





## OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

April 25, 2011

The Honorable Robert M. Gates  
Secretary of Defense

The Honorable Hillary Rodham Clinton  
Secretary of State

General John N. Mattis  
Commander, U.S. Central Command

The Honorable Karl W. Eikenberry  
U.S. Ambassador to Afghanistan

General David H. Petraeus  
Commander, U.S. Forces-Afghanistan, and  
Commander, International Security Assistance Force

Lieutenant General William B. Caldwell, IV  
Commanding General, NATO Training Mission-Afghanistan/  
Combined Security Transition Command-Afghanistan

This report discusses the results of an audit by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) of Afghan National Police (ANP) personnel management systems, including recruitment, pay and benefits, and force utilization. This report includes one recommendation to the Department of State and four to the Department of Defense to improve accountability over ANP workforce strength data, personnel and payroll data and records, and payment and reimbursement of payroll costs.

A summary of this report is on page ii. SIGAR conducted this performance audit under the authority of Public Law No. 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008. When preparing the final report, we considered comments from the Combined Security Transition Command-Afghanistan, the U.S. Embassy in Kabul, and the United Nations Development Programme. These comments are reproduced in appendices II-IV of this report, respectively.

A handwritten signature in black ink, appearing to read "Herbert Richardson". The signature is written in a cursive style.

Herbert Richardson  
Acting Special Inspector General  
for Afghanistan Reconstruction



# SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-11-10

April 2011

## Despite Improvements in Mol's Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength

### What SIGAR Reviewed

The Afghan government's ability to grow and sustain the ANP will depend in large part on the extent to which it has the management systems and processes in place to track ANP personnel and to account for the ANP payroll, which is primarily funded by the United States and other international donors. Since 2002, the United States and other international donors contributed about \$1.5 billion to the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), which was established primarily to cover payroll costs for the Afghan National Police (ANP). Current Afghanistan Ministry of Interior (Mol) plans call for an increase in ANP personnel from 81,509 in May 2009 to 134,000 by October 2011. The NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) plays a key role in developing and implementing personnel management systems and processes to account for the ANP workforce and payroll. This report assesses whether Mol's (1) personnel systems accurately account for the ANP workforce; (2) payroll system accurately accounts for the ANP payroll, including money reimbursed by LOTFA; and (3) personnel and payroll systems will support the ANP and be sustainable. To accomplish these objectives, SIGAR reviewed and analyzed ANP personnel and payroll systems, records, and oversight documents and interviewed officials from the Departments of State and Defense, the Afghanistan government, and UNDP. SIGAR conducted its work in Washington, D.C. and Kabul, Afghanistan, from June 2010 through March 2011, in accordance with generally accepted government auditing standards.

### What SIGAR Found

The Mol is automating its human resource records and developing personnel management systems to improve ANP accountability. However, the Mol cannot determine the actual number of personnel that work for ANP because it has been unable to reconcile personnel records or verify data in four different personnel systems and databases. As of September 30, 2010, the number of ANP records in the different systems, databases, and processes ranged from 111,774 to 125,218. The Mol's systems and databases contain basic ANP personnel, biometric, identification card, and registration information. However, these systems and databases are decentralized and the records and data in them are incomplete, unverified, and unreconciled.

Since 2002, UNDP has disbursed almost \$1.26 billion from LOTFA to fund ANP salaries and other costs. Although the Mol continues to make progress automating the payroll and payment processes, the Mol's payroll system currently provides little assurance that only those ANP personnel who work are paid and that LOTFA funds are only used to reimburse eligible ANP payroll and other costs. As of September 2010, about 21 percent of ANP were still paid by cash and neither Mol nor UNDP have verified payroll data and cannot confirm that only ANP who work have been paid. UNDP, as the LOTFA administrator, has overall responsibility for oversight and monitoring of LOTFA funds and the reimbursement of eligible ANP costs. However, UNDP cannot confirm that LOTFA funds reimbursed only eligible ANP costs and its reports do not provide sufficient evidence that all audit findings are resolved; thus, additional procedures are needed to improve the oversight and monitoring of ANP payroll costs and LOTFA funds. Until these issues have been addressed, there is limited assurance that only ANP personnel who worked received pay and that LOTFA funds were used to reimburse only eligible ANP costs.

The Mol is developing personnel and payroll systems to support the ANP. Current efforts to account for, automate, and centralize all personnel and payroll data and records will further aid the sustainment of ANP. However, the Mol will continue to face challenges gathering personnel and payroll data, centralizing the data within a system, and integrating into other systems until long-standing issues with security, infrastructure, and coordination are addressed.

### What SIGAR Recommends

To improve accountability for ANP personnel and payroll costs, SIGAR is making five recommendations, one to the U.S. Ambassador to Afghanistan and four to the Commanding General of NTM-A/CSTC-A. These recommendations address the need to improve UNDP's administration and oversight of international donations in LOTFA and the Mol's tracking of ANP records, personnel, and payroll costs to include eligibility for LOTFA reimbursement. In commenting on a draft of this report, the U.S. Embassy partially concurred with the recommendation to it and NTM-A/CSTC-A concurred or partially concurred with the four recommendations to it. Both outlined actions it has taken or plans to take that will substantially address our concerns. The UNDP also provided comments on a draft of this report.

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## TABLE OF CONTENTS

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Background .....	2
Mol Cannot Determine An Accurate Number of ANP Personnel Available for Work .....	6
Progress Continues with Development of the Mol Payroll System But This System Still Provides Little Assurance That Only Persons Who Work for ANP Are Paid, Only Eligible Costs Are Reimbursed, and That Proper Oversight Is Provided .....	10
The Development and Centralization of Personnel and Payroll Systems Will Continue To Be At Risk Until Security, Infrastructure, and Coordination Are Improved.....	19
Conclusion.....	21
Recommendations .....	22
Comments.....	23
Appendix I: Scope and Methodology .....	24
Appendix II: Comments from U.S. Embassy in Kabul.....	26
Appendix III: Comments from NTM-A/CSTC-A.....	29
Appendix IV: Comments from the United Nations Development Programme .....	33

## TABLES

Table 1: Number of ANP Human Resource/Personnel Records as of September 2010.....	7
Table 2: Number of Registered ANP and Status of HRIS database as of September 2010.....	7
Table 3: Status of Verified Payroll Plan at Mol as of September 2008 and 2010 .....	11
Table 4: Number of ANP Payroll and Personnel Records at Selected Locations for September 2010.....	12

## FIGURES

Figure 1: U.S. and International Donations to LOTFA through September 30, 2010 .....	3
Figure 2: LOTFA Disbursements to Reimburse ANP Costs through September 30, 2010 .....	5

## ACRONYMS

AABIS	Afghanistan Automated Biometric Identification System
AFMIS	Afghanistan Financial Management Information System
AHRIMS	Afghanistan Human Resources Information Management System
ANA	Afghan National Army
ANP	Afghan National Police
ANSF	Afghanistan National Security Forces
DAB	Da Afghanistan Bank, Central Bank of Afghanistan
CSTC-A	Combined Security Transition Command-Afghanistan
EFT	Electronic Funds Transfer
EPS	Electronic Payment System
HRIS	Human Resources Information System
LOTFA	Law and Order Trust Fund for Afghanistan
MoF	Ministry of Finance
Moi	Ministry of Interior
MoIBC	Moi Biometric Center
NATO	North Atlantic Treaty Organization
NTM-A	NATO Training Mission-Afghanistan
PAI	Personnel Asset Inventory
PERSTAT	Personnel Statistics report
UNDP	United Nations Development Programme



## **Despite Improvements in MoI's Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength**

A primary objective of the United States, the international community, and the Government of Afghanistan is the development of an Afghan National Police (ANP) force capable of protecting Afghan citizens and upholding the rule of law across the country. Current plans call for increasing the number of ANP personnel from 81,509 in May of 2009 to 134,000 by October 2011. The Afghan government's ability to grow and sustain the ANP will depend in large part on the extent to which it has the management systems and processes in place to track ANP personnel and to account for the ANP payroll, which is primarily funded by the United States and other international donors.

The government of Afghanistan does not have the financial resources to sustain ANP salaries and other related costs at either the current or projected levels. The United States, in partnership with the international community and the Afghan government, has supported the development and maintenance of multiple management systems to keep track of ANP personnel and salary disbursements. Since 2002, the international community has contributed about \$1.5 billion to the Law and Order Trust Fund for Afghanistan (LOTFA), which is administered by the United Nations Development Programme (UNDP), to fund recurrent ANP costs — primarily salaries, allowances, and benefits.

We initiated this audit to determine the extent to which the Afghan government has the personnel management systems and processes it needs to effectively and efficiently support an independent and accountable police force. This report assesses whether the MoI's 1) personnel systems accurately account for the ANP workforce, 2) payroll system accurately accounts for the ANP payroll, including money disbursed by LOTFA, and 3) personnel and payroll systems will support the ANP and be sustainable.

To meet these objectives, we collected and analyzed personnel and payroll data, records, and monitoring and oversight documents. We also examined various MoI personnel and payroll systems, databases, and processes. In addition, we interviewed officials from the U.S. Embassy in Afghanistan; the Department of State's Bureau for International Narcotics and Law Enforcement Affairs; the Department of Defense's Office of the Secretary of Defense; the International Security Assistance Force Joint Command; North Atlantic Treaty Organization (NATO) Mission Training-Afghanistan/Combined Security Training Command-Afghanistan (NTM-A/CSTC-A); United Nations Development Programme (UNDP); Afghanistan Ministries of Interior (MoI) and Finance (MoF); and contractors supporting these systems. We conducted our work in Washington, D.C. and Kabul, Afghanistan, from June 2010 to March 2011, in accordance with generally accepted government auditing standards. A discussion of our scope and methodology is included in appendix I.

## BACKGROUND

The U.S. strategy for Afghanistan emphasizes building Afghanistan National Security Forces (ANSF) capable of independently providing for the internal and external security of Afghanistan. More than half of the \$56 billion that Congress has appropriated since 2002 for the reconstruction of Afghanistan — approximately \$29.3 billion — is for the development of the Afghan National Army (ANA) and the Afghan National Police (ANP). Approximately one-third of the U.S. investment in the ANSF goes to training, equipping, housing, and sustaining the ANP. Current ANSF development plans call for the ANP to grow to 134,000 personnel by October 2011.

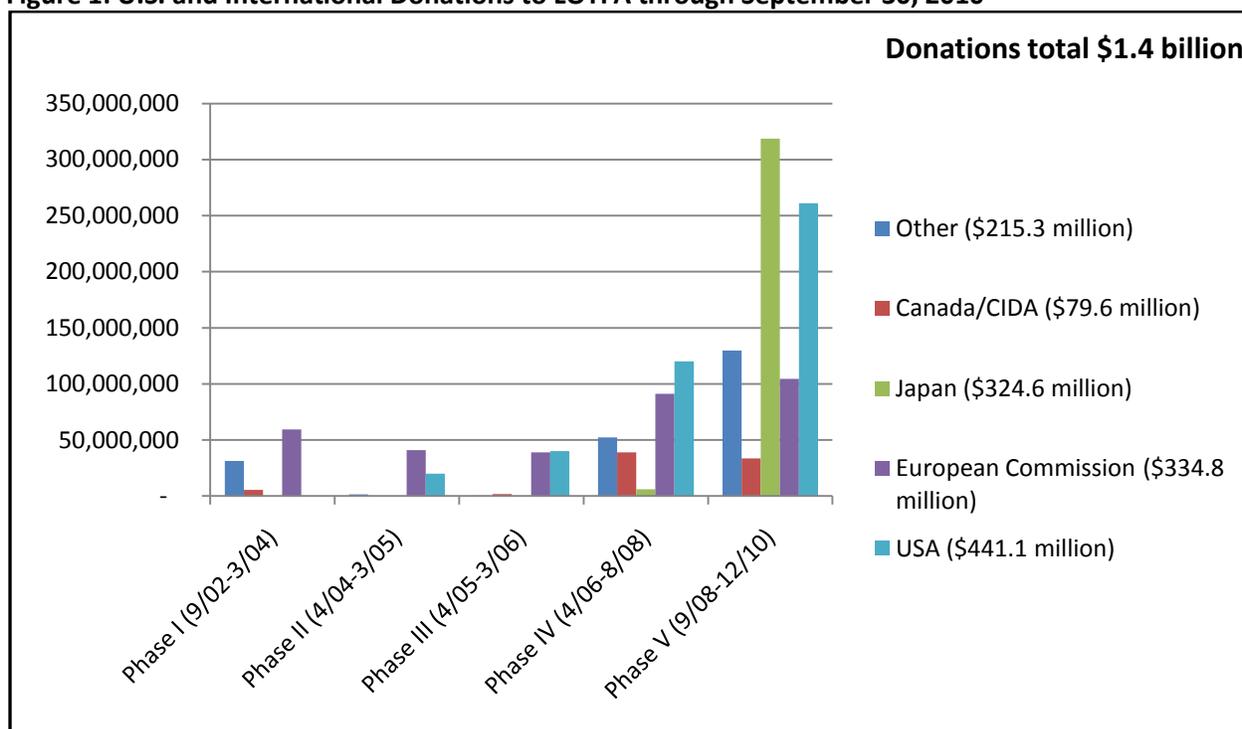
In April 2009, the Department of Defense reported to Congress that establishing personnel management systems and processes is critical to building sustainable ANSF.<sup>1</sup> Multiple stakeholders — the UNDP and international donors, the MoI, the MoF, and NTM-A/CSTC-A — play a role in developing and implementing personnel management systems and processes to account for the ANP workforce and payroll.

