the Program's intended results through the provision of training, equipment, and infrastructure support. See Appendix A for the Scope and Methodology.

OIG found that INL could not demonstrate that the Pakistani police training was effective in enhancing the professionalism of the Pakistani police, whether Pakistani police capability to maintain peace and security had increased, or whether the equipment provided by the Program improved the survivability, mobility, and communications capacity of the Pakistani Police. This occurred because INL did not document evaluations of the Program as required by several A/LOAs,⁴ to include collecting data on whether the training, equipment, and infrastructure improved the performance of the Pakistani police. In addition, the Program's training results for police officers are far below those envisioned in the A/LOA with approximately 5,135 police officers trained, rather than 33,290 police officers intended to be trained, and only 29 infrastructure projects completed, rather than the 69 projects planned. This occurred because INL and the GOP did not perform the evaluations specified in the A/LOA, did not set realistic

¹ When the U.S. Ambassador to Pakistan and the GOP sign an A/LOA, INL records the financial commitment as a "bulk obligation" in the Department of State's financial management system. When these funds are used for a specific purpose, the financial system generates what is known as a subobligation. Obligations that have not been expended are called "unliquidated" obligations. For readability, this report refers to "bulk obligations" as obligations and subobligations as subobligations.

² The other programs are Law Enforcement Reform, Aviation Support, Border Control Training, and Interdiction.

³ OIG included FY 2006 data as part of this audit because FY 2006 funds were still being expended at the time of audit fieldwork.

⁴ These included A/LOA's 60, 63, 74, and 75.

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performance measures, and did not adjust those performance measures based on experience as the Program progressed (see Appendix B for a summary of Program performance targets) .

OIG also found that INL has \$86.2 million in prior year Program funds that could be reprogrammed and put to better use elsewhere. Although the A/LOAs contain a date after which INL can reprogram the funds to other Department programs, INL has not done so because it considers the A/LOAs to be binding on the USG even when the GOP has not fulfilled its A/LOA obligations. The INL Financial Management Handbook allows the funds to be reprogrammed without the consent of the host government after the date contained in the A/LOAs. Additionally, INL has not adequately reconciled existing obligations to determine whether they are still valid and has extended reimbursable advances to the GOP without requiring previous advances to be accounted for and reconciled. See Appendix C for the flow of Program funds.

Management Comments

In August 2014, OIG provided a draft of this report to INL and requested comment on the eight recommendations we made to improve the program and financial management of the Pakistan Law Enforcement Reform Program. In addition, OIG provided informational copies to the Bureau of South and Central Asian Affairs and the Special Representative for Afghanistan and Pakistan.

In its response to the draft report (see Appendix D), INL concurred with four recommendations, partially concurred with two, and did not concur with two of the recommendations we offered. Based on INL's responses, OIG considers four recommendations resolved, pending further action, and four recommendations unresolved because no actions have been taken to implement them. INL's responses to the recommendations, as well as OIG's replies, are provided after each finding. INL also provided technical and general comments not directly related to the recommendations. OIG incorporated INL's technical comments where appropriate. INL's general comments, along with OIG's replies, are presented in Appendix E.

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Background

In 1982, the USG and the GOP signed a Letter of Agreement obligating the USG to provide funds to support Pakistani law enforcement. Since 1982, Embassy Islamabad and the GOP have periodically signed A/LOAs to provide assistance to Pakistani law enforcement under a number of programs,⁵ which INL manages. The Pakistan Law Enforcement Reform Program, which provides infrastructure, training, and equipment support to the Pakistani police, is the largest of these efforts.

The goals of the Program are to increase the ability of the Pakistani police to maintain peace and security, extend the Pakistan government's authority along the Pakistan-Afghanistan border, and disrupt and defeat al-Qa'ida and other extremist organizations within Pakistan. The A/LOAs specify how the program will accomplish its overall goals by setting performance targets that identify the number of police officers to be trained or equipped, the infrastructure projects to be completed, as well as the funds to be obligated by the USG to accomplish these targets. According to Embassy Islamabad's 2012 Mission Strategic Plan, meeting the goals requires that the Program achieve the following objectives:

- provide infrastructure, training, and equipment⁶ support to enhance the professionalism of Pakistani police and increase their ability to maintain peace and security; and,
- extend the Pakistan government's authority along the Pakistan-Afghanistan border in the Federally Administered Tribal Areas, Khyber Pakhtunkhwa (KPk), and Balochistan.

Since FY 2006,⁷ the USG has agreed to provide \$333.3 million to the Program to accomplish these targets. Figure 1 identifies the four provinces and two territories⁸ that have received assistance under the Program.

⁵ The programs are Law Enforcement Reform, Aviation Support, Border Control Training, and Interdiction.

⁶ The program and its agreements use the term "commodities" to refer to vehicles, communications, and other police equipment. This report uses the more generic term "equipment" for clarity when referring to "commodities."

⁷ OIG included FY 2006 data as part of this audit because FY 2006 funds were still being expended at the time of audit fieldwork.

⁸ Pakistan has four provinces—Balochistan, Khyber Pakhtunkhwa (formerly the North-West Frontier Province), Punjab, and Sindh—and two territories—the Federally Administered Tribal Areas and the Islamabad Capital Territory. Pakistan also administers the entities of Azad Kashmir and Gilgit-Baltistan in the disputed regions of Jammu and Kashmir, which did not receive any Pakistan Law Enforcement Reform Program funds and are shown in white on the map.

Figure 1. Map of Pakistan, provinces, and territories receiving assistance.



Source: Department of State, Office of the Geographer and Global Issues.

Program Management

INL’s Office of Afghanistan and Pakistan (INL/AP) located in Washington, DC, is responsible for the overall direction and management of Department programs that support the Pakistan justice sector, to include the Program. An Islamabad-based program director is responsible for the management and oversight of the Program. The program director’s specific responsibilities include overseeing the INL police advisors, who are assigned to each of the provinces; and the program for female police officers, which provides a special emphasis on gender crimes and family issues. The advisors work with the provincial inspectors general⁹ of the

⁹ The title for the senior law enforcement official in a province or other level of government in Pakistan is “Inspector General.”

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Pakistani police and assist the inspectors general in determining the training, infrastructure, and equipment goals for each of the provinces and for the female program.

The program director also coordinates with the U.S. Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP). ICITAP partners with INL to provide curriculum and training support to the Pakistan National Police Academy and other training facilities in Pakistan. The training that ICITAP provides includes courses in leadership, management, crime and intelligence analysis, police command and control, proactive policing/enhancing unit operations, and police communications.

Program Agreements

INL manages the Program through a series of agreements. Since 1982, Embassy Islamabad and the GOP have signed 75 A/LOAs, 20 of which obligated funds and/or set performance targets for the Program and are included in the scope of our audit. The A/LOAs contain the Program's description, goals and objectives, performance measures, and the GOP contribution and responsibilities. (See Appendix B for a list of the A/LOAs that set performance targets.) Other agreements specify how to meet performance targets and how to account for funds. INL and GOP officials sign Program implementation letters that provide specific agreements on training. Memoranda of Understanding between the INL Narcotics Affairs Section and provincial governments provide details on infrastructure projects including cash control procedures. Purchase requests and contracts processed with input by GOP officials provide specifications for the equipment that the Program purchases. Periodically, ICITAP and INL sign an interagency agreement that specifies the funding that INL will provide to ICITAP and the specific training that ICITAP will provide in support of the Program.

Audit Objective

The primary audit objective was to evaluate the effectiveness of the Program in enhancing the professionalism, survivability, mobility, and communications capacity of the Pakistani Police. Specifically, OIG evaluated whether INL was achieving the Program's intended results through the provision of training, equipment, and infrastructure support.

Audit Results

Finding A. Evaluations Were Not Conducted, and Performance Targets Were Not Met

OIG found that INL could not demonstrate that the Pakistani police training was effective in enhancing the professionalism of the Pakistani police, whether Pakistani police capability to maintain peace and security had increased, or whether the equipment provided by the Program improved the survivability, mobility, and communications capacity of the Pakistani police. This

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occurred because INL did not document evaluations of the Program as required by several A/LOAs,¹⁰ to include collecting data on whether the training, equipment, and infrastructure improved the performance of the Pakistani police. In addition, the Program's numbers for police officers trained are far below those envisioned in the A/LOAs with approximately 5,135 police officers trained rather than the 33,290 police officers intended to be trained, and only 29 infrastructure projects completed rather than the 69 projects planned. This occurred at least in part because the A/LOAs set unrealistic performance targets for police training and infrastructure projects and continued to add targets when previous targets could not be met. (Appendix B summarizes the A/LOA performance targets.) The Pakistan Law Enforcement Reform Program was also undermined by a lack of cooperation and/or interest from Pakistani federal and provincial officials, a deteriorating security environment within Pakistan, and other factors. As a result, the Program risks not meeting the intended goal of strengthening the Pakistan law enforcement's abilities to disrupt and defeat al Qa'ida and other extremist organizations in Pakistan.

Evaluations Were Not Conducted

INL has not conducted any evaluations of the Program as specified by the A/LOAs, including those listed below, as well as the INL Financial Management Handbook and has not collected data on whether the training, equipment, and infrastructure had improved the performance of the Pakistani police. A/LOAs 60 and 63 required INL to collect data on records of arrests and convictions, and A/LOA 74 added the requirement to collect data on response rates to citizen reports, and information on the use of appropriate precautionary and reaction procedures when under potential or actual attack. A/LOA 75 required representatives of the USG and GOP to meet at least once a year to evaluate progress towards achievement of the Program's goals and objectives, taking into consideration qualitative and quantitative indicators. A/LOA 75 also required a joint report that summarized the results of these evaluations. A/LOAs 71 and 73-75 required that police officers who had received training remain in their positions for 3 years; however, the GOP did not report that this was done. A/LOA 68 established a multiyear training program for a KPk Elite Force, required INL to conduct an evaluation to identify successes and challenges in the Program, and produce a report prioritizing Program-specific needs for the next phase of KPk police assistance.

INL also did not establish an evaluation plan in its annual written report, as required by the INL Financial Management Handbook. The Handbook requires that the evaluation plan be an explicit statement of how the two governments will review progress towards the Program's goals. The Handbook also states that both governments will provide ongoing monitoring of the program; however, OIG was unable to find evidence of this.

¹⁰ These included A/LOAs 60, 63, 74, and 75.

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Equipment Status Was Unknown

Embassy Islamabad and the GOP agreed in A/LOAs 71 and 73-75 that 47,980 police officers be provided with equipment to increase their mobility, survivability, and communications capacities. OIG was not able to determine how many police were actually equipped because INL did not develop standard equipment lists as required in A/LOA 74, signed in December 2010. Although the equipment purchased included vehicles, communications and office equipment, helmets, and protective vests, the absence of standardized equipment lists or an assessment of the status of Pakistani police organizations prior to equipment receipt precludes any determination of the extent to which the A/LOA goals were accomplished.

Table 1 summarizes the number and location of police officers that were to be equipped by A/LOA.

Table 1. Equipment Projections for Police Officers, as of September 30, 2013

Province/ Program	A/LOA	A/LOA Signed	Target Completion Date	Police Officers To Be Equipped
KPk	71	Feb 2010	Dec 2011	5,000
KPk	73	Sep 2010	Dec 2011	5,000
Balochistan	73	Sep 2010	Dec 2011	3,180
Punjab	74 ^a	Dec 2010	Dec 2011	14,400 ^a
Sindh	74 ^a	Dec 2010	Dec 2011	8,700 ^a
Women	74 ^a	Dec 2010	Dec 2011	500 ^a
KPk	75	Apr 2012	N/A ^b	9,000
Balochistan, Sindh, and Islamabad Capital Territory	75	Apr 2012	To Be Determined ^b	2,200
Total				47,980

^a A/LOA 74 planned that 8 percent of the total police force in Punjab, 8 percent of the total police force in Sindh, and 15 percent of female police officers would be equipped. The total number of police officers for Punjab, Sindh, and the Female Police were estimates provided by the USG and the GOP and the required numbers have been rounded up to the nearest 100.

^b A/LOA 75 planned that 11,200 officers would be equipped within 1 calendar year following the date when the funds were subobligated.

Source: OIG analysis of INL data.

Training Performance Targets Were Not Met

As of September 30, 2013, INL officials indicated that the Program had trained approximately 5,135 of the 33,290 Pakistani police officers intended to be trained pursuant to the A/LOAs. Table 2 contains the training results by A/LOA and location.

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Table 2. Training Results as of September 30, 2013

Province/ Organization	A/LOA	A/LOA Signed	Target Completion Date	Police Officers to Be Trained	Police Officers Actually Trained	Percent of Target
KPk	68	Jul 2009	None	2,500	704	28.2
KPk	71	Feb 2010	Dec 2011	5,000	0	0.0
KPk	73	Sep 2010	Dec 2011	5,000	0	0.0
Balochistan	73	Sep 2010	Dec 2011	3,180	152	4.8
All Provinces	73	Sep 2010	Dec 2011	7,610	2,554 ^a	33.6
Punjab	74	Dec 2010	Dec 2011	1,000	1,294	129.4
Sindh	74	Dec 2010	Dec 2011	1,000	343	34.3
Female Police	74	Dec 2010	Dec 2011	500	88	17.6
All Provinces	75	Apr 2012	To be determined ^b	7,500	0	0.0
Total				33,290	5,135	15.4

^a These police officers were from the Islamabad Capital Territory and the federal police forces.

^b The training performance target was that the 7,500 police officers be trained within 1 year of the funds being subobligated.

Source: OIG analysis of A/LOA and INL records.

OIG attempted to verify the number of police officers trained and was able to do so for 2009 and 2010 using INL records of the number of students trained by province in each training class. After 2010, INL and ICITAP stopped keeping summary records of the number of students trained in each class by province. In those years, OIG relied solely on the number of students reported by INL and ICITAP. ICITAP recreated the data from its records after OIG requested that ICITAP do so. The actual number of students may be less, because attendance records were kept on paper, and some students may have gone to more than one class. OIG considers the available information to be sufficient evidence to demonstrate that the program did not meet its training performance targets.

The USG and GOP agreed to train an additional number of KPk officers in A/LOA 73, even though the targets agreed to in previous A/LOAs had not been met. A/LOA 68, signed in July 2009, planned training for 2,500 police officers for a KPk Elite Force capable of responding to and defeating heavily armed militants and criminal gangs. By February 2010, when only 199 of these police officers had been trained, A/LOA 71 was signed, increasing the number of KPk police officers to be trained by 5,000. Similarly, by September 2010, when only an additional 184 KPk police officers had been trained, A/LOA 73 was signed, increasing the number of police officers to be trained by an additional 5,000. According to INL officials, only 704 KPk police officers out of 12,500 candidates had been trained as of September 30, 2013.

A/LOA 70 planned training focused on improving the investigative and operational skills of police at the local, provincial, and federal levels. Some of the training was targeted at specific needs, such as improving capabilities to minimize post blast threats and conduct post blast scene investigations. A/LOA 73 planned training for another 10,790 police officers—3,180 from Balochistan and 7,610 from 4 other provinces and the Federally Administered Tribal Areas.

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According to INL officials, only 2,706 police officers had been trained as of September 30, 2013. (These included 152 police from Balochistan and 2,554 police from the other provinces.¹¹)

A/LOA 74, signed in December 2010, planned training for 2,500 police officers, specifically 1,000 male police officers from Punjab and 1,000 male police officers from Sindh, as well as 500 female police officers. The Punjab and Sindh training focused on improving police officers' abilities to confront the spread of extremism into settled areas. INL officials stated that Punjab exceeded its goal by sending additional police officers to training classes when other provinces could not fill their allotted number of seats in the training classes, while Sindh did not send the required police officers because of tensions between the Provincial Government and the USG. The female police officers' training was designed to improve the response to gender crimes and family issues; however, only 88 female Pakistani police officers received training in Pakistan, though an unspecified number were sent to the United States to observe local police practices.

A/LOA 75, signed in April 2012, planned on training 7,500 more police officers, further adding to the backlog of funded but unmet training targets. The training backlog continued through 2013 when only 331 students were trained and fewer classes were scheduled because of the security situation, lack of instructors with visas, and declining INL staffing in Pakistan. As of May 2013, all training had ceased because of these reasons. None of the students planned for training by A/LOA 75 were trained. The 331 students trained in 2013 were planned for by previous A/LOAs.

Infrastructure Targets Were Not Met

As of September 30, 2013, INL officials stated that only 29 of 69 infrastructure projects planned by A/LOAs 63, 67–68, and 71–75 were completed. The incomplete projects included a joint police training center (JPTC) funded at \$9 million, 3 roads funded at \$48.2 million,¹² and 36 police stations funded at \$27.8 million. Table 3 summarizes the infrastructure projects by A/LOA, location, and completion status.

¹¹ This total does not include police officers from Sindh and Punjab who were counted against the A/LOA 74 goal.

¹² A/LOAs 67 and 72 planned construction of these roads to help secure the border, decrease vulnerability to criminal and militant attacks, and enhance the movement of security forces.

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Table 3. Infrastructure Projects as of September 30, 2013

Construction Project	A/LOA	A/LOA Signed	Completion Target	Projects Planned	Projects Completed	Percentage Complete
JPTC	63, 68, 71, 73	Apr 2008 - Sep 2010	Dec 2011 ^a	1	0	48.0
Jamrud to Mullaghori Road	67	Jun 2009	None	1	1	100.0
Mattani Bypass Road	67	Jun 2009	None	1	0	35.0
17 Police Stations	71, 73	Feb 2010, Sep 2010	Dec 2011 ^b	17	26 ^c	153.9
Kanju Madyan Road	72	Apr 2010	2011	1	0	80.0
Peshawar Ring Road	72	Apr 2010	2011	1	0	54.0
11 Police Stations	73	Sep 2010	Dec 2011	11	0	0.0
15 Police Stations	74	Dec 2010	Dec 2011	15 ^d	0	0.0
21 Police Stations	75	Apr 2012	To Be Determined ^e	21	2	9.5
Total Number of Projects				69	29 ^f	Not Applicable

^a The JPTC target completion date was established by A/LOA 73.

^b The target completion date for the 17 police stations was extended by A/LOA 73 from December 2010 to December 2011.

^c These 26 police stations were completed in KPk, and could not be counted as an accomplishment of A/LOA 73 because the 11 planned by A/LOA 73 were to be constructed in Balochistan.

^d A/LOA 74 specified that by the end of calendar year 2011 (or by such date as mutually agreed) *approximately* 10 police stations be completed in Punjab and Sindh and 5 women police stations also be completed.

^e A/LOA 75 specified that 21 police stations be completed within one calendar year following the date the funds were subobligated.

^f In response to the draft report, INL stated that the JPTC was completed in August 2014 and the Kanju Madyan and Peshawar Ring Roads were completed in December 2013. The number of projects completed would be 32 counting those projects. OIG did not confirm this information.

Source: OIG analysis of agreements and INL data.

OIG did not conduct fieldwork or verify the number of completed infrastructure projects because of security and travel restrictions. INL maintains a locally engaged staff of 15 engineers in Islamabad. These engineers provide oversight of the infrastructure projects through review of documentation provided by the contractors and site visits; however, their travel was sometimes restricted because of poor security. OIG considers the locally engaged staff's count of the number of completed construction projects to be the most comprehensive information available and used it as the basis for our conclusions.

A/LOA 63 planned construction of the JPTC, which was designed to provide adequate training to establish the Frontier Levies as a professional law enforcement agency. The JPTC was required in order to train the Levies because existing training facilities in KPk were inadequate to train the increased number of police officers. In A/LOA 68, the GOP agreed to provide land for the JPTC and A/LOA 71 specified that the JPTC be 60 percent complete by December 2010. A/LOA 73 specified that the JPTC be fully constructed and operational by the end of 2011; however, the JPTC was not completed until August 2014, 2 years and 8 months after that target and 6 years after the funding was initially provided.