The government of Afghanistan does not have the financial resources to sustain ANP salaries and other related costs at either the current or projected levels. In 2002, the Government of Afghanistan and its international partners agreed to establish LOTFA to support the development of the ANP by covering certain recurrent costs, including the payment of police salaries, allowances, and benefits nationwide. The United States has historically been the largest single contributor to LOTFA, providing nearly 32 percent of total contributions. U.S. funding for LOTFA has come primarily from the Department of Defense's Afghanistan Security Forces Fund and the Department of State's International Narcotics and Law Enforcement Fund. Since 2002, the U.S. and other international donors have contributed about \$1.5 billion to LOTFA over five phases. Donations from the international community were almost \$1.4 billion through September 30, 2010, (see figure 1 below) and the United States donated an additional \$104.48 million in October 2010. Most of this money has gone to pay ANP salaries.

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<sup>1</sup> *United States Plan for Sustaining the Afghan National Security Forces*, April 2009 Report to Congress in accordance with the National Defense Authorization Act of 2008 (Section 1231, Public Law 110-181).

**Figure 1: U.S. and International Donations to LOTFA through September 30, 2010**



Source: SIGAR analysis of UNDP's quarterly and annual LOTFA reports.

Note: Numbers affected by rounding.

The MoI has authority over the ANP, including the Afghan Uniformed Police, Afghan Border Police, Afghan National Civil Order Police, and other uniformed enablers (including intelligence, anti-crime, counter narcotics, traffic, medical, and fire). The United States has been assisting the MoI to develop new management systems and to strengthen existing systems. The MoI is currently using four systems and processes to report on ANP personnel (numbers 1 – 4 below) and one system to account for ANP payroll (number 5 below):

1. Manual personnel records: The MoI maintains paper records for each ANP member as assigned by region, province, district, and individual unit. These records are maintained at MoI headquarters for officers (including sergeants) and at the provincial level for all patrolmen. The MoI submits a monthly report on the total number of ANP personnel to the UNDP to use for its monthly payroll report.
2. Identification card/registration database: The United States is funding a contract to assist the MoI in maintaining a separate ANP identification card/registration database.
3. Personnel Statistics reports (PERSTAT): The MoI manually reports the total number of ANP authorized (*tashkil*)<sup>2</sup> and assigned to each region, province, district and unit by ANP component, ANP workforce strength, and ANP not authorized to be funded by international contributions (non-*tashkil*). These reports are prepared by hand and reported monthly.

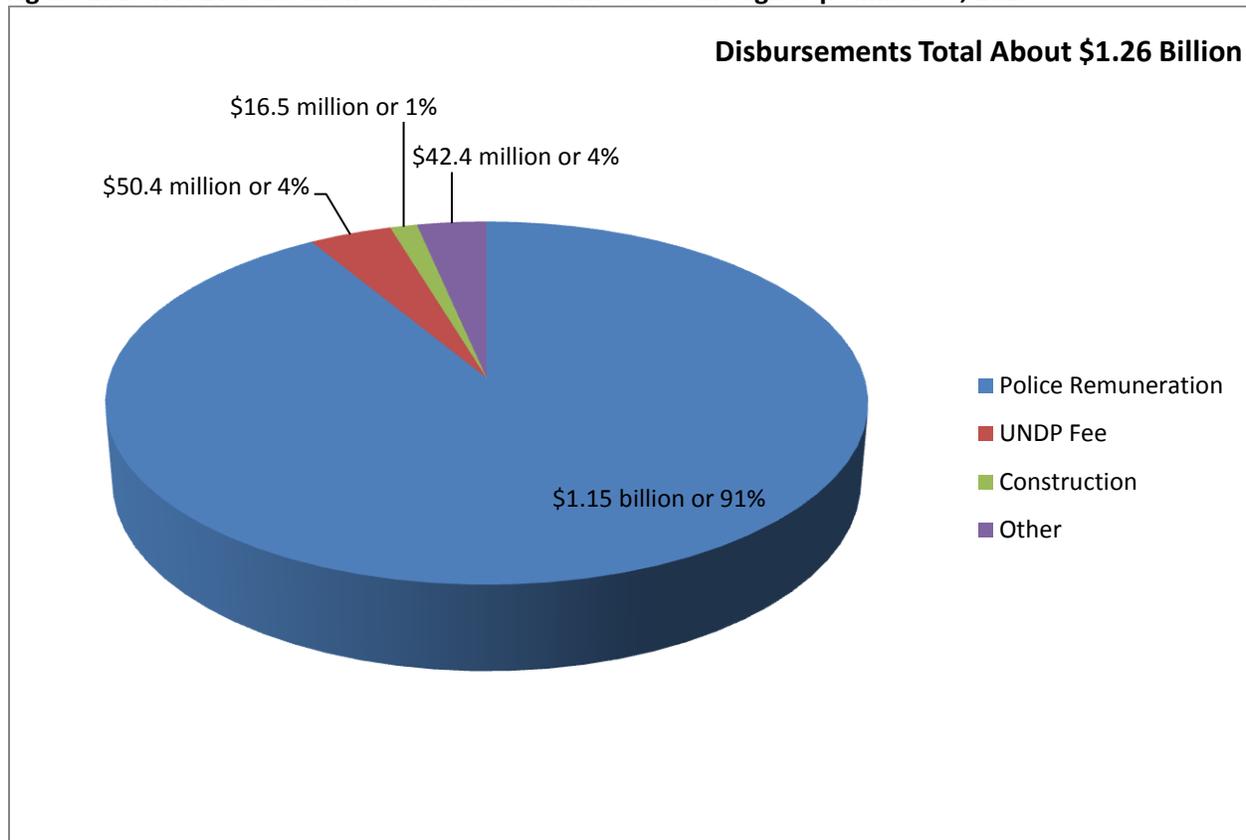
<sup>2</sup> MoI prepares an organizational document called the *tashkil*, which dictates force structure, personnel strength, and mission descriptions for the ANP that are funded through LOTFA by international donations.

4. Afghanistan Automated Biometric Identification System (AABIS): The United States has a contract to assist the Afghan government in collecting and managing the biometric data for all of the ANSF.
5. The Electronic Payroll System (EPS): UNDP created and maintains EPS, the MoI's payroll system. The MoI uses manual time and attendance records to process monthly payroll in each of 161 stand-alone EPS. The MoI submits the EPS-processed payroll information to the MoF, which is responsible for managing all Afghanistan ministry financial transactions, including the payment of salaries. The MoF records the EPS information provided by the MoI into the Afghanistan Financial Management Information System (AFMIS), which is the country's government-wide accounting system.

The MoF provides a budget to MoI for all operating expenses, including ANP payroll and other costs. The UNDP uses the international contributions to LOTFA to reimburse the MoF for ANP payroll and other costs that are eligible under the LOTFA agreements. The UNDP is responsible for the administration and oversight of LOTFA. As of September 2008, the LOTFA agreements stipulate that the UNDP will also contract with a monitoring agent to perform monthly audits of the ANP payroll.

LOTFA provides the majority of funds used to reimburse ANP police salaries, benefits, and other compensation. From 2002 through September 30, 2010, LOTFA disbursed about \$1.26 billion to reimburse MoF for ANP costs; more than 91 percent of this amount was for police salaries, food allowances, and other pay (see figure 2 below).

**Figure 2: LOTFA Disbursements to Reimburse ANP Costs through September 30, 2010**



Source: UNDP's quarterly and annual LOTFA reports.

Note: Numbers affected by rounding.

The MoF uses four mechanisms to pay ANP personnel. The first two are the electronic payment processes and the last two are the manual cash payment processes:

1. Electronic Funds Transfer (EFT): The MoF processes the payment in AFMIS and the funds are transferred from the Central Bank of Afghanistan (Da Afghanistan Bank or DAB) to an individual's commercial bank account electronically. Typically this is through Kabul Bank, which has the largest number of satellite branches. EFTs have two advantages. First, they eliminate the potential for skimming by superiors. Second, because they require an individual to collect his/her salary, they reduce payments to ghost employees.
2. Cell Phone or M-Paisa Mobile Salary Disbursement Scheme: In July 2009, the Afghan government started a pilot program that remains currently underway for mobile banking in the Wardak and Khost Provinces. The objective is to create an alternative to an EFT in places where an EFT is not available, such as in remote areas where there is no banking network.
3. Pay by List: In areas where there is no commercial bank, employees can be paid through DAB, which does not service individual accounts. Rather, it pays each individual where there is DAB and no commercial bank per a prepared list of identified ANP employees.
4. Trusted Agent: A government employee picks up the payroll from either DAB or Kabul Bank or other commercial bank with funds transferred from DAB (similar to EFT and cell phone payments). The unit commander, or other trusted agent, makes payment to the individual

employee where there is neither the DAB nor a commercial bank. This payment method is subject to the greatest risk of abuse, including skimming of salaries and payments to ghost employees.

## **MOI CANNOT DETERMINE AN ACCURATE NUMBER OF ANP PERSONNEL AVAILABLE FOR WORK**

The MoI cannot accurately determine the actual number of personnel that work for ANP because it has been unable to reconcile its personnel records with ANP personnel reported as available for work. LOTFA-required annual audits of financial statements for 2004 through 2007 found that ANP personnel workforce counts could not be verified. In response, the MoI stated that it had initiated actions to maintain updated records of ANP workforce strength. As of January 2011, several MoI projects designed to improve accountability for personnel records and data had been completed, were in process, or were being planned. However, the MoI still maintains records in decentralized, unlinked, and inconsistent systems. The data in these systems has neither been reconciled nor verified. According to *Standards for Internal Control in the Federal Government*,<sup>3</sup> periodic comparisons of resources with recorded accountability should be made to reduce the risk of errors, fraud, misuse, and unauthorized alteration of data. The success of these projects will depend on the MoI's ability to accurately gather data, report workforce strength, reconcile records, and verify data.

### **Actual Size of ANP Workforce Cannot Be Determined**

The MoI cannot accurately determine the size of the ANP workforce because it does not have a complete personnel or human resource database to track and account for all ANP personnel data. The MoI currently uses various manual and automated processes to track ANP personnel data and human resource records provided from the units, districts, and precincts to MoI headquarters. However, the number of records and the completeness of the data varies depending on the system, database, or process.

Currently, the MoI has completed or initiated several projects to establish adequate personnel records to authorize, assign, and track the ANP. These projects are:

- Human Resources Information System (HRIS) – During 2010, the MoI began transferring manual MoI human resource records into MoI's newly developed, automated HRIS database from its identification card/registration database.
- Personnel Asset Inventory (PAI) – From October 2009 until July 1, 2010, MoI attempted to conduct a PAI of all ANP personnel, including biometrics and drug tests. The information was entered into separate databases.
- Revised AABIS – The MoI Biometric Center (MoIBC) has initiated efforts to eliminate multiple records with the same fingerprints from its existing AABIS database.

As of September 30, 2010, the number of ANP records in the different systems, databases, and processes ranged from 111,774 to 125,218 (see table 1). The MoI, with the assistance of NTM-A/CSTC-A, has initiated several projects to automate MoI systems and processes to fully account for the ANP workforce strength. However, a comparison of the number of records in these different systems and an assessment of the completeness of their data has not been performed. Until these

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<sup>3</sup> GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, November 1999.

projects are successfully completed with reconciliations and verifications, the MoI cannot ensure that its reports on ANP staffing levels are accurate and that personnel and human resource data are complete and reliable. Both NTM-A/CSTC-A and UNDP have cited issues with data collection, data accuracy, and database compatibility as reasons why the data have not been reconciled.

**Table 1: Number of ANP Human Resource/Personnel Records as of September 2010**

Source of ANP Human Resource/Personnel Data	No. of ANP Records
Manual MoI human resource records	111,774
Personnel identification card/registration database	125,218
PERSTAT report - Assigned <sup>a</sup>	120,504
Afghanistan Automated Biometric Identification System (AABIS)	113,225

Source: MoI Human Resources and Biometric Center.

Note: <sup>a</sup> Does not include more than 8,100 non-*tashkil* ANP that are reported by MoI Human Resources.

As of September 2010, the MoI identification card/registration database reported 125,218 ANP personnel registered. However, the database also reported that there are still 33,595 ANP without identification cards (about 27 percent of ANP) as of October 2010. Additionally, in preparation for the conversion to the Afghanistan Human Resources Information Management System (AHRIMS), the MoI, through a U.S. contract, is transferring its manual human resource and personnel records for each individual in the ANP into the automated HRIS database, which is already populated with data from the MoI identification card/registration database. MoI's Human Resources staff is manually scanning thousands of records, and as of September 2010, 19 percent of registered ANP personnel, including about 50 percent of officers and sergeants, had been transferred to the HRIS system. Table 2 reflects the number of ANP records in the identification card/registration database and the status of efforts to create electronic personnel/human resource records for all ANP personnel in HRIS as of September 2010.