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A/LOAs 67 and 72 planned the construction of four roads¹³ to provide the infrastructure needed to improve local economies and help secure Pakistan's western borders, respectively. Although the target completion date for the Peshawar Ring Road and the Kanju Madyan Roads was December 2011, as of September 30, 2013, they were still under construction. A/LOA 67, signed in June 2009, planned the construction of the Jamrud to Mullaghori and Mattani Bypass Roads to improve transportation links between Pakistan and Afghanistan, and reduce traffic congestion in the city of Peshawar by allowing traffic traveling to and from Afghanistan to bypass the city to the north or south. While the Jamrud to Mullaghori Road had been completed by September 2013, the Mattani Bypass Road was only 35 percent complete. A/LOA 72, signed in April 2010, planned the reconstruction of the Peshawar Ring Road to repair the damage sustained by the road's use as a military supply route between Pakistan and Afghanistan because prior damage increased vulnerability to criminal and militant attacks. A/LOA 72 also planned reconstruction of the Kanju Madyan Road, to enhance the movement of security forces in the Swat Valley and contribute to the economy of one of Pakistan's most heavily war-damaged areas. As of September 2013, while the Kanju Madyan Road was 80 percent complete, the Peshawar Ring Road was only 54 percent complete.¹⁴

A/LOAs 73–74 planned construction of 43 police stations in areas vulnerable to militant activity and recruitment. Although 11 police stations planned by A/LOA 73 and 15 police stations planned by A/LOA 74 had not been completed, A/LOA 75 was signed, adding an additional 21 police stations to the performance targets. At the same time that these police stations were being added, the security situation in Pakistan weakened, reducing the amount of construction that could be completed.

Evaluations Needed

The A/LOAs did not include evaluations and monitoring as one of the obligations of the GOP even though many required extensive information on how the training, equipment, and infrastructure support was improving the performance of the Pakistani police. INL acknowledged that it had never collected the required reports, stating that there was no single repository of the information required by the A/LOAs. In lieu of the evaluations, INL used Program outputs and anecdotes of Program successes as metrics for tracking Program progress and outcomes. These outputs and anecdotes did not fulfill the requirements of the evaluations to determine how the Program was improving the performance of the Pakistani police.

The INL staff members overseeing the Program serve 1-year tours in Pakistan. This created a lack of continuity among INL staff that appears to be a contributing factor to INL's inability to conduct Program evaluations. In general, we found that the current staff had little

¹³ While A/LOA 67 did not contain a completion target date for the Jamrud to Mullaghori or Mattani Bypass Roads, A/LOA 72 required that Kanju Madyan and Peshawar Ring Roads be completed during 2011.

¹⁴ The Kanju Madyan and Peshawar Ring Roads were completed in December 2013.

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knowledge of the Program's history and evolution, which impeded an understanding of the Program's accomplishments, if any.

Increased Risk of Wasted Funds and Program Failure

INL's failure to monitor progress toward Program goals and to set realistic training, equipment, and infrastructure performance targets prevents INL from determining whether the Program is achieving its goals. The problem was exacerbated by INL and the GOP setting unrealistic performance measures and by not adjusting those performance measures based on experience as the Program progressed. Without some process for evaluating Program accomplishments, there is no assurance that Program funds are being used effectively and the Program risks not meeting the intended goals of strengthening Pakistan law enforcement's abilities to disrupt and defeat al-Qa'ida and other extremist organizations in Pakistan.

Recommendation 1. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs obtain the cooperation of the Government of Pakistan to establish annual evaluations of the Pakistan Law Enforcement Reform Program and use those evaluations as a basis for future amendments to the Letter of Agreement, adjusting those objectives in a continuous process.

Management Response: INL concurred, stating that it would establish a more robust evaluation process for the Law Enforcement Program in collaboration with the GOP.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation that INL has established and completed annual evaluations of the Pakistan Law Enforcement Reform Program and used those evaluations to amend future agreements, adjusting program objectives accordingly.

Recommendation 2. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop inventories of equipment that police officers and police organizations require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations.

Management Response: INL did not concur with our original recommendation, stating that a standardized list would not encompass the needs of all law enforcement organizations in Pakistan due to the needs of organizations with different missions. INL stated further that equipment needs change over time.

OIG Reply: OIG adjusted the recommendation to address INL's comment and considers this recommendation unresolved. The need still exists for equipment standards and accountability. OIG believes that an inventory of equipment needed by a specific police organization would be useful in formulating the budget request for the equipment and evaluating the effectiveness of its application. This recommendation can be resolved when OIG receives and accepts a corrective action plan with milestones to address the recommendation in accordance with 1 *Foreign Affairs Manual* (FAM) 056. The recommendation can be closed when OIG receives and accepts documentation showing

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that an inventory of equipment that police officers and organizations require has been developed for law enforcement organizations in Pakistan.

Recommendation 3. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs review the Pakistan Law Enforcement Reform Program's unfulfilled training, infrastructure and equipment performance measures; determine whether the measures can be met; and if so, establish new target dates for their completion.

Management Response: INL concurred with this recommendation and noted that it has already taken steps to implement the recommendation. INL stated that it will review the current performance measures defined by the amendments to the Letter of Agreement, determine whether the performance measures can be met, and establish new, more realistic performance measures, if necessary.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation demonstrating that INL has a) reviewed the Pakistan Law Enforcement Reform Program's unfulfilled training, infrastructure, and equipment performance measures; and b) determined whether the measures can be met and, if appropriate, established new target dates for their completion.

Finding B. Obligations Need To Be Reprogrammed, Reviewed, or Reconciled

OIG found that INL maintained \$86.2 million in prior year Program funds for which no specific purpose had been established. Although the A/LOA contained dates after which the funds could be moved to another Department program, INL did not reprogram the funds because INL considered the A/LOA to be binding on the USG even when the GOP had not fulfilled its obligations in the A/LOA. The INL Financial Management Handbook permits funds to be reprogrammed without the consent of the host government after passage of the date contained in the A/LOA. In addition, INL has not conducted adequate reviews of the funds that had already been obligated for a specific purpose to determine whether the obligations were still valid. These funds included \$18.1 million in open subobligations that potentially could be deobligated and used for other purposes. INL also extended reimbursable advances to the GOP without requiring previous advances to be accounted for or closed out.

Financial Management Guidance

Primary financial guidance for INL projects and programs is contained in the INL Financial Management Handbook, A/LOAs, and other implementing agreements with the host nation. The Handbook provides procedures for obligating, disbursing, and advancing program and project funds. The financial procedures are as follows:

- When the A/LOA is signed, INL considers the funds obligated, even though a specific need may not be identified in the A/LOA. For example, after A/LOA 73 was signed, INL obligated \$34.6 million towards training, equipment, and infrastructure

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support for KPk in 2010, even though specific training and equipment needs had not been identified. (Appendix C, Figure 1, illustrates the obligation process.)

- When a specific need eventually is identified, for example, to buy equipment, INL “subobligates” a specific amount of money using a contract or other written agreement. For example, the Program subobligated \$760,000 to purchase 15 vehicles for the KPk police in July 2010. (Appendix C, Figure 2, illustrates the subobligation process.)
- Upon receipt of the equipment or service, the financial management office disburses funds based on the vendor’s invoice. If the amount of the subobligation equals the amount of the disbursement, the subobligation is “liquidated.” If the amount of the disbursement is less than the subobligation, then the remaining obligation is said to be an unliquidated obligation (ULO). (Appendix C, Figure 3, illustrates the disbursement and reconciliation process.)
- With respect to reimbursable advances, the Handbook states that the recipient government must submit original receipts and receiving reports to INL to liquidate the advance. INL officials are required to review all supporting documentation submitted by the host government to ensure that the expenses incurred are valid and in accordance with the A/LOAs and other implementing agreements. The Handbook also requires INL to review outstanding advances at a minimum of once a quarter and pay particular attention to advances that are outstanding for more than 30 days. (Appendix C, Figure 4, illustrates the reimbursable advance process.)

Obligations and Advances Were Not Validated

INL did not justify the continued need for \$86.2 million in unused obligations or review records to determine the validity of open subobligations. We determined this by comparing the 973 subobligations contained in INL financial management reports with the Department’s domestic and overseas financial management systems, as well as procurement records from the Department’s integrated logistics management system. In addition, INL did not ensure that \$6.8 million in reimbursable advances to the GOP were reconciled before additional funds were advanced. Table 4 lists the obligations, subobligations, and subobligations expended for those years. (Subobligations contain advances.)

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Table 4. Obligations and Subobligations (in millions) as of September 30, 2013

Original Subobligation Terminal Date^a	A/LOA	Obligations Allotted	Unused Obligations	Sub-obligations	Subobligations Expended	Open Subobligations (ULO)
2007	59	\$13.6	\$0.0	\$13.6	\$13.6	\$0.0
2008	60	7.6	0.6	7.0	6.9	0.1
2009	63	12.0	0.0	12.0	12.0	0.0
2010	65A-B, 67-71	75.7	7.3	68.4	48.5	19.9
2011^b	72-74	138.0	39.3	98.8	45.5	53.3
2013^b	75	69.0	39.0	30.0	1.7	28.3
Subtotal Past Subobligation Terminal Date		316.0	86.2	229.8	128.2	101.6
2014	76	17.4	17.4	0.0	0.0	0.0
Grand Total^c		\$333.3	\$103.6	\$229.8	\$128.2	101.6

^a Subobligation Terminal Dates are always on September 30 of the calendar year following that in which the agreement is signed.

^b There was no subobligation terminal date for September 30, 2012, because there were no A/LOAs signed between January 2011 and March 2012.

^c Obligations and subobligations have been rounded to the nearest \$100,000.

Source: OIG analysis of INL data.