**Table 2: Number of Registered ANP and Status of HRIS database as of September 2010**

ANP Rank	Identification Card/		Not Yet Included in HRIS
	Registration Database	HRIS	
Officers	22,698	16,709	5,989
Sergeants	25,761	7,556	18,205
Patrolmen	76,759		76,759
<b>Total</b>	<b>125,218</b>	<b>24,265</b>	<b>100,953</b>

Source: MoI Registration ID Unit.

Note: Total includes 1,700 officers and sergeants in both databases but no longer on the force.

In September 2010, at the same time our audit raised several questions regarding monthly PERSTAT and related attrition reports, NTM-A/CSTC-A revised the method it used to determine the total number of ANP personnel assigned and workforce strength reported in MoI's monthly PERSTAT reports. The revision was needed to correct an error by CSTC-A in translating from Dari the number of assigned ANP personnel reported each month. The error resulted in double counting between 10,000 and 12,000 ANP enablers (medical, fire and rescue, anti-crime, counter-narcotics, etc.) each month since July 2008. CSTC-A's revision resulted in a net decrease in its reported number of assigned ANP from

120,504 personnel in September 2010 to 116,367. The revised method now includes over-*tashkil* ANP (assigned personnel in excess of authorized levels) and ANP in training, which was 4,202 and 8,034 respectively, in October 2010. NTM-A/CSTC-A also reported that it is reassessing its method for reporting ANP attrition.

Another issue concerns the duplication of records within AABIS. A MoIBC official stated that between 138,000 to 163,000 records in the AABIS relate to ANP, but only about 113,000 of those contain rank and location information as of October 2010. The official also stated that MoIBC could not confirm that there were no duplicate ANP personnel among these 113,000 records. CSTC-A stated that AABIS keeps duplicate biometric enrollments as unique entries since the current software does not easily allow the biometric data to be filtered and sorted so that an accurate count and reconciliation can be done. The MoIBC official added that the Center has initiated projects to improve the biometric data in AABIS since biometrics offer unique identifiers that help verify and identify ANP personnel. One project consists of purchasing biometric identification verifiers to help MoI and CSTC-A determine if a fingerprint is already in AABIS and whether another scan is needed. The official added that these verifiers will be used with AABIS to provide individual ANP personnel with unique identifiers and with Biometric Jump Kits<sup>4</sup> for future PAI and as part of regular ANP in-processing procedures. According to the Center's official, these verifiers will also be used to accurately generate time and attendance records, distribute pay, and help prevent double counting of ANP in future PAIs.

In October 2009, the MoI with the assistance of NTM-A/CSTC-A performed a PAI to achieve 100 percent accountability for all ANP personnel and weapons. The PAI collected data consisting of personal information, fingerprints, iris scans, photographs, and drug-test results. Stored in newly created databases intended to serve as the foundation for a MoI Human Resources database, the data collected included 98,970 PAI registrations; 97,042 biometric registrations; and 100,518 drug tests. Although the MoI reported the PAI a success, it did not provide accountability for ANP personnel numbers or the necessary data to easily compare records in other systems and databases.

The PAI was intended to serve as a two-month snapshot of ANP forces present for duty, but the data was captured over a nine-month period. As a result, the MoI used a total of 99,831 ANP that were called to muster for the PAI based on assigned ANP as of the dates of different PAI phases.<sup>5</sup> However, the PAI report<sup>6</sup> identified a total of 93,809 assigned ANP at the beginning of the PAI and 105,873 at the end of the PAI. Furthermore, the data captured did not account for the total number of recruits or attrition of ANP during this period. Therefore, it provided no assurance that all ANP were registered during the PAI or still with the force. In addition, almost 16,900 biometric registrations could not be verified by other ANP and ANA records. The PAI report also noted the following issues that limit the usefulness of the exercise:

- Numerous challenges surfaced during the registration process, including transportation delays of clerks and supplies, database corruption and equipment failure, and inadequate infrastructure.
- A lack of training and capacity to conduct the PAI may have resulted in records that were either not completed, or not completed correctly.

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<sup>4</sup> Jump Kits gather biometric data consisting of fingerprints, photographs, iris scan, and personal information.

<sup>5</sup> MoI used the total reported ANP assigned for eight provinces as of October 2009 (Phase I and IIA) and 26 provinces as of February 2010 (Phase IIB) as the population size for PAI.

<sup>6</sup> The Islamic Republic of Afghanistan, Ministry of Interior, *Personnel Asset Inventory: Afghan National Police*, September 2010.

- The PAI reported that 99 percent of the ANP personnel assigned were registered, but the number registered varied significantly across the 34 provinces. The reported registration percentages for nine provinces (Farah, Nimroz, Badakhshan, Paktika, Badghis, Kunduz, Nuristan, Kunar, and Takhar) were less than 80 percent, ranging from 58 percent in Farah to 75 percent in Takhar. While the reported registration percentages for seven other provinces (Balkh, Wardak, Nangarhar, Paktya, Ghor, Kabul, and Herat) were more than 105 percent; ranging from a reported 107 percent in Herat to 181 percent in Balkh. These higher percentages in some provinces were reportedly due to the inclusions of both the ANP no longer assigned and their replacements.

### **The MoI is Planning Two Projects to Improve Accountability**

The MoI is planning two projects to establish adequate personnel records to authorize, assign, and track the ANP. These projects are:

- Second PAI – In the spring of 2011, the MoI plans to conduct another ANP headcount and verification of personnel data. The plan is to obtain 100 percent accountability of the ANP workforce and verify the personnel and payroll data in the various systems.
- AHRIMS - NTM-A/CSTC-A is planning to implement AHRIMS to account for and track ANSF personnel and human resource data for the MoI and the Ministry of Defense. The plan includes incorporating biometric data and maintaining time and attendance records.

On November 7, 2010, NTM-A/CSTC-A told us that the MoI planned to conduct a second PAI in January 2011. Based on the results of the first PAI and our preliminary audit observations, we reported to NTM-A/CSTC-A that several steps, taken at that time, could improve the results of this second PAI.<sup>7</sup> These additional steps could assist the MoI in achieving the desired ANP accountability and provide the necessary data to verify and reconcile data and records in the various MoI payroll and personnel databases and systems. Complete and accurate records in these payroll and personnel databases and systems would provide the mechanism to more easily link ANP records and data in the current systems, avoid potential duplications of payments, and develop accurate tracking of ANP personnel throughout Afghanistan.

In February 2011, CSTC-A informed us that the MoI, with NTM-A's assistance, is planning a country-wide PAI as part of a complete inventory of the ANSF. The new plan consists of multiple phases over a six-month period to conduct a 100 percent headcount of all ANP, validate the data in MoI's various payroll and personnel systems and databases, and create records for ANP that are not currently in the systems and databases. This second PAI is scheduled to begin this spring and is expected to validate information in HRIS and EPS, update AABIS, conduct sample drug tests, collect information on training, and issue identification cards. Identification cards numbers will be utilized as the common data fields for the various payroll, biometric, and personnel databases and systems.

In addition to these MoI projects to improve ANP accountability, NTM-A/CSTC-A received authorization to create AHRIMS to track and account for all ANSF personnel and human resource records in August 2010. The plan is to utilize the existing ANA database, the Personnel Information Management System, and HRIS in AHRIMS for ANA data and ANP data, respectively. AHRIMS is expected to be implemented at ANP district levels and ANA battalion levels to completely automate and link all ANA and ANP

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<sup>7</sup> November 26, 2010 management letter action for consideration related to a second PAI addressed to the Commanding General of NTM-A/CSTC-A.

personnel and human resource records. AHRIMS is also expected to include biometric information (from AABIS) and time and attendance records. NTM-A/CSTC-A expects to award a contract for the pilot by July 2011. The urgency of completing the other projects and ensuring the accuracy and consistency of ANP records and data in the various systems and database is heightened by the need to generate reliable data and information for this ANSF-wide project.

### **PROGRESS CONTINUES WITH DEVELOPMENT OF THE MOI PAYROLL SYSTEM BUT THIS SYSTEM STILL PROVIDES LITTLE ASSURANCE THAT ONLY PERSONS WHO WORK FOR ANP ARE PAID, ONLY ELIGIBLE COSTS ARE REIMBURSED, AND THAT PROPER OVERSIGHT IS PROVIDED**

Moi and UNDP are progressing in automating the payroll and payment processes, but they cannot verify that payroll disbursements were only made to persons working for ANP or that LOTFA funds reimbursed only eligible ANP payroll and other costs. In addition, more oversight and monitoring over ANP costs and LOTFA funds are needed. Moi, with help from UNDP, continues to progress in the implementation of MoF's verified payroll plan by establishing individual payroll accounts and eliminating cash payroll disbursements to ANP. As of September 2010, about 21 percent of ANP were still paid by cash and neither Moi nor UNDP have verified payroll data and cannot confirm that only ANP who work have been paid. UNDP, as the LOTFA administrator, has overall responsibility for oversight and monitoring of LOTFA funds and the reimbursement of eligible ANP costs. However, UNDP cannot confirm that LOTFA funds only eligible ANP costs and its reports do not provide sufficient evidence that all audit findings are resolved; thus, additional procedures are needed to improve the oversight and monitoring of ANP payroll costs and LOTFA funds. Until these issues have been addressed, there is limited assurance that only ANP personnel who worked received pay and that LOTFA funds were used to reimburse only eligible ANP costs.

### **Progress Made in Developing Individual Payroll Records and Automated Payroll Processing but Data Have Not Been Verified**

In 2004, the MoF adopted a verified payroll plan designed to automate salary payments by establishing individual records in EPS. The plan addressed long standing issues, such as skimming and other forms of corruption related to cash distributions, by replacing cash payments with electronic funds transfers (EFTs). The Moi has made considerable progress towards implementing the verified payment plan. According to the UNDP almost all ANP personnel had individual payroll accounts in the EPS and nearly 80 percent of ANP pay had been converted from cash payments to EFTs as of September 2010. The UNDP based these percentages on the number of personnel records reported by the Moi. However, the validity of these percentages cannot be determined until Moi human resource records are reconciled with the Moi PERSTAT. *Standards for Internal Control in the Federal Government*<sup>8</sup> states that periodic comparisons of resources with recorded accountability should be made to help reduce the risk of errors, fraud, misuse, and unauthorized alteration.

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<sup>8</sup> GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, November 1999.

### Mol Implementation of Verified Payroll Plan is Progressing

The Mol has made progress in implementing the MoF verified payroll plan over the last six years, but the data in the EPS has not been verified and may not be reliable. Starting in Phase V (September 2008-December 2010), a contractor hired by the UNDP provided independent monitoring and reporting of ANP payroll process and payments. The monitoring agent reported on the following:

- the number of ANP reported by Mol Human Resources from its manual records,
- the number of ANP added to the EPS,
- the number of ANP switching from cash payments to EFT, and
- the sum of ANP payroll transactions processed as reported in detailed monthly payroll reports (M41 forms) each month.

UNDP has shown steady progress in establishing independent payroll accounts in EPS and converting cash payroll payments to EFT. See table 3 for the status of the plan in September 2008 and September 2010. As an alternative to EFT, a pilot mobile banking program has been expanded to 255 ANP in Wardak and Khost provinces to further reduce the number of ANP that receive cash payroll payments.

**Table 3: Status of Verified Payroll Plan at Mol as of September 2008 and 2010**

Source of Payroll Data	2008 No. of ANP Records	Percentage of 2008 HR Records	2010 No. of ANP Records	Percentage of 2010 HR Records
Monitoring Agent Payroll Verification (M41s)			111,739	99.9%
Electronic Payroll System (EPS)	60,830	77.7%	111,437	99.7%
Electronic Funds Transfer (EFT)	33,137	42.3%	88,135	78.9%
Mol Human Resource Records (manual)	78,249	100.0%	111,774	100.0%

Source: UNDP-provided data obtained from unverified provincial data submitted by Mol Human Resources.

However, the actual progress in verifying payroll data cannot be easily or accurately measured because numbers per manual records do not match numbers of assigned ANP reported for the same period. For example, in the September 2010 PERSTAT report, the Mol's Human Resources department reported total assigned ANP of 120,504 (excluding about 8,100 ANP that are not reimbursed by LOTFA funds) but manual records reported totaling 111,774 ANP personnel to UNDP. The difference was 8,730 or about 7.8 percent.

### Mol Electronic Payroll System Data Not Reconciled Nor Verified

The accuracy of the number of records in the EPS cannot be determined because the EPS is a stand-alone, decentralized system. ANP numbers vary in other systems and totals and individual records have not been reconciled or verified. The UNDP, its monitoring contractor, and NTM-A/CSTC-A (with its contractor) are participating in a working group to 1) update the 161 stand-alone EPS's within Kabul and the other 33 provinces, and 2) consolidate them into a nationwide web-based EPS application. Part of this effort includes verifying EPS data by capturing and reconciling personnel data contained in the Mol's manual human resource records, identification card/registration records, and PAI registration database. However, UNDP has not been able to easily match EPS records with the other data because of issues

related to the completeness and accuracy of other databases. For example, according to UNDP, the data fields in the PAI database do not match the data fields in the EPS databases, making it difficult to reconcile the PAI and EPS data with each other and with the MoI's manual ANP records. As of November 2010, the UNDP reported that three provinces and part of Kabul headquarters had been reconciled, validated, and fully integrated into a web-based EPS. However, there was no information provided on the status of its efforts to reconcile and validate each of the 111,936 ANP records and data in EPS with the MoI manual human resource records, MoI identification card/registration, and PAI registration databases to help determine whether each ANP employee has an EPS record.