Unused Obligations Were Not Reprogrammed

The \$86.2 million in prior year Program funds discussed above could be reprogrammed and put to better use elsewhere. Although the A/LOA contained dates after which the funds could be moved to another Department program, INL did not reprogram the funds because INL considered the A/LOA to be binding on the USG even when the GOP had not fulfilled its obligations in the A/LOA. The INL Financial Management Handbook allows the funds to be reprogrammed without the consent of the host government after passage of the date contained in the A/LOA. INL however relies on an opinion provided in the Office of the Legal Adviser, Law Enforcement and Intelligence, which holds that the funds may not be reprogrammed unilaterally by the USG because the date, known as the subobligation terminal date, is contained on the A/LOA ‘face sheet’ and is not an integral part of the A/LOA.¹⁵ The U.S. Government Accountability Office’s “Principles of Federal Appropriations Law” cites the United States Code,¹⁶ which requires that “appropriations made for a definite period of time may be used only for expenses properly incurred during that time.” The *Foreign Affairs Manual* (FAM)¹⁷ includes a general rule that obligations for items or services must fill a bona fide need in the fiscal year in

¹⁵ The A/LOA and the A/LOA face sheet are signed at the same time by the same representatives of both governments. Every A/LOA contains a face sheet and OIG considers them both parts of the A/LOA.

¹⁶ 31 U.S.C. § 1502(a).

¹⁷ 4 FAM 052.2, “Obligation Validity Criteria, General Rule.”

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which the obligation is established and must not be incurred at a date earlier than is necessary for the successful conduct of the Government's business. Despite such guidance, INL extended the subobligation terminal dates each year without adjusting any of the Program's goals. The original subobligation terminal dates for the \$86.2 million in obligations were between September 30, 2007, and September 30, 2013. Since the A/LOAs do not require INL to provide the funds after the subobligation terminal date and the funds have not been tied to a specific bona fide need, the \$86.2 million should be reprogrammed.

Open Subobligations Were Not Reconciled¹⁸

As of September 2013, 18 of 973 subobligations, totaling \$18.1 million, remained open for at least a year without any activity. The FAM¹⁹ requires that ULOs with no activity after 1 year must be adjusted to zero if they cannot be documented as valid obligations that will still require payment. Although INL did have a process for reviewing subobligations, overall this review was not comprehensive. We compared all 973 subobligations included in INL's financial management reports to records maintained in the Department's domestic and overseas financial management systems, as well as procurement records from the Department's integrated logistics management systems and found 21 instances where INL's records did not match the Department's records. These 21 instances involved \$8.2 million in unliquidated subobligations found in the Department's records that potentially could be deobligated and used for other purposes but were not included in the financial management reports prepared by INL staff. For example, \$1.6 million of the \$8.2 million in subobligations were 3 contracts for 51 vehicles. These three contracts were awarded between September 2007 and July 2010, but were no longer valid subobligations. The Department's financial statement auditors have determined the invalid unliquidated obligations are a Department-wide problem that resulted in the Department reporting inaccurate information in congressionally required budgetary reports.²⁰ A sample of ULOs conducted in 2013 showed that one of every six INL obligations contained funds that could be deobligated.

Reimbursable Advances Were Not Reconciled

OIG found that the requirements for reimbursable advances were seldom followed by INL. The memorandums of understanding for the construction projects required that 60 percent of the preceding reimbursable advance and 100 percent of the previous reimbursable advances be

¹⁸ 4 FAM 044, "Accounting Controls," requires that accounts be reconciled and the differences investigated. This reconciliation includes comparing documents supporting unliquidated obligations with the financial management and accounting system on a monthly basis and at the end of each fiscal year. At the end of each fiscal year, the reconciliation includes reviewing obligation balances to ensure they are still valid and can be supported by documentary evidence. The accounting controls further require that specific responsibility for preparing that documentary evidence be assigned to personnel at the operating level.

¹⁹ 4 FAM 225, "Accounting Controls and Obligation Management."

²⁰ Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements (AUD-FM-14-10), December 16, 2013, page 6.

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reconciled before additional reimbursable advances can be issued. OIG reviewed the 17 construction contracts that were initiated between 2008 and 2012. These contracts involved 46 reimbursable advances totaling \$35.0 million. Additional funds were advanced in 33 of 35²¹ instances without the previous advances being reconciled within the required 90 days. As of March 20, 2013, \$6.8 million in reimbursable advances remained open in excess of 90 days. (The average time that a reimbursable advance remained open without funds being reconciled was 414 days.) In addition, OIG reviewed the 21 largest training vouchers, totaling \$749,627, and found 4 instances of incomplete documentation including one instance where \$208,000 in advances was liquidated despite evidence that the funds had not been obligated for approved purposes. When these concerns were identified, the appropriate course of action would have been to decrease a subsequent advance by the \$208,000; however, this was not done.

Subobligation Terminal Dates Extended Without Justification

The INL Financial Management Handbook provides a procedure for extending an A/LOA subobligation terminal date but does not require program officials to justify that extension. INL therefore automatically extended the subobligation terminal date for funds at the end of each fiscal year without any detailed analysis that the funds were still required for a valid purpose. Since there were sufficient outstanding obligations available for further subobligations and advances, INL did not provide sufficient emphasis on reconciling these funds.

Risk and Opportunity for Program Funds

We identified \$187.8 million in unused obligations and open subobligations (that is, \$86.2 million and \$101.6 million, respectively), which are at risk for waste. Many subobligations have not seen activity for years but remain open. Millions of dollars in advances remain outstanding. The accumulation of funds also removes the incentive for the GOP to resolve inefficiencies in the execution of the program. INL's practice of allowing large amounts of funds to remain year after year also enables funds to expire and prevents putting the funds to better use. An INL Management Assessment Team identified this same potential during a 2009 assessment mission but the Program has not taken corrective actions.

Recommendation 4. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) amend the INL Financial Management Handbook to require a detailed justification for extending subobligation terminal dates.

Management Response: INL concurred with this recommendation.

²¹ There were 11 instances where the 90 days had not passed and therefore the advance was not required to be reconciled.

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OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that the INL Financial Management Handbook has been amended to require a detailed justification for extending subobligation terminal dates.

Recommendation 5. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs negotiate future amendments to the Letter of Agreement that stipulate that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.

Management Response: INL stated that INL's practices already addressed this concern. INL further stated that this stipulation is a standard clause in the original Pakistan Letter of Agreement, signed on August 31, 1982, which is incorporated by reference in all subsequent amendments.

OIG Reply: Although INL did not explicitly disagree with the recommendation, its response did not address the intent of our recommendation. As such, OIG considers this recommendation unresolved. INL stated that it relies on the 1982 Letter of Agreement, which states that the USG is not required to subobligate funds more than 6 months after the end of the fiscal year in which an agreement is signed. OIG believes that reliance on an implied reference to a 32-year-old agreement does not provide sufficient clarity on the availability of the funds, particularly when that agreement has been amended 75 times. Moreover, OIG believes that retaining obligated funds across multiple budget years when no defined purpose has been established obscures the status of the funds and raises questions about the validity of the obligations. OIG maintains that including an explicit statement about the meaning of the subobligation terminal date in the amendment will facilitate the reprogramming of funds when necessary. This recommendation can be resolved when OIG receives and accepts a corrective action plan with milestones to address the recommendation, in accordance with 1 FAM 056. This recommendation can be closed when OIG receives and accepts an amendment to the Letter of Agreement that contains the stipulation that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.

Recommendation 6. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine how much of the \$86.2 million in prior year Pakistan Law Enforcement Reform Program obligations can be reprogrammed.

Management Response: INL partially concurred, stating that it had reprogrammed funds in the past and reduced its budget requests in an effort to draw down prior year funds

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OIG Reply: OIG considers the recommendation unresolved and notes that the Pakistan Law Enforcement Reform Program funds available for reprogramming increased from \$86.2 million in September 2013 to \$90.0 million in March 2014. This recommendation can be resolved when OIG receives and accepts an INL determination (dollar value agreed to or not agreed to) as to how much of the \$86.2 million can be reprogrammed (deobligated). This recommendation can be closed when OIG receives and accepts documentation showing that INL has reprogrammed funds in accordance with its determination.

Recommendation 7. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs establish and implement additional procedures to review open subobligations and deobligate any subobligations that cannot be demonstrated to be still valid.

Management Response: INL concurred with this recommendation, stating it had established unliquidated obligation review procedures for domestic operations and would implement these procedures overseas.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation demonstrating that INL has established and implemented additional procedures to review open subobligations and deobligate any subobligations that are not valid.

Recommendation 8. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs establish and implement procedures to monitor more effectively reimbursable advances quarterly and not provide any further advances on projects with outstanding advances until those advances have been reconciled.

Management Response: INL partially concurred, stating, “When OIG brought its concerns about the issuance of reimbursable advances to INL’s attention in December 2012, INL/Pakistan immediately reviewed its practices in this regard and took steps to reduce and close out advances. Review of advances remains a key part of INL/Pakistan’s monthly subobligation review meetings. In June 2014 alone, INL/Pakistan liquidated and closed out approximately \$700,000 in advances.” In its response, INL further stated that while it would “continue to seek to minimize the use of advances, it remains necessary to continue the practice on a case-by-case basis.”

OIG Reply: OIG considers the recommendation unresolved. The INL response was not satisfactory to resolve the recommendation because management did not agree with nor provide a corrective action plan to address the recommendation in accordance with 1 FAM 056. This recommendation can be resolved when OIG receives and accepts INL’s corrective action plan and milestones that address the recommendation. This recommendation can be closed when OIG reviews, receives, and accepts documentation showing that INL has established and implemented procedures to monitor reimbursable advances quarterly and not provide further advances on projects with outstanding advances until those advances have been reconciled.

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs obtain the cooperation of the Government of Pakistan to establish annual evaluations of the Pakistan Law Enforcement Reform Program and use those evaluations as a basis for future amendments to the Letter of Agreement, adjusting those objectives in a continuous process.

Recommendation 2. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop inventories of equipment that police officers and police organizations require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations.

Recommendation 3. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs review the Pakistan Law Enforcement Reform Program's unfulfilled training, infrastructure and equipment performance measures; determine whether the measures can be met; and if so establish new target dates for their completion.

Recommendation 4. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs amend the INL Financial Management Handbook to require a detailed justification for extending subobligation terminal dates.

Recommendation 5. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs negotiate future amendments to the Letter of Agreement that stipulate that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.

Recommendation 6. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine how much of the \$86.2 million in prior year Pakistan Law Enforcement Reform Program obligations can be reprogrammed.