Additionally, we compared the number of ANP records from the various sources for five districts and one non-*tashkil* unit for September 2010. We found the number of ANP records in the various payroll and personnel systems and databases at the district- and unit-level varied as much as the overall totals for the same systems and databases (see table 4). Security concerns and infrastructure challenges contribute to delays in obtaining data and documentation from stand-alone systems. In addition district- and unit-level data are not available on either AABIS or the PAI database. We found the same number of ANP with payroll processed (M41) were paid (bank report) for three of six locations tested. We also determined that there should be sufficient pay, personnel, and time and attendance data and records available to perform detailed payroll tests and observe pay distributions at most district- and unit-levels. However, we found that the number processed and paid did not match the number of reported ANP assigned and that the level of the completeness and reliability of information varied by location and type of report. We particularly noted the discrepancies in the Dehroud district of Uruzgan province.

**Table 4: Number of ANP Payroll and Personnel Records at Selected Locations for September 2010**

District/Unit	Region	Province	Authorized <sup>1</sup>	PERSTAT Assigned <sup>2</sup>	M41 Detailed Payroll <sup>3</sup>	M16 Summary Payroll <sup>4</sup>	EPS	MoI ID Card/Registration Database <sup>5</sup>	Bank Report <sup>6</sup>
Gulstan	West	Farah	100	96	99	108	100	55	99
Hazrat Emam Sahim	North	Kunduz	188	194	81	81	143	35	81
Copper & Mine Unit	Central	Logar	X	1,330	1,224	1,520	X	1,674	1,224
Jalrez	Central	Wardak	53	41	48	X	50	23	X
Urgoon	East	Paktika	200	173	104	443	65	30	X
Dehroud	South	Uruzgan	191	139	X	X	312	161	X

**Source:** SIGAR analysis of MoI reports.

Notes: X = Documentation was either not available or not provided.

<sup>1</sup> The number of ANP authorized as per *tashkil*, which is the annual report of ANP authorized positions.

<sup>2</sup> The number of ANP assigned (available for work) as reported in MoI personnel statistics report (PERSTAT).

<sup>3</sup> The total number of ANP personnel from monthly payroll registers (EPS form M41).

<sup>4</sup> The total number of ANP personnel from monthly payroll summary reports of total transactions processed (EPS form M16).

<sup>5</sup> The total ANP registered from MoI identification card/registration database.

<sup>6</sup> The total ANP payroll disbursements reported by the banks.

Subsequent MoI and UNDP site visits to the Uruzgan Province to investigate why more ANP were paid than authorized, assigned, or registered in the Dehroud District confirmed our concerns about the district. After completing our analysis, we provided the above information to UNDP and NTM-A/CSTC-A for follow up since the number of ANP paid was 173 more than the number assigned to the district for September 2010. CSTC-A stated the trip was a routine site visit to investigate 1) why the province's ANP

payroll costs exceeded budgeted amounts and 2) why M41s were not provided by MoI or UNDP after being requested for several months. Our concerns were heightened when the method used to report ANP assigned in the PERSTAT changed (see discussion in earlier section). The change resulted in about 2,775 more ANP being paid than assigned throughout ANP in October 2010.

In December 2010, an MoI payroll assessment team visited Uruzgan Province to follow up on our concerns that more ANP were reported to have been paid than assigned in the Dehroud District and to assess Uruzgan's financial operations. The MoI payroll assessment teams, operating under NTM-A/CSTC-A guidance<sup>9</sup> that standardized the process for reporting and resolving ANP pay and mentor issues, conducted 31 such site visits to various EPS locations throughout Afghanistan between August 2010 and December 2010. Also in December 2010, the UNDP monitoring contractor, responsible for auditing ANP payroll costs within all 34 provinces performed a separate site visit to the Uruzgan Province. The two Uruzgan Province site visits confirmed our concerns and identified the following MoI issues:

- Serious problems creating and maintaining M41 payroll documentation;
- No one was able to verify the amount paid to ANP personnel or which individuals had received cash payments – all Uruzgan Province is paid by cash;
- No method existed for verifying that personnel on the M41 were authorized to be paid (opening up the potential for ghost employees); and
- MoI approved and sent additional quarterly allotments to cover more ANP assigned personnel than positions authorized even though MoI reported fewer assigned ANP than positions authorized.

NTM-A/CSTC-A also made several recommendations for immediate and long-term action as a result of the two site visits. The recommendations included issuing ANP identification cards, expanding banking options, introducing and expanding the EPS and EFTs throughout the province, completing time and attendance reports and monthly payroll registers (M41s), and using biometrics. The MoI is planning to perform similar site visits throughout the country. While this is a positive step, there will continue to be little to no assurance that only those individuals working for ANP receive payroll payments until the data can be verified and corrective actions have been implemented.

### **UNDP Reconciles Current Payroll Costs but Cannot Ensure that Only Eligible ANP Costs Are Reimbursed**

The UNDP reconciled the ANP's 2009 payroll costs but it did not provide assurance that the LOTFA funds paid to MoF reimbursed only eligible ANP costs. UNDP performs a monthly reconciliation of ANP costs and quarterly reimbursements to the MoF, but it does not perform a complete reconciliation until the end of year when adjustments are made for ineligible amounts. We cannot assess the degree to which the UNDP reconciled ANP costs prior to 2009 because the MoI and the MoF did not maintain complete payroll cost and financial information. The 2009 annual LOTFA audit report noted that ANP payroll costs could not be audited until subsequent quarters due to the untimely submission of EPS reports. We found that the support for the completed 2009 reconciliation (through March 2010) did not include

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<sup>9</sup> NTM-A/CSTC-A Fragmentary Order (FRAGO) 10-371 *Afghan National Police Monthly Pay Process Standard Operating Procedures – ANP Pay Resolution and Mentor Audit Process*, effective September 2010. In February 2011, NTM-A/CSTC-A noted additional members will be added to the Payroll Assessment Teams by September 2011.

sufficient documentation to determine if only eligible costs were reimbursed and that the 2010 ANP payroll costs have not yet been reconciled.

*Standards for Internal Control in the Federal Government* states that an agency must establish physical control to secure and safeguard assets, including cash, which might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records. In addition, guidance in the LOTFA contract<sup>10</sup> states that funds are to be disbursed only to policemen who are physically serving or otherwise lawfully entitled to compensation. The UNDP's project document also requires quarterly reconciliation and reimbursement of ANP costs.

For the year ended in March 2010, the UNDP reimbursed 100 percent of ANP payroll and food costs up to the *tashkil* limit of 122,000 ANP and performed a complete reconciliation at the end of the Afghan year. Part of this complete year-end reconciliation is for UNDP to determine the eligibility of ANP costs and adjust the payroll costs before it makes final reimbursement to MoF. According to UNDP officials, reconciliation and adjustment are performed at the end of the year due to the labor-intensive nature of the data. The MoF's AFMIS only accounts for the total of all uniformed ANP payroll costs and food allowances. It does not separate the ANP costs by *tashkil* and non-*tashkil* categories. Specifically, we found that:

- MoI and MoF do not maintain systems that have the kind of detailed information needed to identify specific ANP costs that are eligible for reimbursement based on *tashkil* and non-*tashkil* ANP. However, NTM-A/CSTC-A and UNDP's monitoring contractor stated that UNDP used LOTFA funds to reimburse all ANP payroll and food costs since the total number of ANP paid was less than the authorized ANP level of 122,000. For September 2010, this amounted to about 8,100 ANP non-*tashkil* and Afghan Public Protection Force personnel who should not have been reimbursed with LOTFA funds.
- UNDP reports from April through September 2010 showed that LOTFA funds were used to reimburse all MoF-reported ANP uniformed payroll costs. For the six-month period ending September 30, 2010, UNDP's monitoring contractor reported that total payroll costs of about \$166.6 million paid by MoF for all uniformed police (officers, non-commissioned officers or sergeants, and patrolmen) was comparable to the reimbursed amount of about \$166.5 million of total ANP payroll costs processed by MoI.

Our review of the 2009 year-end adjustment confirmed that ANP payroll costs and food allowances were not separately accounted for by the funding source (i.e. *tashkil* from non-*tashkil*). We also found that the UNDP's 2009 reconciliation was through March 2010 (the end of the Afghan year) and included adjustments to the total ANP payroll and related costs for amounts disallowed by monitoring contractor audits and paid by other sources. UNDP made adjustments for ANP payroll and food allowances that should be paid by non-LOTFA funds totaling \$16.9 million for 6,612 non-*tashkil* ANP. However, the PERSTAT reported that there were 9,017 and 10,448 non-*tashkil* ANP assigned for February 2010 and March 2010, respectively.<sup>11</sup> As a result, there is no assurance that only eligible ANP payroll costs were reimbursed by LOTFA or that sufficient information is available to track non-*tashkil* ANP forces such as

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<sup>10</sup> From the Scope of Services/Roles and Responsibilities section of the Terms of Reference for the Monitoring Agent of LOTFA Appendix to the LOTFA Phase V Project Document.

<sup>11</sup> UNDP reported the 6,612 non-*tashkil* ANP from seven non-*tashkil* units even though MoI reported the total non-*tashkil* ANP from 56 non-*tashkil* units plus another unreported 454 non-*tashkil* ANP that were assigned to the Afghan Public Protection Force as of March 2010. In addition, MoI Finance did not provide documentation for the revenue generated from or information on the number of ANP that worked on non-*tashkil* security service contracts and others security services funded by other sources.

the Afghan Public Protection Force and the new Afghan Local Police that are ineligible for such reimbursement.

### **Additional Oversight and Monitoring Procedures Over ANP Payroll Costs and LOTFA Funds Are Still Needed**

The level of monitoring and oversight over ANP payroll costs and LOTFA funds continues to be an issue. During our review of the oversight and monitoring procedures performed over both ANP payroll costs and LOTFA funds, we found that:

- the value of UNDP oversight continues to be an issue;
- documentation of actions taken to address the audit issue were insufficient; and
- all available cash balances of international donors were not annually audited.

In addition, UNDP auditors reported that numerous management support positions required for monitoring and oversight were vacant, including one for the first 25 months of Phase V. The LOTFA Phase V Project Document states that UNDP will conduct regular monitoring to oversee the quantity, quality, and timeliness of progress toward the benchmarks identified in the Results and Resources Framework and Annual Work Plan. Until these oversight and monitoring issues are addressed, there will continue to be concerns about the value of UNDP's services needed to provide the expected quantity, quality, and timeliness of progress in establishing and maintaining a viable police force. We provided a letter to the Department of State for consideration during its discussions with the UNDP and the LOTFA Steering Committee on the services UNDP was to perform and fees it was to assess for Phase VI of LOTFA, which was to start in January 2011.<sup>12</sup> In February 2011, State officials agreed to follow up on our suggestions even though the revised draft Phase VI Project Document did not address the issues.

#### The Value of UNDP Services Continues to Be an Issue

UNDP provides the majority of oversight and monitoring of LOTFA and ANP payroll costs and charges a management fee for these services. The UNDP management fee increased from three percent for Phases I through IV to five percent for Phase V.<sup>13</sup> The two-percent increase resulted in an additional \$16 million in management fees provided to the UNDP.<sup>14</sup> In addition, an independent monitoring contract was added to assist UNDP with its oversight and monitoring for LOTFA Phase V (September 2008 through December 2010).<sup>15</sup> Although the Phase V Project Document did not disclose the contract cost for the independent monitoring agent contract, the UNDP estimates that it will be \$3.9 million for Phase VI. Donors and contractors have expressed concerns about the value of services UNDP has provided compared to the General Management Support (or management) fee it receives to administer LOTFA.

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<sup>12</sup> November 7, 2010 management letter action for consideration related to UNDP services and fees in LOTFA Phase VI Project Document addressed to U.S. Ambassador to Afghanistan.

<sup>13</sup> The UNDP management fee for the first nine years from Phase I through Phase V was \$61.3 million, based on \$1.4 billion of donations for the five phases. Based on the proposed 5 percent fee and anticipated contributions of over \$1.3 billion, the management fee will be an additional \$68.9 million for Phase VI only.

<sup>14</sup> This estimate is based on the \$821 million contributed to LOTFA for Phase V of which \$255 million remains available, as of June 2010.

<sup>15</sup> LOTFA Phase V was originally from September 2008 through August 2010. However, a four-month extension was added to take Phase V through December 2010. The extension was to allow the LOTFA Steering Committee to finalize the LOTFA Project Document for Phase VI from January 2011 through March 2013.

In Phase V, for the first time, the UNDP made available earned interest of \$1.6 million for the reimbursement of ANP costs. LOTFA reports do not include reporting of the earned interest rates or available balances during this period to validate the accrued amount. Without validation, the reasonableness of the accrued amount cannot be determined, even though the \$1.6 million in interest appears to be a significantly low amount, based on \$821 million donated into LOTFA for the 28 months of Phase V.