Recommendation 7. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs establish and implement additional procedures to review open subobligations and deobligate any subobligations that cannot be demonstrated to be still valid.

Recommendation 8. OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs establish and implement procedures to monitor more effectively reimbursable advances quarterly and not provide any further advances on projects with outstanding advances until those advances have been reconciled.

Scope and Methodology

The Office of Inspector General (OIG) initiated this work under the authority of the Inspector General Act of 1978, as amended. The primary audit objective was to evaluate the effectiveness of the Pakistan Law Enforcement Reform Program (the Program) in enhancing the professionalism, survivability, mobility, and communications capacity of the Pakistani police. Specifically, OIG evaluated whether the Bureau of International Narcotics and Law Enforcement Affairs (INL) was achieving the Program's intended results through the provision of training, equipment, and infrastructure support. OIG conducted this audit from April 2012 to September 2013 in Pakistan and the Washington, DC, metropolitan area. This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

To accomplish this objective, we interviewed officials from INL in Washington, DC, and Pakistan to gain an understanding of INL's processes and internal controls. We then interviewed officials from the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP), INL contractors and locally engaged staff, and Government of Pakistan (GOP) officials in Pakistan to determine how they contributed to the Program's goals. We reviewed Interagency Agreements between the Department and the Department of Justice, semi-monthly reports, and training schedules to determine whether the program was complying with Department guidance and amendments to the Letter of Agreement (A/LOA) performance targets. We also reviewed INL bulk obligations, subobligations, advances, and expenditures to determine whether the program was complying with Federal, Department, and INL financial guidance.

Review of Internal Controls

OIG performed steps to assess the adequacy of internal controls for funds allotted to the Program. OIG obtained vouchers and original receipts and traced transactions to Status of Obligations reports. The results of work performed on internal controls during the audit are detailed in the Audit Results section of this report.

Use of Computer-Processed Data

OIG obtained electronic records of obligations maintained by INL and compared these records to data from the department's financial management systems to determine the accuracy and completeness of INL records. This review focused on whether INL records of subobligations contained subobligations that should be deleted from INL records or deobligated from the Department financial management systems or records. The review also included Department financial management system records of cash advances to determine whether those advances complied with the requirements of memorandums of agreement between the U.S. Government (USG) and the GOP.

Review of Vouchers

OIG selected a judgmental sample of training vouchers. Specifically, OIG reviewed the 21 largest vouchers, totaling \$749,627, and found 4 instances of incomplete documentation, including one instance where \$208,000 in advances was liquidated despite evidence that the funds had not been obligated for approved purposes. Consequently, OIG concluded that INL had not followed its internal controls procedures to ensure that invoices were accurate and supported with appropriate documentation. Not following internal controls increases the risk of waste, fraud, or abuse.

Program Performance Targets

OIG reviewed amendments to the 1982 Letter of Agreement (A/LOA) between the Government of Pakistan and the U.S. Government and determined that the following A/LOA contained criteria that were relevant to the audit. Amendments that did not contain relevant performance targets are not shown.

A/LOA	Date Signed	Performance Targets
A/LOA 63	Apr 30, 2008	<ul style="list-style-type: none">Construction of a Levies Training Centre (Joint Police Training Center or JPTC) in Khyber Agency to help institutionalize the Levies police force as a professional law enforcement agency in the Federally Administered Tribal Areas.
A/LOA 67	June 25, 2009	<ul style="list-style-type: none">Construct the Mattani Bypass Road.Construct the Jamrud to Mullaghori Road.
A/LOA 68	Jul 20, 2009	<ul style="list-style-type: none">Train and deploy 2,500 police officers as the first phase of a multi-year project to train and equip a Northwest Frontier Police Elite Force¹ to prevent and respond to high-risk contingencies.The Government of Pakistan will provide land for the construction of the JPTC.
A/LOA 71	Feb 26, 2010	<p>By December 2010:</p> <ul style="list-style-type: none">Upgrade or reconstruct 17 police stations.Complete 60 percent of the JPTC. <p>By December 2011:</p> <ul style="list-style-type: none">Train 5,000 police officers in the Northwest Frontier Police.Equip 5,000 police officers in the Northwest Frontier Police.

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A/LOA	Date Signed	Performance Targets
A/LOA 72	Apr 19, 2010	By December 2011 <ul style="list-style-type: none">▪ Complete the Kanju Madyan Road.▪ Complete the Peshawar Ring Road.
A/LOA 73	Sep 29, 2010	By December 2011: <ul style="list-style-type: none">▪ Upgrade or reconstruct 11 police stations.▪ Equip 8,180 police officers in KPk and Balochistan.▪ The JPTC will be fully operational.▪ Complete the 17 police stations started under A/LOA 71.▪ Train an additional 15,790 police officers:<ul style="list-style-type: none">○ 5,000 in KPk○ 3,180 in Balochistan○ 7,610 in all four provinces and the Federally Administered Tribal Areas.
A/LOA 74	Dec 28, 2010	By December 2011: <ul style="list-style-type: none">▪ Train approximately 2,500 police officers:<ul style="list-style-type: none">○ (approximately) 1,000 male police officers from Punjab○ (approximately) 1,000 male police officers from Sindh○ 500 female police officers.▪ Reconstruct or upgrade approximately 15 police stations (by December 2011 or by such date as mutually agreed).<ul style="list-style-type: none">○ Approximately 5 police stations in Punjab○ Approximately 5 police stations in Sindh○ Approximately 5 women's police stations.▪ Equip with a full complement of protective materials, vehicles, and communications equipment:<ul style="list-style-type: none">○ 8 percent of police officers from Punjab○ 8 percent of police officers from Sindh.▪ Provide 15 percent of female police officers with basic law enforcement tools.

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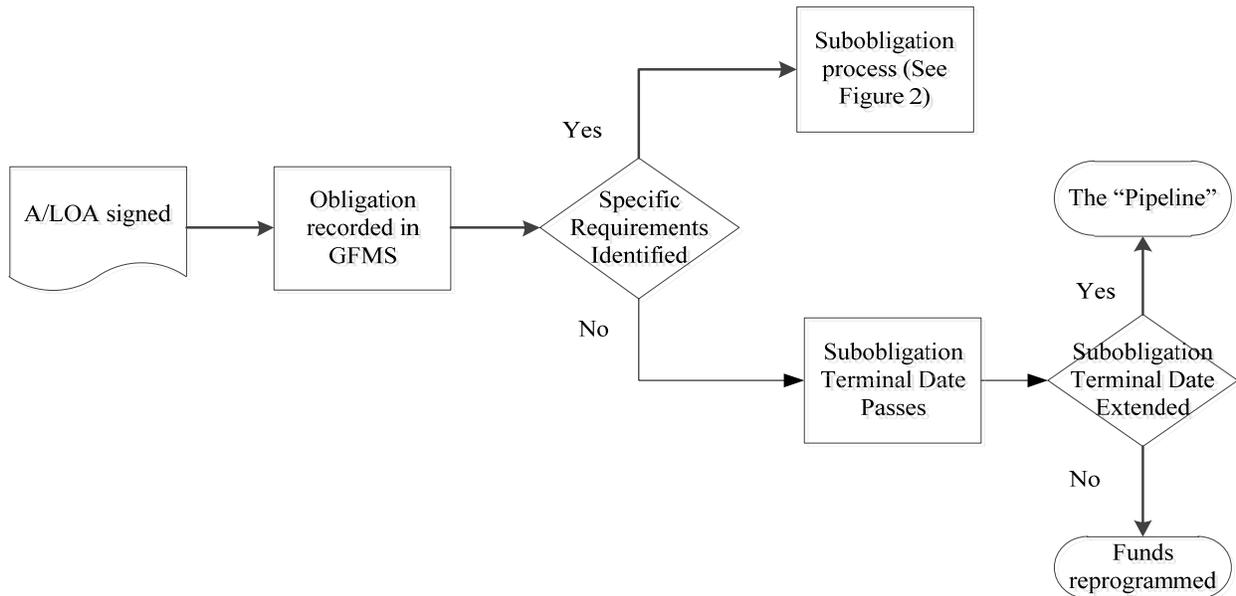
A/LOA	Date Signed	Performance Targets
A/LOA 75	Apr 16, 2012	<p>One calendar year following the date which the funds are subobligated:</p> <ul style="list-style-type: none">▪ Train 7,500 police officers.▪ Equip 9,000 police officers in KPk.▪ Equip 2,200 police officers in Balochistan, Sindh, and the Islamabad Capital Territory.▪ Renovate 21 police stations.▪ Representatives from the U.S. Government and the GOP meet once a year to review progress towards goals and objectives.▪ Evaluations will include qualitative and quantitative indicators.▪ Jointly prepare a report to summarize the progress made.

Flow of Program Funds

The following four figures illustrate the financial processes used to support Bureau of International Narcotics and Law Enforcement Affairs (INL) programs including the Pakistan Law Enforcement Reform Program. The Program’s funding process begins with the amendment to the Letter of Agreement (A/LOA) obligation process and continues when the funds are subobligated in Pakistan. The process concludes when training and equipment purchases are disbursed and reconciled. Infrastructure contracts involve cash advances to the Government of Pakistan (GOP), which must also be reconciled.

In the flowcharts below, rectangles illustrate subprocesses, rectangles with wavy bases indicate documents, diamonds indicate decision points, and ovals indicate the end of the process.