The net increase in fees to UNDP for administering the fund, consisting of the UNDP management fee minus the interest earned, for Phase V that is now available in LOTFA for ANP costs resulted in a net increase of \$14.4 million. UNDP's management fee increased even though an independent contractor that performed the assessment of LOTFA Phase IV, noted, as part of its 2009 assessment that LOTFA terms of reference provide a narrower scope for UNDP's role as fund administrator than suggested by other management documents. Further, the contractor noted that the management charge of 5 percent was generally too high, citing by comparison the World Bank management fee of 1.5 percent to administer the Afghanistan Reconstruction Trust Fund. In November 2010, a State Department official informed UNDP that the international donors were requesting a reduction in the management fee to make a greater percentage of donated funds available to fund ANP payroll and other costs.

The 2009 LOTFA Phase IV assessment also noted that, given the considerable and urgent challenges MoI and ANP still face in attaining institutional sustainability and improved performance, a wider role for LOTFA may be warranted. As a result of this assessment, the contractor recommended employing an independent monitoring agent in Phase V (beginning September 2008). The LOTFA Steering Committee, including international donors, subsequently requested a contract be awarded for an independent monitoring agent, which was funded above UNDP's management fee, as per the Phase V Project Document. The terms of the contract required the monitoring agent to assist the UNDP with the audit of ANP payroll and food allowance costs, reconciliation of those costs, validation of reimbursable amounts, development of institutional capacity with MoI, and performing headcounts and verification of ANP staffing levels.

Since 2003, annual LOTFA progress reports have described institutional development as one of LOTFA's five priorities. For LOTFA Phase V, donors made it the second priority after police remuneration. UNDP annually reports that the MoI's lack of institutional capacity to manage personnel systems and processes poses one of the greatest challenges to sustaining LOTFA implementation and management processes. The UNDP has also reported challenges in filling numerous strategic Management Support Unit positions, such as an EPS manager, gender coordinator, reporting and communications officer, and budget analyst. The draft LOTFA Phase VI Project Document, which began in January 2011, includes additional requirements to increase resources for the Management Support Unit and monitoring agent contract. As of February 21, 2011, LOTFA Phase VI Project Document had not been approved. The items still being discussed and negotiated are the management fee and the amount of funds the government of Afghanistan will contribute each year as a step towards achieving greater self-sufficiency.

## Insufficient Documentation of Actions Taken by UNDP and Auditors to Address Audit Issues

UNDP and its annual financial statement auditors did not always provide sufficient documentation to support the resolution of issues included in the various LOTFA audit and progress reports. As part of our review of the annual and quarterly LOTFA audit and progress reports, we found that:

- audit issues were listed as resolved based on statements of actions taken;
- actions taken did not fully address the issue; and
- no evidence was provided to document that an issue was resolved.

*Standards for Internal Control in the Federal Government* states that internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. It also states the monitoring of internal control should include policies and procedures to ensure that the findings of the audit and other reviews are promptly resolved. Managers are to complete, within established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention. The resolution process begins when audit results are reported to management and is completed after actions have been taken to (1) correct identified deficiencies, (2) produce improvements, or (3) demonstrate the finding and recommendation do not need management action.

UNDP and its monitoring agent have been working with MoI to verify ANP payroll costs. Each month, the monitoring agent audits a sample of payroll and food allowance payments, performs sample headcounts, verifies ANP being paid against data in the MoI identification card/registration database, and develops MoI capacity. However, we found that:

- Not all actions reported address all issues – in one example, the monitoring agent reported that payment for payroll and food allowances was received by a person on behalf of others without their authorization to collect payment on their behalf and that individual acknowledgement of receipt was not available. In 2010, the monitoring agent contractor reported about \$34,000 and \$61,000 in cash payments made to a third party instead of to the appropriate officer for the quarters ending June 30th and September 30th, respectively, and that LOTFA noted the issue. However, there was no mention of the affected officers eventually receiving their pay or food allowances from that third party.<sup>16</sup>
- The audit samples used to verify pay and conduct headcounts were based on partial information provided instead of the population. For example, the monitoring contractor:
  - Used a total of 79,292 EPS records provided by MoI to physically verify the existence of ANP receiving pay instead of the total of 111,437 EPS records reported by MoI for the quarter ending September 30, 2010.<sup>17</sup>
  - Used the MoI identification card/registration database to compare to EPS records instead of the actual MoI human resource records. The monitoring contractor reported that MoI Human Resources Department had not provided records, did not have a database, and had

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<sup>16</sup> The monitoring agent subsequently confirmed that the officers were paid and the issue is only administrative.

<sup>17</sup> The monitoring agent subsequently stated that the population is based on EPS as of a predetermined date and that approximately 20,000 EPS records from central MoI were not available and excluded from the population.

not given the contractors permission to conduct a review of Mol's Human Resources program.<sup>18</sup>

LOTFA's annual audit report for the 15-month period ending March 2007 noted the auditor accepted that no action was needed to close a prior-year issue. The auditor reported a reconciliation was needed since the actual head counts of ANP personnel reported by the Management Support Unit (64,923) and Personnel Department (65,497) were different. However, the noted resolution was based on a possible cause that one figure was a beginning-of-the-year head count and the other was an end-of-the-year head count, with LOTFA saying only actual police numbers that report for duty are reimbursed. There was no mention of the auditor following up to corroborate.

As noted earlier, UNDP has not provided any statistics or other information on the status of its efforts to reconcile and validate the 111,936 ANP records and data in EPS with the Mol human resource records, the Mol identification card/registration database, and the PAI registration database. In addition, the UNDP-led EPS working group reported the following but have not provided any evidence that these issues were resolved:

- In October 2009, 1,868 ANP were identified as on EPS and paid but were not listed as currently with ANP. UNDP confirmed that these officers were not in the Mol identification card/registration database and that they were still verifying their existence, especially of the 142 ANP who turned in their ID cards.
- At a September 2010 working group meeting, UNDP informed the working group that 1,500 Afghan National Civil Order Police were being paid outside EPS via an Excel spreadsheet. In November 2010, UNDP added that these national police were now on EPS but did not provide information on what was done to confirm their existence. The monitoring contractor reported the number of individuals listed as paid as per payroll summaries does not agree with the number of individual records in EPS. UNDP explained that the difference was because ANP can be paid outside of EPS by an Excel spreadsheet until EPS records are set up.<sup>19</sup>

In our November 7, 2010 management letter action for consideration, we suggested the LOTFA Phase VI Project Document include language to help ensure that audit issues are properly resolved and documented. As of February 2011, we had not received documentation of what was done to resolve these issues even though CSTC-A stated there were 1,589 Afghan National Civil Order Police in training and paid outside of EPS in September 2010. No documentation was provided to determine if the police in training were the same persons that were paid outside of EPS. The status of these issues remains in question and indicates that follow up is still needed to determine if these issues are resolved.

#### UNDP Auditors Did Not Audit All Available International Donations

Our review of annual audits of LOTFA found that independent auditors did not provide audit opinions on all required financial statements. UNDP guidelines and contract terms (terms of reference) require LOTFA statements of expenditures, assets and equipments, and cash position be audited and an opinion issued. Each year, the independent auditors properly audited and provided opinions on the statements of expenditures and assets and equipments, but did not properly audit and opine on the statement of cash position. The auditors only opined on petty cash and not the international donations that

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<sup>18</sup> The monitoring agent subsequently clarified that the number of human resource records are reported manually and actual records are only available at the provincial levels where the ANP are assigned.

<sup>19</sup> UNDP officials said that Mol issued guidance that all ANP will be paid only through EPS in the future rather than based on Excel spreadsheets.

remained available in LOTFA for reimbursement to MoF for eligible ANP costs. The total cash amounts not audited for 2009 was LOTFA's reported outstanding balance of \$12.85 million as of December 31, 2009.<sup>20</sup>

UNDP officials stated that a reconciliation of LOFTA's year-end cash balance could not be confirmed since LOTFA funds are commingled in one UNDP trust fund account and include funds from the Counter Narcotics Trust Fund and the National Area Based Development Programme. As part of our audit, we determined that the LOTFA-reported available balance of international donations was reasonable and confirmed that all U.S. contributions to UNDP were deposited into LOTFA. However, periodic confirmations of cash are needed to provide donors with an independent verification of the donated funds that remain available to fund ANP costs. In our November 7, 2010 management letter action for consideration, we suggested language be added to the draft LOTFA Phase VI Project Document to ensure that external auditors complied with audit terms and audit all cash. In February 2011, our review of the revised draft LOTFA Phase VI Project Document did not include any language to address this issue.

### **THE DEVELOPMENT AND CENTRALIZATION OF PERSONNEL AND PAYROLL SYSTEMS WILL CONTINUE TO BE AT RISK UNTIL SECURITY, INFRASTRUCTURE, AND COORDINATION ARE IMPROVED**

The MoI is developing systems to help it support and sustain ANP. The development of complete and reliable payroll and personnel processes, records, and reporting and centralized personnel and payroll systems that are linked throughout Afghanistan cannot be achieved without improved security, infrastructure, and coordination. CSTC-A stated the development and centralization of these systems will continue to be a challenge until the war is over and core power and internet infrastructure can be built, with full accountability of ANP down to the individual level at least several years away.

According to UNDP and its monitoring agent, security constraints have continuously prevented processing and monitoring activities and timely reporting from occurring. CSTC-A added security constraints include the fact that Afghanistan is a war zone with insurgent activity and threats. For example, the monitoring agent could not establish project monitoring and evaluation activities in Kandahar until June 2010 due to persistent difficulty in recruiting in a high-threat area. In other examples, high security concerns in several provinces resulted in the following:

- The monitoring contractor could not travel by road and schedule flights to conduct audits at Helmand, Uruzgan, Nimroz, Daikundi, Paktika, Ghazni, and Nuristan during the quarters ended June 2010 and September 2010. CSTC-A added that road travel was a concern due to insurgent activity and roadside bombs.
- LOTFA auditors could not reconcile 2009 ANP salaries in a timely manner due to the late arrival of EPS reports from various provinces; LOTFA did not receive reports for Paktika and Nuristan due to lack of information technology, inadequate logistics, lack of infrastructure, and security concerns resulting in a \$37 million timing difference<sup>21</sup>.

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<sup>20</sup> The total donations to LOTFA for 2009 and for the entire Phase V (September 2008 thru December 31, 2010) were \$271 and \$847 million, respectively.

<sup>21</sup> The timing difference is that the period the costs were incurred and payroll was paid is different from when reported due to untimely receipt of reports from the provinces.

- LOTFA auditors could not audit the payroll costs for a 15-month period ended in March 2007, due to security and timeliness issues in 29 provinces. The report stated audit work was performed in Kabul and visits could only be made to Kunduz, Nangarhar, Balkh, and Herat.

Infrastructure continues to be a concern because of inadequate telecommunication and insufficient commercial bank capacity. CSTC-A added that this immature infrastructure continues to hamper full implementation of automated data systems. NTM-A/CSTC-A for AHRIMS and UNDP for web-based EPS noted connectivity to provinces and districts, manual human resource data, differences in records and data in systems, and infrastructure (equipment, lack of internet connectivity, inconsistent power, and network failure) as challenges in developing the new systems. In its 2009 annual LOTFA progress report, UNDP reported that irregular receipt of EPS reports from provinces (particularly Nuristan, Paktika, Khost, and Ghazni) and inadequate national telecommunication infrastructure are challenges that can jeopardize gains made in EPS reporting. UNDP also reported a lack of commercial banks in remote and inaccessible districts was a challenge in expanding EFT throughout parts of the country where ANP still receive pay by cash payments. CSTC-A noted paper records may have to be relied on for several years until there is internet connectivity at the district level.

NTM-A/CSTC-A stated that a coordinated effort is underway to completely and properly develop ANP personnel and payroll processes and systems. In October 2010, NTM-A/CSTC-A issued a white paper stating the need for an overall information environment to deal with deficiencies in leadership, policy, strategy, standards, governance, and processes. CSTC-A noted that the current decentralized and unlinked MoI manual and automated information system environment developed as stand-alone payroll and personnel systems (or in parallel stovepipes) is not easily coordinated or cross-referenced for accuracy and integrity and that the infrastructure is still a concern at the province and district levels. A CSTC-A official noted the need for coordination to develop utilities (power transmission, network and computer services, and backup systems) for automated and centralized personnel and payroll systems across all provinces and districts and the value added in linking those systems together. The following is the current situation with the existing systems where coordination can help reduce duplication of efforts along with the associated cost savings:

- A complete accountability of all ANP staff and the verification of personnel records has still not been accomplished. PAI databases were created without sufficient consideration to other data sources to allow for the comparison of PAI data to the existing payroll and personnel data. MoI, with assistance from CSTC-A, is planning a second personnel asset inventory this spring based on lessons learned to account for all ANP and capture the necessary data to compare amongst the systems. The captured data includes the input of a common data field (identification card number) to help confirm ANP records and data or identify records and data that need to be updated or removed.
- MoI maintains manual human resource and personnel records at various levels and manually reports human resource and personnel data to MoI headquarters. Efforts are underway to automate all ANP human resource and personnel records. MoI has developed HRIS and is currently creating HR and personnel records in HRIS for ANP one record at a time. As of September 2010, automated records have been created for about 50 percent of officers and sergeants (no records for patrolmen have been automated).
- MoI maintains stand-alone EPS data at the provincial level and report totals are manually provided by each province to MoI Headquarters on a monthly basis. In addition, EPS-created M41s and M16s are manually reported to both MoI Headquarter and provincial MoF Finance Offices (*mustofiats*). A UNDP-led working group is updating EPS and upgrading the EPS into a centralized web-based EPS to link the payroll data between the headquarters, regions,

provinces, and districts. As part of this effort, the working group is reconciling payroll data in EPS to personnel and human resource data from the various systems and databases to ensure the completeness and accuracy of records prior to creating a web-based EPS. However, UNDP reported in its annual 2009 LOTFA progress report that discrepancies between EPS and Mol *tashkil*/human resource figures/Mol identification card/registration database/PAI data continued to be an assessment challenge.

- Mol, with assistance from NTM-A/CSTC-A CJ1 is initiating efforts to develop an ANSF personnel and human resource system – AHRIMS between headquarters, regions, provinces, and districts levels. A part of this effort includes incorporating individual *tashkil* numbers, biometrics, and time and attendance data and linking with the web-based EPS, Mol identification card/registration database, and AABIS systems.

Coordination is needed between Mol, UNDP, and NTM-A/CSTC-A to ensure all system requirements are met, reduce duplicative efforts, and easily link/connect the various systems based on use of common data fields.

## CONCLUSION

A primary U.S. objective in Afghanistan is the development of an independent and accountable security force that meets the needs of Afghanistan. The current status of Mol personnel and payroll systems and records do not currently provide reliable or consistent data and records of ANP. Without adequate systems or controls in place, the MoF cannot assure that it pays only legitimate ANP costs and that U.S. and donor funds are only used to reimburse MoF for eligible ANP costs. The data and records in the various personnel and payroll systems and databases will not be complete, consistent, or sufficient to provide an accurate record of the ANP force ready for duty and paid for work performed until all ANP personnel are completely accounted for, payroll and personnel records are reconciled, and sufficient documentation that amounts reimbursed are proper. In addition, the reliability and effectiveness of the systems and processes in place and being developed to support ANP cannot be sustained until challenges with security, infrastructure, and coordination are addressed.

## RECOMMENDATIONS

To improve accountability for ANP personnel and payroll costs, we are making five recommendations.

To improve UNDP's monitoring and oversight of U.S. and other international donations contributed into LOTFA, as well as address the UNDP management fee we recommend that the U.S. Ambassador to Afghanistan:

1. Require that the U.S. representative on the LOTFA Steering Committee follow up with UNDP to ensure that an opinion is rendered on the available international donations in LOTFA at the end of each audit period, and request that the U.S. Mission at the United Nations help to negotiate and ensure that the UNDP management fee of three percent for LOTFA Phase VI is approved.

To address the development of MOI's personnel and payroll systems to help ensure they provide consistent and reliable ANP workforce data and payroll costs, as well as ensuring that only eligible ANP costs are reimbursed with LOTFA funds administered by UNDP, we recommend that the Commanding General for NTM-A/CSTC-A:

2. Develop written guidance for roles and responsibilities of MOI and CSTC-A for future personnel inventories to account for the ANP workforce and verification of personnel and payroll data in MOI's payroll, personnel, identification card/registration, and biometric databases and systems.
3. Take the following steps as part of all future personnel inventories and data verifications to help ensure the reliability of the number of ANP personnel records and related data:
  - a. Designate the MOI's Human Resources Information System (HRIS) as MOI's official source for personnel inventories and data verifications, registration of police, issuance of identification cards, and conversion of manual human resource records into Human Resources Information System for ANP.
  - b. Compare common data fields (such as, identification card numbers) in each MOI personnel and payroll system and database to verify the data among those systems and databases.
  - c. Incorporate the Biometric Identification Verifier with biometric jump kits to help prevent the creation of duplicate biometric records and related transaction control numbers for ANP personnel in the Afghanistan Automated Biometric Identification System.
  - d. Verify selected payroll and personnel data fields in existing ANP records, enter missing data to ensure the completeness of all ANP records, and create a new record for any ANP personnel not in a system or database.
  - e. Compare the number of records and common data fields in each payroll and personnel system to help ensure that all unverified ANP personnel are removed or identified as inactive and ensure the payroll disbursements are stopped.
4. Develop a plan to ensure a coordinated effort by MOI and CSTC-A to automate and centralize each payroll and personnel system and database (web-based EPS, MOI identification card/registration database, HRIS, AABIS, and eventually AHRIMS) and establish a link between those systems and databases.
5. Require MOI to report ANP payroll and food allowance costs separately by funding source to assist in identifying and tracking the costs that are eligible for reimbursement by LOTFA.

## COMMENTS

The U.S. Embassy Kabul, NTM-A/CSTC-A, and UNDP provided written comments on a draft of this report. These comments are reproduced in appendices II - IV, respectively. In addition, NTM-A/CSTC-A provided technical comments. Overall, NTM-A/CSTC-A expressed concern that the draft report did not give enough credit for the progress made and Mol's efforts to implement change. We agreed, in part, and modified the report title and made certain other changes throughout the text to better reflect Mol's actions and address the technical comments, as appropriate. If the U.S. Embassy and NTM-A/CSTC-A follow through on the actions they have outlined in their comments, they will substantially address our concerns.

In its response, the U.S. Embassy partially concurred with the recommendation to address UNDP's administration and oversight of international donations in LOTFA. Specifically, the U.S. Embassy stated that it is entirely appropriate that UNDP render an opinion on the international donations in LOTFA and at the end of each audit period as a means of improving accountability and transparency and outlined action Embassy representatives plan to take. The U.S. Embassy also stated that LOTFA donors, including the United States, jointly wrote to UNDP asking for the UNDP management fee to be reduced to 3 percent and are awaiting a formal response. Finally, the U.S. Embassy noted that the U.S. Mission to the United Nations is the responsible entity, along with other donor missions at the UN, for negotiating a change in the management fee structure. We agree and have modified this recommendation to clarify that the U.S. Embassy should request the U.S. Mission at the United Nations to negotiate and help ensure that the UNDP management fee of 3 percent for LOTFA Phase VI is approved.

In its response, NTM-A/CSTC-A noted that the collaborative effort between SIGAR and NTM-A/CSTC-A had helped shape the Mol's ongoing Personnel Asset Inventory and resulted in actionable recommendations that make a difference. Nevertheless, NTM-A/CSTC-A cautioned us in trying to hold the Mol to the high U.S. Government Auditing Standards since the Mol is currently defining their processes after 30 years of war and Afghanistan remains a "paper-based" culture. However, we maintain that as stewards of U.S. taxpayer dollars adequate systems and controls must be in place to provide sufficient assurance to safeguard U.S. and other international donations and ensure that funds are used as intended to make proper ANP payments. NTM-A/CSTC-A concurred with the recommendations to development written guidance for roles and responsibilities of Mol and CSTC-A for future personnel inventories and to develop a plan to coordinate the efforts to automate and centralize payroll and personnel systems and databases. It outlined actions it plans to take, which, if followed through on, will address our concerns. NTM-A/CSTC-A partially concurred with the recommendation to take a number of steps as part of all future personnel inventories and data verifications. Specifically, we identified five separate steps that NTM-A/CSTC-A should take to help ensure the reliability of ANP personnel records and related data. NTM-A/CSTC-A concurred with two of the five steps and partially concurred with the other three. In response, we modified the three steps to reflect NTM-A/CSTC-A's comments. NTM-A/CSTC-A also partially concurred with the recommendation to require Mol to report ANP payroll and food allowance costs separately by funding source but did not expressly state why. Rather, it seemed to agree with the recommendation's intent, but noted that the Afghan Financial Management System would have to be modified to track the detail necessary to fully address the recommendation.

In its response, UNDP noted all international cash balances can be tracked with precision and that discussions on the UNDP management fee are currently being led at its headquarters by other international donors, including the United States, with UNDP. UNDP also provided additional context and several suggestions which were considered and incorporated into the report, as appropriate.

## APPENDIX I: SCOPE AND METHODOLOGY

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This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's review of the Afghan National Police (ANP) personnel management processes and systems. This report addresses whether the Ministry of Interior's (MoI's) (1) personnel systems accurately account for the ANP workforce, (2) payroll system accurately accounts for the ANP payroll, including money disbursed by the Law and Order Trust Fund for Afghanistan (LOTFA), and (3) personnel and payroll systems will support the ANP and be sustainable.

To identify, obtain an understanding, and assess the ability of ANP personnel management processes and systems to account for the ANP workforce, we reviewed documentation from and conducted interviews with responsible officials from the United Nations Development Programme (UNDP) and its independent monitoring agent contractor, International Security Assistance Force Joint Command, North Atlantic Treaty Organization (NATO) Training Mission-Afghanistan and Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A), the Department of State, U.S. contractors, and MoI's Human Resources and Finance Offices. We attempted to perform comparative analysis of ANP personnel counts reported by various sources – manual MoI human resource counts, MoI assigned strengths reported monthly by PERSTAT, authorized levels (*tashkil*), MoI Identification Card/Registration database, biometric records reported by MoI Biometric Center report from Afghanistan Automated Biometric Identification System (AABIS), and MoI Human Resources Information System (HRIS). We held several meetings with officials from MoI's Human Resources and Finance Offices, NTM-A/CSTC-A, and UNDP to obtain information for our comparative analysis, updated information on the status of personnel system and database implementations and other projects, and to help ensure proper communication and coordination between the various projects. We also reviewed prior audit reports of ANP by the U.S. Government Accountability Office and the Department of Defense and of the Law and Order Trust Fund for Afghanistan (LOTFA) by UNDP's independent accounting firms for background purposes and to identify related audit issues that follow-up was required to obtain the current status. In addition, we attempted to use data from MoI's manual records and automated personnel systems to determine the actual size of the ANP workforce. We determined that the data was insufficient and prevented us from assessing the reliability of the different totals reported from the various manual records and automated personnel systems.

To identify, obtain an understanding, and assess the ability of the ANP personnel management processes and systems in place and being planned to account for ANP payroll costs and reimbursement, we reviewed documentation from and conducted interviews with responsible officials from UNDP and its independent monitoring agent, NTM-A and CSTC-A and its contractor, State's Bureau of International Narcotics and Law Enforcement Affairs, MoI-Finance Office, and Ministry of Finance (MoF) -Treasury. Additionally, to obtain firsthand evidence of actual monitoring and oversight, as well as audits conducted of ANP payroll processing and distributions and the management and reimbursement of funds from LOTFA, we reviewed monthly, quarterly, and annual progress and annual audit reports, including status of actions taken to address open findings and challenges. To further substantiate our understanding of the personnel and payroll processes at the provincial and district levels, we selected six districts and units (Gulstan, Hazrat Emam Sahib, Copper and Mine Unit, Jalrez, Urgoon, and Dehroud) to perform additional analysis of reported data for the month of September 2010. We attempted to gather all receipt and disbursement activities of ANP from 2002 to 2010. Since documentation was only available for the current Afghan year (1389, which is from April 2010 to March 2011), we performed detailed analyses of UNDP's quarterly and annual LOTFA progress reports to account for the actual international contributions into LOTFA and expenditures made from LOTFA to reimburse the MoF for ANP costs for the entire period starting in 2002 (Phases I through V). We conducted interviews of the

Office of the Secretary of Defense, the Department of State, CSTC-A, and UNDP and obtained evidence of all U.S. contributions to confirm U.S. contributions to LOTFA. In addition, we attended weekly working group meetings between UNDP and its monitoring agent contractor and CSTC-A and its contractor to stay up to date on efforts to update Mol's stand-alone Electronic Payroll System (EPS), convert to a nationwide centralized web-based application, and reconcile EPS data with Mol human resource and personnel data. In addition, we attempted to use data from Mol's payroll system and MoF's accounting system to determine if only police that worked for ANP received pay and only those eligible ANP costs were reimbursed by UNDP from LOTFA. We determined that the data was insufficient and prevented us from determining if only ANP that work were paid and only eligible ANP costs were reimbursed.

To assess whether the Mol's personnel and payroll systems will support the ANP and be sustainable, we reviewed documentation from and conducted interviews with responsible officials from UNDP and its independent monitoring agent contractor, International Security Assistance Force Joint Command, NTM-A/CSTC-A, State, U.S. contractors, Mol's Human Resources and Finance Departments, and MoF Treasury. We held several meetings with officials from Mol's Human Resources and Finance Offices, NTM-A/CSTC-A, and UNDP to obtain additional information on the status of its systems to automate Mol human resource records, centralize the electronic payroll systems throughout the country, and develop an ANSF-wide human resource and personnel system. We also reviewed prior audit reports of ANP by the U.S. Government Accountability Office and Defense and of LOTFA by independent accounting firms and monitoring agent for background purposes and to identify related audit issues that follow-up was required to obtain the current status. We also attended weekly working group meetings between UNDP and its monitoring agent contractor and CSTC-A and its contractor to stay up to date on efforts to update Mol's stand-alone EPS, convert to a nationwide centralized web-based application, and reconcile EPS data with Mol human resource and personnel data.

We conducted work in Washington, DC and Kabul, Afghanistan, from June 2010 to March 2011 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction in accordance with GAGAS and under the authority of Public Law No. 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008.