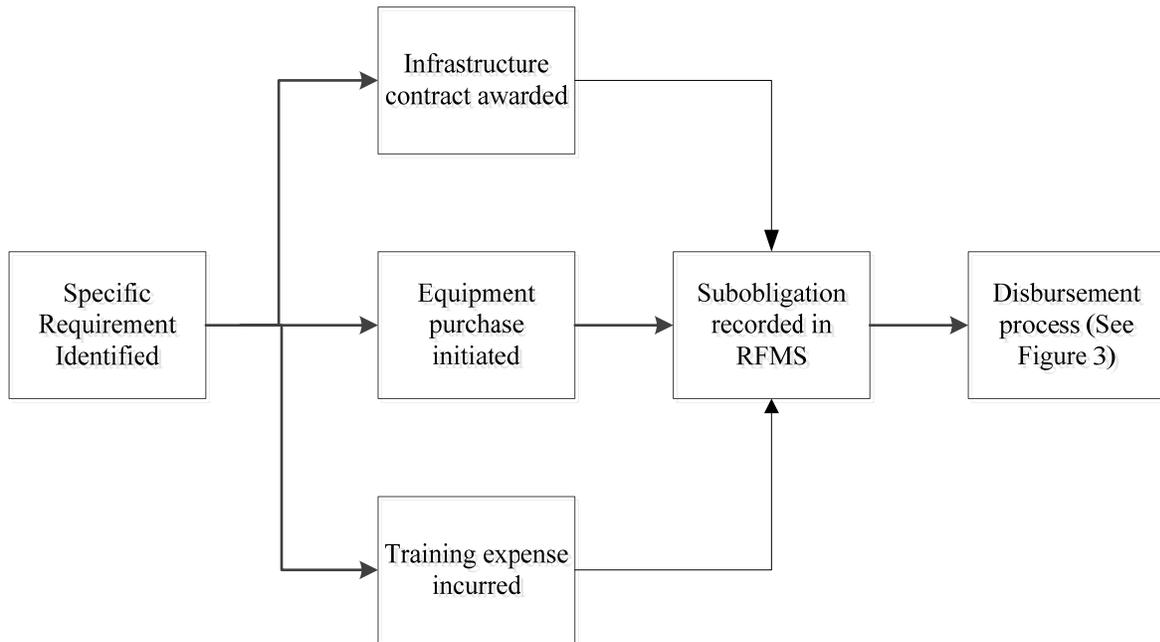
Figure 1. The Obligation Process



Source: OIG analysis of Department guidance.

When the U.S. Government (USG) and the GOP sign an A/LOA, money is obligated to the program. INL establishes a bulk obligation in the Global Financial Management System (GFMS). When specific requirements are identified, subobligations are created (see Figure 2). The A/LOA establishes a subobligation terminal date. According to the INL Financial Management Handbook and the A/LOA, when the subobligation terminal date passes, the funds can be reprogrammed for other purposes without the consent of the host government. When specific needs are not defined, the funds remain in what the INL Financial Management Handbook calls the “Pipeline.”

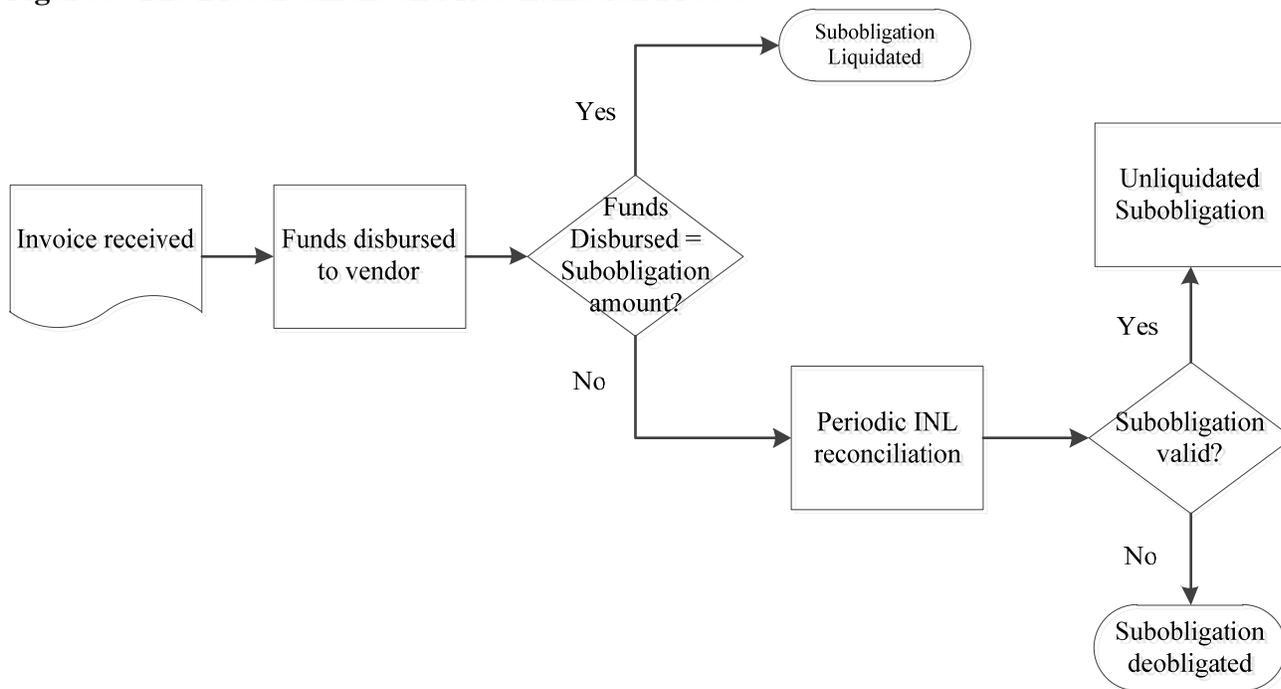
Figure 2. The Subobligation Process



Source: OIG analysis of Department guidance.

When INL and the GOP determine that a specific need exists, an infrastructure contract is awarded, an equipment purchase request or a training expense is incurred, and a subobligation is created in the Regional Financial Management System (RFMS).

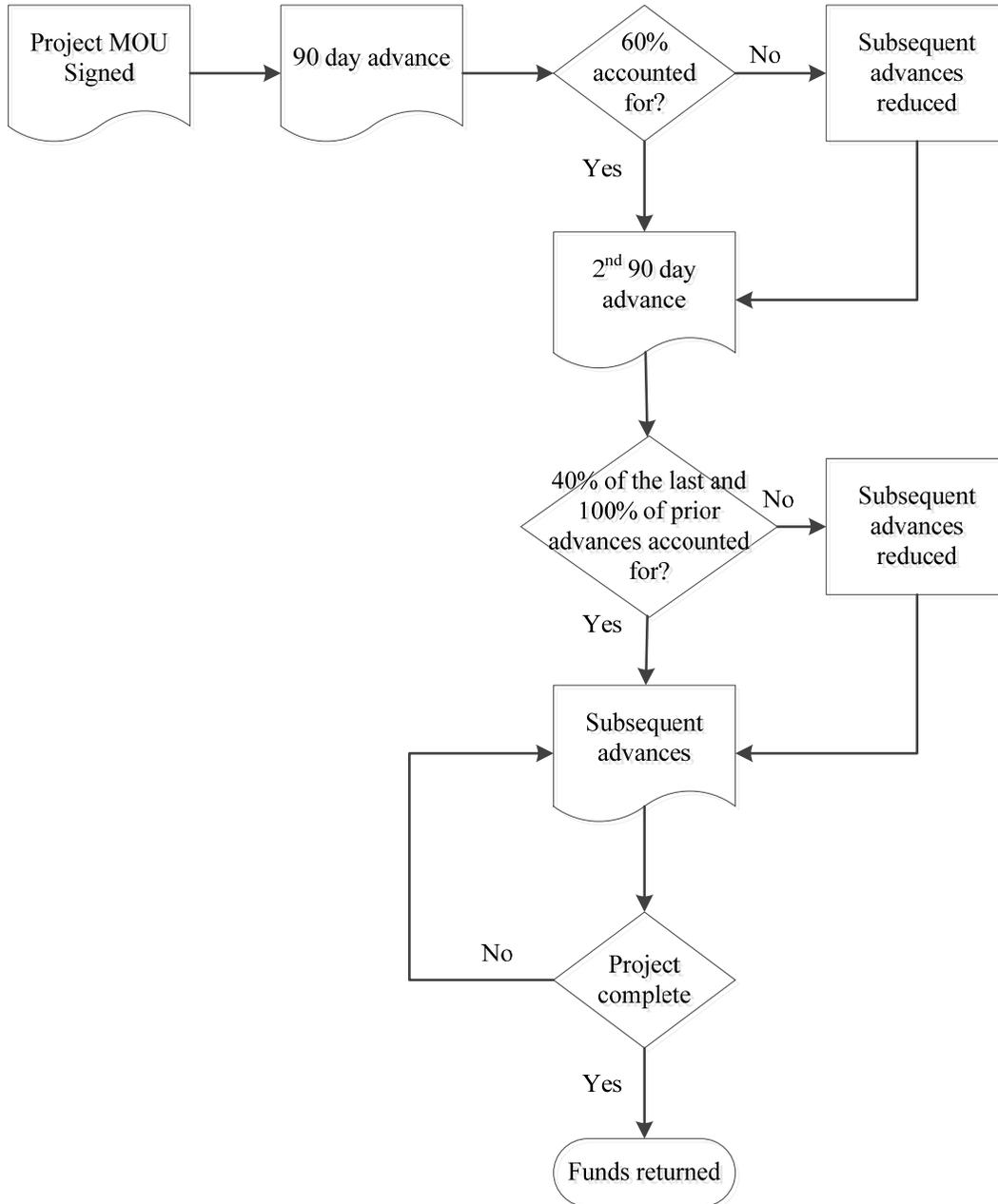
Figure 3. The Disbursement and Reconciliation Process



Source: OIG analysis of Department guidance.

When the vendor submits an invoice, the Financial Management Officer (FMO) disburses funds to the vendor. If the funds disbursed equal the obligated amount, the subobligation is liquidated. If the amounts are not equal, the subobligated amount remains unliquidated. Periodically, INL program staff review the subobligation. If the subobligation remains valid, the obligation remains unliquidated. If the obligation is no longer valid, the INL program staff has the FMO deobligate it.

Figure 4. The Reimbursable Advance Process



Source: OIG analysis of Department guidance.