## APPENDIX II: COMMENTS FROM U.S. EMBASSY IN KABUL



Embassy of the United States of America  
Kabul, Afghanistan

UNCLASSIFIED  
**DECISION MEMORANDUM**

March 21, 2011

TO: Ambassador Karl W. Eikenberry

THROUGH: Acting Deputy Ambassador James R. Keith  
CDROLLE – Ambassador Hans G. Klemm *HJK*

FROM: INL – Bruce Turner

SUBJECT: Comments on SIGAR Report on ANP Payroll

### CONTEXT

SIGAR has circulated for comment a draft of its report entitled “ANP Payroll Costs and Workforce Strength Cannot Be Verified Despite Efforts to Develop MoI Personnel and Payroll Accountability” (attached). In addition to four recommendations addressed to LtG Caldwell, the report recommends that you:

*Require that the U.S. representative on the LOTFA Steering Committee follow up with UNDP to ensure that an opinion is rendered on the international donations in LOTFA at the end of each audit period, and ensure that the UNDP management fee for LOTFA Phase VI is approved.*

We believe it is entirely appropriate that UNDP render an opinion on the international donations in the Law and Order Trust Fund for Afghanistan (LOTFA) and at the end of each audit period as a means of improving accountability and transparency. We will include talking points to that effect for use by the Embassy representative, usually Ambassador Klemm, at the next LOTFA Steering Committee meeting.

However, the second suggestion (“ensure that the UNDP management fee for LOTFA Phase VI is approved”) is not specific and I would suggest that we ask that it be rewritten. We believe that SIGAR is concerned that UNDP’s management fee, at 5%, is too high, and wants to see it reduced to 3%. At the 5% rate, UNDP currently stands to be paid \$70 million in management fees under Phase VI, which is excessive. LOTFA donors, including the United States, jointly wrote to UNDP asking for the fee to be reduced to 3%, and we are awaiting a formal response. In addition, we would recommend that SIGAR direct action for this recommendation to our Mission at the United Nations (USUN) because it, along with other donor missions at the UN, is responsible for negotiating a change in the management fee structure with UNDP headquarters in New York.

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UNCLASSIFIED

**RECOMMENDATION**

That you approve our responding to SIGAR's draft report on ANP Payroll noting that we fully support the first part of the recommendation in support of more UNDP reporting; and that on the second part that the phrase be altered as noted in support of reducing the fee paid to UNDP.

Approve Yes Disapprove \_\_\_\_\_ Let's discuss \_\_\_\_\_

Attachment: SIGAR's Draft Report on ANP Payroll

UNCLASSIFIED

**Embassy Kabul’s response to the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) Draft Report 11-10 entitled “ANP Payroll Costs and Workforce Strength Cannot Be Verified Despite Efforts to Develop MoI Personnel and Payroll Accountability.”**

In addition to four recommendations addressed to LtG Caldwell, the report recommends:

*Require that the U.S. representative on the LOTFA Steering Committee follow up with UNDP to ensure that an opinion is rendered on the international donations in LOTFA at the end of each audit period, and ensure that the UNDP management fee for LOTFA Phase VI is approved.*

We agree with the first part of the recommendation that it is entirely appropriate for UNDP to render an opinion on the international donations in the Law and Order Trust Fund for Afghanistan (LOTFA) at the end of each audit period as a means of improving accountability and transparency. We have and will continue to include talking points to that effect for use by the Embassy representative, usually Ambassador Klemm, at LOTFA Steering Committee meetings.

However, the second portion of the recommendation (“ensure that the UNDP management fee for LOTFA Phase VI is approved”) is not specific and we propose that it be rewritten. We agree with the concern raised by SIGAR that UNDP’s management fee, at 5%, is too high, and should be reduced to 3%. At the 5% rate, UNDP currently stands to be paid \$70 million in management fees under Phase VI, which we believe is excessive. LOTFA donors, including the United States, jointly wrote to UNDP asking for the fee to be reduced to 3%, and we are awaiting a formal response. In addition, we propose that SIGAR direct action for this recommendation to our Mission at the United Nations (USUN) because it, along with other donor missions at the UN, is responsible for negotiating changes in the management fee structure with UNDP headquarters in New York.

## APPENDIX III: COMMENTS FROM NTM-A/CSTC-A



HEADQUARTERS  
NATO TRAINING MISSION – AFGHANISTAN  
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN  
KABUL, AFGHANISTAN  
APO, AE 09356



5 April 2011

MEMORANDUM FOR Office of the Special Inspector General for Afghanistan Reconstruction,  
400 Army-Navy Drive, Arlington, VA 22202

SUBJECT: NTM-A Response to Draft SIGAR Audit Report No. 11-10, Dated April 2011

1. I would like to thank you for the time your team has taken to examine the payroll process of the Afghan National Police. We partially concur with the recommendations and are attaching additional information and comments to inform the final report.
2. I want to also thank your audit team for their prompt feedback in November 2010. The Ministry of Interior was able to use this input to shape their ongoing Personnel Asset Inventory. It is this type of collaborative effort between your organization and ours that results in actionable recommendations that make a difference.
3. I am a bit concerned that the title of your draft report does not reflect the content of the report and for those that do not have the time to read the report, they will be left with an incorrect impression. I would ask that you reconsider the title so that it reflects the fact that tremendous progress has been made, we have identified areas for improvement, and the MoI is aggressively implementing change.
4. Additionally, I urge caution in trying to hold the Afghan Ministry of Interior to the high US Government Auditing Standards as the MoI is still in the early stages of defining their processes.
  - Over the past 18 months, considerable progress has been made in verifying the workforce strength and payroll of the Afghan Police.
  - After thirty years of war, first with the Soviets, then with the Taliban, the entire country is attempting to rebuild its intellectual capital. It is a remarkable accomplishment that at this early stage, we have several databases in place, albeit as you point out they are not yet fully integrated.
  - Additionally, Afghanistan remains a “paper-based” culture, so the *Standards for Internal Control in the Federal Government*, dated November 1999 may not be the most appropriate yardstick for assessing them.
5. Attached are our responses as well as some clarifications/corrections we noted in the draft.

  
JOHN G. FERRARI  
COL, U.S. Army  
Deputy Commander for Programs

**SIGAR DRAFT REPORT 11 -10 DATED Apr 2011  
SIGAR Project No. 013A**

**“ANP Payroll Costs and Workforce Strength Cannot Be  
Verified Despite Efforts to Develop Mol Personnel and  
Payroll Accountability”**

**NTM-A/CSTC-A COMMENTS  
On the DRAFT REPORT**

(SIGAR Recommendation for the Commanding General for NTM-A/CSTC-A)

**RECOMMENDATION 1 (page 23, SIGAR Draft Report)** Develop written guidance for roles and responsibilities of Mol and CSTC-A for future personnel inventories to account for the ANP workforce and verification of personnel and payroll data in Mol's payroll, personnel, identification card/registration, and biometric databases and systems.

NTM-A/CSTC-A concurs. NTM-A/CSTC-A published written guidance for roles and responsibilities of Mol and CSTC-A for the current Personnel Asset Inventory (PAI) to account for the ANP workforce and verification of personnel and payroll data in Mol's payroll, personnel, identification card/registration, and biometric databases and systems through Fragmentary Operations Orders (FRAGO) 11-104 – Afghan National Security Force Personnel Asset Inventory (ANSF PAI) 12 MAR – 01 NOV 11, effective 15 February 2011. Additionally, Mol published Decree #109 instructing subordinate units on the conduct of the current PAI. See attached PAI decree documents.

**RECOMMENDATION 2 (page 23 and 24, SIGAR Draft Report)** Take the following steps as part of all future personnel inventories and data verifications to help ensure the reliability of the number of ANP personnel records and related data:

- a. Designate the Mol identification card/registration database as Mol's official source for personnel inventories and data verifications, registration of police, issuance of identification cards, and conversion of manual human resource records into the Human Resource Information System for ANP.

NTM-A/CSTC-A partially concurs. The Human Resources Information System (HRIS) is the designated official source for personnel inventories and data verifications, registration of police, and conversion of manual human resource records into the HRIS. Beginning July 2011 HRIS will transition to the Afghanistan Human Resources Information Management System (AHRIMS).

- b. Compare common data fields (such as, identification card and bank account numbers) in each Mol personnel and payroll system and database to verify the data among those systems and databases.

NTM-A/CSTC-A partially concurs. The identification card number is the unique number that is utilized by the Mol personnel and pay system to verify a policeman, non-commissioned officer and officer's personnel and pay information. There are 14 common fields between the personnel and payroll systems. ANP information will be

1

verified during the Mol-led PAI with the ANP ID card as the primary designator. Bank account information will not be included as an identifier as it is not included in the personnel database.

- c. Incorporate the Biometric Information Verifier with biometric jump kits to help prevent the creation of duplicate biometric records and related transaction control numbers for ANP personnel in the Afghanistan Automated Biometric Information System.

NTM-A/CSTC-A concurs with incorporating Biometric Identification Verifiers (BIVs) with biometric jump kits to support the development of Mol's personnel and payroll systems and assist in time saving and enhanced biometric enrollment efficiencies.

Clarification to the statement that the BIV will "help prevent the creation of duplicate biometric records". The BIV is not a real-time or networked verifier, therefore, would not prevent "duplicate" records. A "duplicate" biometric record is defined as multiple enrollments on the same day. AABIS ingestion workflow currently deletes "duplicate" records. The BIV would, however, prevent the creation of a "match" i.e. re-enrolling an individual whose record has been ingested into AABIS.

- d. Verify all payroll and personnel data fields in existing ANP records, enter missing data to ensure the completeness of all ANP records, and create a new record for any ANP personnel not in a system or database.

NTM-A/CSTC-A partially concurs. Selected personnel data fields in existing ANP records will be entered or updated to ensure the completeness of all ANP records. New records for all ANP personnel are created during in-processing. Information will be captured on an ANP member who is not in the database at the time of the PAI, and validated prior to the creation and create a new record incorporation in a system or database. The below data fields will be validated and/or updated during the upcoming PAI:

- ID card number
- Name
- Father's Name
- Has ID card - Current, old, no ID card
- Tazkera Number
- Training Accomplished - No training, training without documentation, or training with documentation. Date training completed, Rank, Number of Dependants, ADSO acknowledgment form signed and, ANP service with Province and District (AUP, ABP, etc)

Payroll data will be validated in the SY1390 PAI. Mol will be leading the PAI effort to verify, validate and create new records in the Electronic Payroll System (EPS) across the country.

- e. Compare the number of records and common data fields in each payroll and personnel system to help ensure that all unverified ANP personnel are removed or identified as inactive and ensure the payroll disbursements are stopped.

NTM-A/CSTC-A concurs. The MoI-led PAI will accomplish this recommendation through a weekly, site and phase reconciliation process. The Minister of Interior's decree on the PAI orders all ANP to process through the PAI. If ANP are not processed, their status will be noted, researched and updated in the appropriate personnel and payroll systems. If ANP are not validated through the finance portion of the PAI, they will cease to receive payments until processed.

**RECOMMENDATION 3 (page 24, SIGAR Draft Report)** Develop a plan to ensure a coordinated effort by MoI and CSTC-A to automate and centralize each payroll and personnel system and database (web-based EPS, MoI identification card/registration database, HRIS, AABIS, and eventually AHRIMS) and establish a link between those systems and databases.

NTM-A/CSTC-A concurs. Automating, centralizing, and linking Human Resources, Accounting and Pay systems where appropriate is NTM-A's desired end-state for these critical business processes. We will also cultivate a family of protocols for maturing the entirety of the Afghan National Security Forces (ANSF) communications and information systems (CIS) environment to one that provides value, is auditable, simple, sustainable, and cost effective over the long run. Through a weekly working group with MoI, LOTFA, CJ1, CJ2-INTAG, CJ6 and CJ8 participants, the automation and web-based centralization of the Electronic Payroll System (EPS) has been coordinated, planned and implementation begun in accordance with the MoI Network Expansion plan for Afghanistan. Additionally, the group is working to identify and establish a link between the personnel, payroll and biometrics system, with the ANP ID card number as a single identifier, to flag and update any of the similar source fields between the personnel and payroll systems where the biometrics system will act as a verifier. While linking a common field is the goal, there is no intention to integrate these programs into one system.

**RECOMMENDATION 4 (page 24, SIGAR Draft Report)** Require MoI to report ANP Payroll and food allowance costs separately by funding source to assist in identifying and tracking the costs that are eligible for reimbursement by LOTFA.

NTM-A/CSTC-A partially concurs. The payroll process, to include the Time and Attendance reporting and M41 payment processing, must build a mechanism to track ANP personnel by Tashkil position number as assigned by the manning roster. By identifying positions by number on the M41 payroll document by the authorized positions, with corresponding name of ANP sitting in-position, the authorization will provide a more efficient mechanism for force accountability and increase payroll transparency to providing a mechanism for tracking cost reimbursement and food allowance cost eligibility. However, to track by on-, over-, or off-tashkil positions, sub-allocation source codes will need to be built into the Afghan financial Management Information System (AFMIS)

**APPENDIX IV: COMMENTS FROM THE UNITED NATIONS DEVELOPMENT PROGRAMME**

United Nations Development Programme  
Country Office for Afghanistan



12 April 2011

Dear Ms. Bernet,

Further to your email dated 22 March 2011, please find attached UNDP's technical comments to the draft SIGAR report.