After INL and the GOP sign the project memorandum of understanding (MOU), the FMO issues an advance for 90 days of expenses. At the end of the 90 days, if the GOP submits supporting documentation indicating that 60 percent of the advance has been spent, the FMO issues another 90-day advance. At the end of the second 90 days, if the GOP submits supporting documentation indicating that 60 percent of the second advance and 100 percent of the first advance have been spent, the FMO issues another 90-day advance. The same process reoccurs at

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the end of each 90 days, where documentation must be if 60 percent of the last advance and 100 percent of all previous advances have been spent. If the GOP does not provide documentation indicating that the required percentage of each advance has been spent, the FMO issues a reduced advance. At the end of the project, the GOP provides documentation indicating that all of the advanced funds have been expended or returns funds for which there is no documentation.

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



United States Department of State

Washington, D.C. 20520

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August 20, 2014

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

FROM: INL – James A. Walsh, Executive Director

SUBJECT: (U) INL Response to the Draft Report, “Audit of the Bureau of International Narcotics and Law Enforcement Affairs Law Enforcement Reform Program in Pakistan” (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. Pakistan is a strategic priority for the U.S. government, and INL remains committed to designing and implementing flexible, responsive law enforcement assistance efforts that strengthen the skills, professionalism, survivability, mobility, and communications capacity of the Pakistani police.

(U) INL agrees with many of the draft report’s recommendations, including the need to conduct evaluations of INL’s law enforcement program in Pakistan. Prior to the conclusion of this audit in September 2013, INL took a number of steps that directly address the OIG’s recommendations, including convening monthly meetings starting in early 2013 to review the implementation status of prior year funds, unliquidated obligations, and reimbursable advances. Subsequent to OIG’s audit but in advance of receiving this draft report, INL established a new internal Program Review process for Pakistan programs on May 2, 2014, which will provide another opportunity to assess and improve upon our programs on a regular basis. INL plans to take additional, immediate steps to further strengthen overall program management and oversight, including the negotiation of a new Amended Letter of Agreement (A/LOA) with updated performance measures.

(U) However, INL has identified a number of concerns with the language in the report and respectfully requests that the OIG provide clarifications with respect to these concerns when it publishes the final report. Detailed responses to the

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recommendations included in the OIG's draft report are provided below, and technical corrections are provided as an attachment to this letter.

(U) INL requests that the OIG reconsider the wording of its conclusion that "OIG found that INL had *no* information on whether the training the program provided was effective in enhancing the professionalism of the Pakistani police and increasing their ability to maintain peace and security, or whether the equipment it provided improved the survivability, mobility, and communications capacity of the Pakistani police" (emphasis added).

(U) This statement is inaccurate because it does not reflect INL's ongoing and vigorous monitoring of program implementation in the very challenging operating environment in Pakistan. INL is engaged in daily, monthly, quarterly, and annual efforts to oversee and assess its programs in Pakistan – including the law enforcement program – *inter alia*, to determine their impact on Pakistan's law and order situation and overarching U.S. policy objectives, to track program outcomes, and to assure effectiveness, efficiency, and ongoing relevance of program inputs. INL/Pakistan staff meet and correspond routinely with Pakistani law enforcement partners to determine initial program requirements, to ensure programs are proceeding on track and meeting objectives, and to troubleshoot issues that arise. INL/Pakistan staff also routinely conduct site visits and are members of joint U.S.-Pakistan project steering committee meetings that also gather information on program implementation and effectiveness.

(U) We acknowledge that the results of these efforts have not been systematically documented, and we are taking immediate steps to address this. Among other steps, INL has developed tailored Performance Measurement Plans (PMPs) that include monitoring and evaluation plans and reporting requirements for INL's Police Assistance Program and INL's Inter-Agency Agreement with the Department of Justice International Criminal Investigative Training and Assistance Program (ICITAP). In addition, on May 2, 2014, INL established a new Program Review process for its Pakistan programs, which will review and document each program's implementation and effectiveness on a routine basis.

(U) INL also respectfully disagrees with OIG's comment on page 1 that "at a minimum, the Program's training results for police officers are far below those envisioned in the A/LOA...*because* INL and the GOP did not perform the evaluations specified in the A/LOA" (emphasis added). INL agrees that the A/LOA targets for the number of police to be trained were not met, and we will

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institute more frequent, iterative adjustments to the A/LOA. However, the reason initial program targets were not achieved is primarily a function of the challenging operating environment in Pakistan rather than the lack of A/LOA-linked evaluations. Several of the A/LOAs that OIG examined during this audit were signed in 2010 and could not have anticipated the significant events in 2011 that impeded the delivery of training, specifically the Raymond Davis incident in January, the Osama bin Laden raid in May, and the Salala incident on the Afghanistan-Pakistan border in November. These events strained the bilateral U.S.-Pakistan relationship and brought considerable visa challenges for INL Foreign Service Officer and contract Subject Matter Expert staff. At the same time, the security situation worsened in many areas of Pakistan where INL has programs, including along the Afghanistan-Pakistan border. These factors restricted INL's ability to implement many programs, including several key law enforcement assistance efforts, in the time and manner originally anticipated. INL notes that, as of August 2014, the U.S.-Pakistan bilateral relationship is on a positive footing, the visa situation is improving, and INL is employing valuable lessons learned to implementing programs in this new environment.

(U) Finally, INL strongly disagrees with OIG's assertion on page 16 that "unused obligations and open subobligations . . . are at risk for waste, fraud, or abuse." These funds are still fully under the control of the U.S. government. Prior to the subobligation of funding, the certification of funds must be approved by the Financial Management Officer (FMO) at Post. Therefore these funds cannot be accessed without written approval by an American Direct Hire. Prior to the certification, these funds are not accessible by any non-U.S. entities and not subject to waste, fraud, or abuse. In addition, if evidence of fraud or abuse arises, funds can be deobligated immediately from any implementing mechanism (i.e. contract, grant). Through the financial management of funds within the INL Management section, vouchers and invoices are approved and paid in accordance with the *Foreign Affairs Manual*.

(U) INL is hopeful that the aforementioned corrections and additions will be incorporated into the final report. Additionally, INL offers the following responses to the current recommendations contained in the September 2014 draft report.

INL Responses to the OIG's Draft Recommendations (as of August 2014)

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Recommendation 1. OIG recommends that INL obtain the cooperation of the Government of Pakistan (GOP) to establish an annual evaluation of the law enforcement program to use as a basis for future A/LOAs.

INL Response (August 2014)

INL concurs with this recommendation and will establish a more robust evaluation process for the law enforcement program in collaboration with the GOP.

Recommendation 2. OIG recommends that INL develop a standardized list of equipment that police officers and police organizations require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations.

INL Response (August 2014)

INL does not concur with this recommendation. Pakistan's police system is organized along provincial and functional lines and each force has unique needs and different levels of baseline capacity. There is no single list of equipment that encompasses all the needs of each individual law enforcement entity in Pakistan with whom INL works. A standard list could not capture the varying kinds of equipment required by officers with dramatically different missions (for example, the National Highways and Motorways Police versus the Frontier Corps), or the different operating environments in which these entities operate (for example, the urban environment of a city of 22 million residents like Karachi versus the extremely rural Federally Administered Tribal Areas). In addition, as a given police force develops, its requirements – and thus its requests for commodity support – change over time. For these reasons, INL's law enforcement program in Pakistan is tailored to work with each individual police entity to define its needs based on its unique operating environment and mission. We also ensure that new equipment provided is compatible, where necessary and appropriate, with equipment we have previously provided to particular law enforcement entities (e.g., new communications equipment is interoperable with communications equipment previously provided).

Additionally, INL's robust, ongoing End-Use Monitoring (EUM) process manages and tracks assets donated to the Government of Pakistan. Each year, INL's EUM staff in Pakistan conduct on-site inspections, maintain day-to-day contact with GOP officials, and receive periodic reporting from the GOP to determine the location and status of donated equipment. The 2013 EUM report that will be published in October 2014, notes that "INL found that the vast majority of resources [were] generally being used as intended, and the recipient agencies'

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procedures for tracking locations and the use of resources was acceptable.” INL addresses any instances of misuse in real time with recipient agencies.

Recommendation 3. OIG recommends that INL review the Program’s unfulfilled training, infrastructure, and equipment performance measures, determine whether the measures can be met and, if so, establish new target dates for their completion.

INL Response (August 2014)

INL concurs and notes that the Bureau has already taken steps to implement this recommendation. INL will review the current performance measures defined by the A/LOAs, determine whether they can be met, and establish new, realistic performance measures, if necessary.

Recommendation 4. OIG recommends that INL amend the INL *Financial Management Handbook* to require a detailed justification for extending subobligation terminal dates.

INL Response (August 2014)

INL concurs with this recommendation.

Recommendation 5. OIG recommends that INL negotiate future A/LOAs to stipulate that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.

INL Response (August 2014)

INL’s practices already address this concern. This stipulation is a standard clause in the original Pakistan Letter of Agreement, signed on August 31, 1982, which is incorporated by reference in all subsequent amendments.

Recommendation 6. OIG recommends that INL determine how much of the \$86.2 million in prior year Program funds can be reprogrammed.

INL Response (August 2014)

INL partially agrees, noting that it has already taken steps to address this recommendation. INL has reprogrammed more than \$35 million in Pakistan law enforcement program funds since April 2011. In addition, INL reduced its Pakistan budget by 70 percent (\$82 million) from FY 2011 to FY 2012 and another 28 percent from FY 2014 to FY 2015, in order to draw down prior year funds.

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Recommendation 7. OIG recommends that INL establish and implement procedures to review open subobligations and deobligate any of these subobligations that cannot be demonstrated as still valid.

INL Response (August 2014)

INL concurs with this recommendation noting that INL has established unliquidated obligation review procedures for domestic operations and will implement these procedures overseas.

Recommendation 8. OIG recommends that INL establish and implement procedures to more effectively monitor reimbursable advances and to stop providing any further advances on projects with outstanding advances until those advances have been accounted for or closed out.

INL Response (August 2014)

INL partially agrees and has taken steps to implement this recommendation. When necessary and appropriate, INL/Pakistan issues reimbursable advances in tranches in accordance with the A/LOA. These tranches, normally cover not more than three months of project funding requirements. INL/Pakistan staff carefully review advance requests from the host government executing agencies before agreeing to provide an advance. INL/Pakistan does not release additional advances until previous advances are at least 60 percent liquidated, and all advances are processed in accordance with the INL *Financial Management Handbook*.

When OIG brought its concerns about the issuance of reimbursable advances to INL's attention in December 2012, INL/Pakistan immediately reviewed its practices in this regard and took steps to reduce and close out advances. Review of advances remains a key part of INL/Pakistan's monthly subobligation review meetings. In June 2014 alone, INL/Pakistan liquidated and closed out approximately \$700,000 in advances. While INL will continue to seek to minimize the use of advances, it remains necessary to continue the practice on a case-by-case basis because infrastructure projects generally require significant up-front costs and materials that the Government of Pakistan and the implementing contractor frequently do not possess.

Attachment:

Tab1 - Technical corrections to the Draft OIG Report Audit of the Bureau of International Narcotics and Law Enforcement Affairs "Law Enforcement Reform Program in Pakistan"

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Technical Response to the Office of Inspector General's Audit of the Bureau of International Narcotics and Law Enforcement Affairs (INL) Law Enforcement Reform Program in Pakistan

In addition to corrections and comments on the draft report, INL offers the following information for incorporation into the final version of the Audit Report on the Bureau of International Narcotics and Law Enforcement Affairs "Law Enforcement Reform Program in Pakistan" (AUD-MERO-XX, August 2014):

- As stated in the official comments, INL is engaged in daily, monthly, quarterly, and annual activities to evaluate its programs in Pakistan; therefore, INL suggests changing the phrase "no information" on page one to state that "INL did not sufficiently document..." INL respectfully requests that this correction be made thematically throughout the report. Numerous reports made available to OIG describe program implementation and results; INL also gleaned data from these same reports as well as its regular interactions with Pakistani counterparts, which were not systematically documented. Specific examples of the positive results of INL efforts to enhance the effectiveness of the Pakistani police include:
 - According to INL/Pakistan reporting, training and equipment for Islamabad police provided through the Department of Justice's International Criminal Training and Assistance Program (ICITAP) in 2012 was credited by both Pakistan police and Embassy officials as contributing to the ability of police to handle rioting around the U.S. Embassy in September 2012.
 - Regular follow-up visits and reporting by ICITAP advisors revealed that, following mentoring from ICITAP, the National Highways and Motorways Police (NH&MP) dramatically changed the management of their training academy to follow internationally-recognized best practices. These changes contributed to increased professionalism within the NH&MP, which is now regarded by independent observers as one of the most progressive and least corrupt police forces in Pakistan.¹

¹ In addition to INL's impressions from Post contacts, see the Asia Society report, "Stabilizing Pakistan through Police Reform" for more details, as well as reporting from Pakistani media outlets (<http://www.nation.com.pk/columns/02-Aug-2013/a-success-story-of-cultural-transformation-in-policing>).

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- An INL-sponsored community policing program led to the formation of a unit responsible for monitoring police officer behavior. ICITAP reporting from police contacts revealed that this unit's work resulted in the arrest and demotion of five station house officers in Islamabad alone.
- The current draft does not define what OIG considers to be "adequately reconciled," on Page two, paragraph one and Page 12, paragraph five. Clarification would aid INL's ability to be responsive to your observation.
- Information on Page three, paragraph one and footnote five gives the false impression that program funding for "Law Enforcement Reform, Aviation Support, Border Control Training, Corrections Administration and Training, Crop Control and Area Development, Demand Reduction, Proceeds of Sales, Interdiction, and Rule of Law" is provided directly to Pakistani law enforcement authorities. This is incorrect. Only funding in the Law Enforcement Reform, Border Control Training, Aviation Support, and Interdiction line items are directed to Pakistani law enforcement authorities, and only the first two categories fall under the scope of this audit.
- INL offers the following updates to the project information provided on Page nine, paragraph four and Table three on page 10: the Joint Police Training Center in Khyber Pakhtunkhwa was fully completed in August 2014, and training classes began in June 2014. The Peshawar Ring Road and the Kanju Madyan Road were both completed in December 2013.
- Information on Page 11, paragraph three of the draft OIG report states without attribution that "INL acknowledged that it had never collected the required reports, stating that collection of the reports was too difficult." INL respectfully requests deletion of the highlighted statement since INL never granted a waiver to its program implementation policy requirement for the evaluations on any ground, including difficulty. Alternatively, we request the following edit: "...required reports, AND ONE OFFICER STATED that collection..."

Additional Comments from Bureau of International Narcotics and Law Enforcement Affairs and Office of Inspector General Replies

In addition to the Bureau of International Narcotics and Law Enforcement Affairs (INL) providing comments regarding our recommendations, INL provided technical and general comments not directly related to the recommendations (see Appendix D for INL's comments in its entirety.) We incorporated INL's technical comments and made modifications to this report when appropriate. In respect to the general comments, we have paraphrased and grouped them into three primary areas: (1) the documentation of program assessments; (2) the reason training performance targets were not achieved; and, (3) our reference to waste, fraud, or abuse. OIG replies to INL's general comments are presented below.

The Documentation of Program Assessments

In its response to the draft report, INL was concerned that the draft report unfairly implied that INL had no information on whether the Pakistan Law Enforcement Reform Program (the Program) had improved the performance of the Pakistani police. Further, INL stated that it had conducted meetings with Pakistani officials to ensure the Program was meeting its objectives and to troubleshoot issues that prevented it from doing so. In addition, INL noted that it had taken a number of steps to improve the management of the Program. According to INL, it developed performance measurements that included monitoring and evaluation plans; conducted meetings to review the status of prior year funds, unliquidated obligations, and reimbursable advances; and established an internal program review process for Pakistan programs. However, INL acknowledged that the results of these efforts were not always documented.

OIG Reply: We adjusted the wording in the report to state that INL had not documented information that demonstrates the Program was meeting its goals of enhancing the professionalism of the Pakistani police and increasing their capability to maintain peace and security, or whether the equipment it provided improved the survivability, mobility, and communications capacity of the Pakistani police. OIG repeatedly asked for information on the results of the Program and how INL managed the Program throughout the course of the audit. The INL Program staff was only able to provide reports on the status of Program funds and activity reports from Program staff. OIG compared these activity reports to the classes that were scheduled and found that many classes were not documented. Moreover, the meetings INL cited were either not documented or were outside the scope of this audit. As a result, OIG concluded that INL had not documented Program oversight and results to demonstrate that the Program was meeting its stated goals.

The Reason Training Performance Targets Were Not Achieved

INL disagreed with OIG's determination that one reason the Program was not meeting the police officer training performance targets specified in the amendments to the Letter of Agreement (A/LOAs) was that INL and the Government of Pakistan (GOP) did not perform the evaluations specified in the A/LOAs. INL agreed that the A/LOA targets for the number of police to be trained were not met; however, INL maintained that the reasons Program targets

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were not met included security and bilateral relationship issues. INL noted that several of the A/LOAs were signed prior to the Osama bin Laden raid and two other incidents in 2011 that impeded the delivery of training by straining bilateral relations, and caused delays in the GOP issuing visas to Program staff. INL also noted that the security situation worsened in many areas of Pakistan at the same time. Finally, INL noted that, as of August 2014, the U.S.-Pakistan bilateral relationship is on a positive footing and the visa situation is improving.

OIG Reply: We made no changes to the report. Although OIG recognizes the challenging environment in Pakistan and agrees that most of the A/LOAs were signed in 2010, INL did not meet its previous training goals prior to the events of 2011. For example, A/LOA 68, signed in July 2009, established the goal of training 2,500 police officers in the first year; however, only 383 police officers had been trained before the 2011 incidents. OIG also notes that INL did not adjust its training activities or goals after the events of 2011 had occurred. Despite the problems in bilateral relations and the worsening security situation in 2011, INL and the GOP agreed to A/LOA 75 in April 2012, adding an additional 7,500 police officers to the training goals even though the program had reached only 15 percent of its previous training goals up to that point. In addition, documentation provided by International Criminal Investigative Training Assistance Program (ICITAP) indicates that out of 454 classes that were scheduled from 2009 through 2012, only 45 were cancelled due to security or bilateral relationship issues. OIG therefore concludes that either additional issues prevented the training program from meeting its goals or the goals were unrealistic. Had INL and the GOP performed the evaluations specified in the A/LOA, the problems associated with achieving the training goals would have been revealed and performance targets could have been adjusted.

Our Reference to Waste, Fraud, or Abuse

INL strongly disagreed with our assertion that “unused obligations and open subobligations are at risk for waste, fraud, or abuse.” INL maintains that funds were fully under the control of the U.S. Government, must be certified by the Post Financial Management Officer before payment and, unless the funds are accessible by any non-U.S. personnel, they are not subject to waste, fraud, or abuse. INL also maintains that funds can be deobligated immediately, if evidence of fraud or abuse arises. Finally, INL indicated that the INL Management section accepts invoices and approves the payment of vouchers in accordance with the *Foreign Affairs Manual*.

OIG Reply: We made changes to the report to make our position clearer. Our assertion that funds are at risk of waste, fraud, or abuse is based upon the \$86.2 million in open obligations and the manner in which the Program is being managed. For example, even though the memorandum of understanding for construction projects funded by the Program requires that 60 percent of the last advance, and 100 percent of all prior advances, be reconciled before additional reimbursable advances can be issued, INL disregarded this requirement. In one example, INL, through the Embassy Islamabad Financial Management Officer, made four advances for the construction of the Kanju Madyan Road between April 2011 through February 2013. All four of these advances were issued before previous advances had been reconciled, as required by the memorandum of agreement. The first advance of \$1.5 million for the Kanju Madyan Road was made in April 2011. Another two advances were made for a total of \$1.5 million in March and April 2012 before the first advance was reconciled. The GOP finally

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reconciled \$1.3 million (83 percent) of the first advance in November 2012, 15 months after it should have been reconciled. A fourth advance of \$1.4 million was made in February 2013 before advances two and three had been reconciled and before the initial advance had been fully reconciled. Until funds are reconciled, there is no assurance that funds provided have been spent for their intended purpose. We maintain that the current practice of advancing funds in this manner puts the funds at risk for waste, fraud, or abuse.

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