UNDP appreciates the support received from the US Government for our Afghanistan programme and highly values our working relationship.

Yours sincerely,

  
Dennis Lazarus  
Officer-in-Charge

Ms. Kathryn H. Bernet  
Acting Assistant Inspector General for Audits  
Office of the Inspector General for Afghanistan Reconstruction  
1550 Crystal Drive, Suite 9000  
Arlington, VA 22202

Cc: Mr. Manoj Basnyat

Shah Mahmood Ghazi Watt, Kabul, Afghanistan - Tel: 2203685, E-mail: registry.af@undp.org

## UNDP COMMENTS on DRAFT SIGAR REPORT

### *Part I: SIGAR Recommendation Relating to UNDP*

On the recommendation for UNDP in the SIGAR report (page 23, para 3) - that international donations in LOTFA at the end of each audit period should be verifiable, and that the UNDP management fee for LOTFA Phase-VI should be approved, UNDP wishes to emphasize that all international cash balances can, indeed, be tracked with precision through ATLAS not only at the end of the audit period but at any point of time in the project duration given that all UNDP projects have separate IDs and codes.

In UNDP a separate bank account is not generally established for each UNDP project. While budgets and expenditure are managed on a project by project basis through ATLAS, the cash flow is managed at HQ in a centralized fashion. This is done for the purpose of a more effective and efficient management of treasury. It is only in exceptional cases where there are genuine limitations, for example foreign currency constraints, that setting up a separate bank account for a given project may be considered. Nonetheless, the Afghan MoF/Treasury maintains a separate bank account for LOTFA donations.

With respect to the UNDP management fee, these discussions are currently being led at the HQ level by international donors, including the US, with UNDP.

### *Part II: Overall Comments*

1. The report concludes that the current status of MoI personnel and payroll systems and records do not currently provide reliable or consistent data and records of ANP – on basis that all ANP personnel are not completely accounted for, nor all database systems matched.

UNDP wishes to indicate that while verification of all personnel at any single point in time is a highly desirable benchmark, it is quite ambitious in the specific context of Afghanistan. It may be more realistic to consider it as a medium term goal given that the present context does not provide suitable conditions for 100% verification. The HR position is continuously changing, dependent on operational compulsions such as the periodic rotation of police personnel to security vulnerable zones and the 12-week deployment cycle for the gendarmerie. In addition, high police attrition rate of around 27% per annum; temporary/above tashkil appointments in districts taken over by the insurgents and where additional police need to be quickly recruited, subject to subsequent regularization; difficulty in accessing insecure zones for verification, among other constraints.

It should be noted that the various databases being compared for reconciliation are subject to different norms regarding up-gradation, except for the computerized EPS supported by UNDP and the MoI manual system, which are updated on a monthly basis. There has been a sharp progressive convergence between these two systems (99.8%) that is very encouraging.

1

UNDP wishes to note that the Afghan context could come out more strongly in the report, to provide a realistic frame of the operating environment. While the report acknowledges the challenges and concludes that reliability of systems and processes cannot be sustained until challenges of security and infrastructure are addressed (page 20, para 5; page 21, para 3) these constraints do not appear to have sufficiently informed the main findings and recommendations.

The positive trends in the classic EPS, as well as the centralized web-based EPS could receive more attention in the report since the EPS is the most advanced payroll system being followed in the GoA. To such an extent that the MoD is also considering implementation of the system for the army payrolls. The Web based- EPS is a further advancement over the classic decentralized stand-alone EPS, aimed precisely towards bringing all payroll and personnel data into one single server in the central MoI. It will enable the generation of “cleaner” reports and quicker accessibility to data, with agreed upon benchmark among all stakeholders to cover all 34 provinces by December 2012.

2. The report raises some issues about the value of UNDP oversight as well as insufficient documentation of actions taken to resolve audit issues.

UNDP would like to highlight that there are various institutional M&E mechanisms to oversee progress towards project benchmarks, including utilization of monitoring agent services; institutional reporting systems; regular field monitoring missions to identified provinces, as well as external audits and project evaluations.

The main role of the monitoring agent is to review and monitor ANP remunerations and provide independent and systematic reports to the Project Board. Although the monitoring agent supports the oversight function, it is not an audit entity. As a nationally implemented project, LOTFA is subject to external audits governed exclusively by the Office of Audit and Investigation. The UNDP Country Office in Afghanistan is subject to periodic internal UNDP audits carried out by the Office of Audit and Investigation and, when appropriate, by the External Board of Auditors (UN audit).

The monitoring agent operates in all police zones covering all 34 provinces for review of financial expenditure, sample personnel verification and capacity development in financial management and accountancy. It conducts sample verifications of 30% of the total police numbers, which has been accepted as complying with international standards both by UNDP HQ auditor as well as SIGAR.

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UNDP has followed up on all past audit recommendations and has documented all actions taken in accordance with UNDPs internal controls. This could have been easily verified by SIGAR had they wished to review any audit follow up documentation. UNDP also maintains a monthly log of all monitoring agent findings and follow-up actions with MoI and MoF . There seems to be confusion in the report about the findings of the UNDP monitoring agent and the findings of the external auditors of LOFTA (pages 18-20).

### **Part III: Specific Comments**

1. One of the report's specific finding is that "the MoI, with assistance from UNDP, has established individual payroll accounts for almost all ANP, but 21 percent of ANP personnel still receive payroll by cash payments." (page ii, para 3; page 6, bullet 2).

UNDP wishes to underscore that by the end of 2007 the police covered by electronic fund transfer accounted to only 0.91% of the total police, around 700 overall. Today, 79-80% of ANP are covered under individualized payroll systems. Further expansion will depend on the opening of commercial banks at the provincial and district level, particularly in inaccessible and security prone regions. There are no regions today where banks are operational but police not enrolled in electronic fund transfer of their salaries. This has been deemed highly encouraging in the Afghan context, by all LOTFA stakeholders, including the US and GoA, at various LOTFA project Steering Committee meetings.

2. The report mentions that the remaining 21% police who are not covered under the electronic salary transfer system and paid in cash by "pay by list" system, are "subject to the greatest risk of abuse, including skimming of salaries and payments to ghost employees." (page 6, bullet 2).

UNDP wishes to clarify that the cash is not disbursed by the unit commander, which would indeed open up possibilities for administrative inefficiencies. The unit head assigns instead a committee comprising of at least three members from the various departments and the salary is distributed by this committee. Signatures are obtained and reported back to the unit head. As the report correctly indicates, alternative schemes are being explored to bring even this 21% into more accountable salary disbursement mechanisms, for example M-paisa mobile salary payment referred to in page 5, bullet 2. Currently 220 police are covered under this initiative, mainly in inaccessible regions, and a decision has already been taken by MoI to expand this further to 25 additional districts, covering 4,600 police. This will further impinge on the "pay by list" system and increase transparency in payroll system.

UNDP would welcome additional recommendations from SIGAR on how to bring this 20-21% police into more transparent salary payment modes, apart from what is currently being endeavored already.

3. The report says that “the number of ANP personnel in the MoI’s payroll system does not match with the numbers found in the MoI’s various personnel management systems and the systems do not include the same data fields for easy comparability.” (page ii, para 3).

UNDP wishes to note that LOTFA, as an Electronic Payroll System, is not meant to be a consolidated HR system, although it does contain some HR details. It has proven to be the most reliable, credible and updated automated payroll system run by the GoA up to now. The personnel systems mentioned in the SIGAR report are either snapshots (i.e. PAI) or are not being updated regularly (i.e. Dyncorps ID card database). The latter has inoperational police records, some even predating 2001, which are gradually being weeded out. Until such time that these systems are updated, MoI and all stakeholders must necessarily continue to rely mainly on the classic EPS system for payroll reports.

In this context, comparison of EPS with other personnel systems may not be fully adequate. It must be noted that the MoI manual reports and CSTC-A compiled PERSTAT reports are not two different systems; rather, the latter is drawn from the former and compiled for internal use by CSTC-A. As SIGAR has mentioned the PERSTAT data interpreted by CSTC-A has had inaccuracies in the past and hence it is not a reliable and independent source to compare or validate the EPS (page 8, para 1). In addition, UNDP does not have access to these reports, which are used for CSTC-A internal use.

UNDP views as highly encouraging that there is progressive convergence between the two most updated systems, the MoI manual system and the computerized EPS, which provide noteworthy assurance about payroll and HR verification.

4. The report indicates that UNDP has reconciled ANP payroll and food allowance costs between MoI and MoF systems, but it cannot ensure that only eligible ANP costs are reimbursed (page ii, para 3; page 11, para 1; page 14, last para; page 15, para 3).

UNDP would like to note that LOTFA reconciles the MoI and MoF records on a quarterly basis and carries out a comprehensively annual reconciliation. After reconciliation, only eligible costs (payroll cost under tashkil) are reimbursed to MoF. In the last annual reconciliation made in April 2010 for the Afghan FY year ended in March 2010, the reconciliation was done against the tashkil strength of 96,800 ANP (not 122,000 which is the tashkil strength for Afghan FY which ended in March 2011) and based on which, an amount of USD 17.6 million was deducted as ineligible costs (acknowledged by SIGAR, page 16, para 1).

It is important to note that even though the MoF’s AFMIS system does not have separate codes for tashkil and non-tashkil personnel (common system for all GoA Ministries, which is not dependent on UNDP), this factor in itself does not preclude UNDP from reimbursing only eligible costs. Reconciliations are done based on the monthly EPS reports for the whole year, M-20, M-16 and M-41 documents. Ongoing conversations with MoF to have separate codes for tashkil and non-tashkil personnel in the AFMIS are a very encouraging signal of the willingness on all parts to strengthen the system.

4

5. The report further states that sufficient information is not available to track non-tashkil ANP forces such as the APPF and ALP that are ineligible for such reimbursement (page 16, para 1).

This finding is based on the non-tashkil ANP assigned in the CSTC-A-PERSTAT reports. Interpretation of the Mol data varies from that of UNDP. On the basis of reconciliation, which weeds out non-tashkil forces, it can be asserted that no APPF or ALP payments were made through UNDP-LOTFA. It is important to highlight, however, that there are 45 Mol-APPF HQ coordinators who sit in Mol, and for which LOTFA has mandate to make payments. These must be discriminated from the provincial APPF. It must be remembered that Mol also has some separate sources of funding for non-tashkil forces.

6. The report states that UNDP has not provided sufficient evidence that LOTFA audit findings have been resolved (page ii, para 3; page 18, para 3). In broad terms, the report states that actions taken did not fully address the issue or that no evidence was provided to document that an issue was resolved (page 18, para 3). T

UNDP wishes to indicate that all UNDP audit recommendations were indeed followed through and all documentation is maintained with UNDP for all actions taken. It is important to note that the Statement of cash position reflected in the audit report and referred to by SIGAR represents only petty cash, in line with UNDPs rules and regulations.

UNDP wishes to clarify that auditors hired by UNDP to audit a project are required to express an opinion on the cash position of the project only in cases where the funds that are contributed to the project are managed in a separate bank account. As already indicated, international donations are managed centrally by UNDP, although each donation can be tracked individually through ATLAS. Based on this reasoning UNDP would appreciate if the sub-heading "UNDP auditors did not comply with UNDP Terms." could be rectified.

7. The report indicates that the auditors could not audit payroll costs for period ending March 2007 due to security issues in 29 provinces (page 21, para 2).

UNDP wishes to note that auditors are not expected to travel to all 34 provinces and that a large part of the work is conducted from Kabul, with site visits only to some sample provinces, because of time limitations. This is standard practice, including SIGARs own work methodology.

8. The report quotes UNDP auditors as reporting that numerous management support positions required for monitoring and oversight were vacant, including some for the 28 months of phase- V (page 16, para 2).

UNDP wishes to clarify that the auditors only referred to one national M&E position, which was filled in September 2010.

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9. The report mentions that in phase-V, LOTFA reported the interest earned for the first time (page 17, para 2) without indicating the interest rate or available balance.

UNDP would like to note that although the interest rate is not provided in the progress report released by the Country Office, it is reported in the Certified Financial Statements issued by the UNDP HQ. Also, the financial report provided by the CO is comprised of provisional figures, while the Certified Financial Statement is the official financial report.

SIGAR considers the reported interest earned as very low in the light of contributions of \$821 million. However, the mentioned funds were not provided in one lump sum but rather, in different installments, during different time schedules and by different donors. Moreover, the funds do not usually remain in UNDP account for long periods of time as MoF is provided with quarterly advances resulting in very limited fund balance in the UNDP account. The accrued interest is therefore low.

10. In conclusion and considering:

- a. the trend towards far greater payroll accountability and credibility today than at any other point in the life of LOFTA,
- b. the coordination efforts of all the stakeholders involved,
- c. the ongoing and future plans to further strengthen the systems for longer-term sustainability,

UNDP would welcome if the report were titled *“Difficulty in Verifying 100% ANP Payroll Costs and Workforce Strength in the Afghan Context: Ongoing Efforts to Develop, Strengthen and Sustain MoI Personnel and Payroll Accountability.”*

**April 12, 2011**

(This report was conducted under the audit project code SIGAR-013A).

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**SIGAR's Mission**

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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