

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 24-11 Audit Report**

**Implementing Partner Vetting in Afghanistan:  
The USAID Mission to Afghanistan Complied  
with Vetting Requirements but USAID's Bureau  
for Humanitarian Assistance Did Not**



**JANUARY  
2024**

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT SIGAR REVIEWED

Since 2001, the U.S. Agency for International Development (USAID) has awarded grants, cooperative agreements, contracts, and other funding instruments to implement development and humanitarian assistance projects in Afghanistan.

Federal laws and regulations require U.S. agencies to ensure that they do not fund or contract with prohibited countries, organizations, individuals, or terrorist groups, including those identified by the Department of the Treasury's Office of Foreign Assets Control (OFAC). USAID has developed agency regulations and policies to implement those requirements. The result is in a screening process referred to as "partner vetting." USAID's partner vetting process involves screening organizations charged with implementing USAID activities overseas, as well as the organizations' executive officers, subawardees, and other relevant parties, to determine whether any of these entities or their personnel have ties to terrorism.

The objective of this audit was to assess the extent to which USAID adhered to applicable policies and procedures for vetting implementing partners conducting activities in Afghanistan funded by the agency.

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January 2024

Implementing Partner Vetting in Afghanistan: The USAID Mission to Afghanistan Complied with Vetting Requirements but USAID's Bureau for Humanitarian Assistance Did Not

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### SIGAR 24-11 AUDIT REPORT

#### WHAT SIGAR FOUND

SIGAR found that USAID's Mission to Afghanistan (Mission) followed USAID's partner vetting requirements in Afghanistan for nongovernmental organizations (NGOs) and Category 1 public international organizations (PIOs) (i.e., organizations composed of several member states). However, SIGAR found that from July 2021 through July 2022, USAID's Bureau for Humanitarian Assistance (BHA) did not comply with partner vetting procedures established in USAID's Automated Directives System (ADS) Chapter 319.

The Mission and BHA operate separately from one another to fund and implement development and humanitarian activities in Afghanistan; BHA also serves as the bureau within USAID responsible for leading all U.S. international disaster assistance. USAID's ADS and Mission Order 201.06 establish different vetting requirements contingent upon whether the implementing partner's organizational type is (a) designated as an NGO, (b) designated as a Category 1 PIO, or (c) whether an "Exception to [ADS Chapter 319 on Partner Vetting] Policy" request is approved and cleared by senior vetting officials at USAID.

USAID's ADS and Mission Order 201.06 outline policies governing procedures for pre-award vetting and post-award vetting, as well as exceptions to the vetting requirements. SIGAR determined USAID's compliance with vetting requirements for NGOs by testing supporting documentation provided by USAID on a sample of Mission awards active from March 1, 2022, through November 30, 2022. The Mission provided SIGAR with 27 activities using 23 implementing partners, totaling about \$908 million in obligations and \$738 million in disbursements, as of November 2022. Of these 23 implementing partners, 8 were either Category 1 PIOs, U.S. government agencies, or allied government agencies and 15 were NGOs.

SIGAR requested supporting documentation for a sample of these activities, and after analyzing the supporting documents, SIGAR determined that the Mission complied with USAID's vetting requirements for NGOs because it followed ADS guidance by vetting non-domestic implementing partners, subawardees, and program beneficiaries.

USAID's ADS and Mission Order 201.06 also includes provisions related to the vetting of Category 1 PIOs. Before entering into an agreement with a PIO, and every 5 years thereafter, USAID is required to review the organization's policies and internal controls, evaluating potential risks in working with the PIO and determining if the PIO is capable of effectively managing USAID's resources. Upon an organization's designation as a Category 1 PIO, it is included on USAID's list of approved Category 1 PIOs, which is continuously updated and published periodically by USAID. Once designated a Category 1 PIO, USAID may rely on the PIO to perform various vetting functions and self-report sanctions violations.

In assessing the Mission's ongoing activities from March 1, 2022, through November 30, 2022, SIGAR found that 5 of the Mission's 23 implementing partners were Category 1 PIOs. SIGAR confirmed that those 5 PIOs were on USAID's list of approved Category 1 PIOs, meaning that USAID reviewed each organization and found that it met requirements for funding, meaning they did not require additional vetting.

SIGAR also found that BHA, which conducted its programs separately from the Mission, did not comply with the partner vetting requirements for urgently needed humanitarian assistance from January 2021 to July 2022. While ADS 319 requires the vetting of partners for urgently needed humanitarian assistance, it also permits USAID to request an "Exception to [ADS Chapter 319] Policy." SIGAR tested BHA's compliance with vetting requirements by testing supporting documentation provided by BHA on a sample of awards active from March 1, 2022, through November 30, 2022. BHA provided SIGAR with a listing of 24 programs using 15 implementing partners, and totaling about \$770 million in obligations and \$475 million in disbursements. When reviewing these activities, SIGAR determined that 8 of BHA's implementing partners required vetting by BHA because they were not designated as Category 1 PIOs.

In July 2021, BHA submitted a request for an Exception to Policy for the vetting of its implementing partners and their subawardees in five high-risk countries, including Afghanistan. BHA's Exception to Policy request was approved in July 2022, a full year after its submission and 18 months after ADS 319 took effect. USAID's approval of the request stated that BHA be given a 90-day exception to ADS vetting requirements to comply with the policy. USAID's approval, however, did not state that the decision was retroactive to the request date in July 2021. While BHA began vetting implementing partners and their subawardees in Afghanistan on October 1, 2022, SIGAR found that BHA was not in compliance with vetting requirements from July 2021 to July 2022 because BHA did not adhere to ADS vetting requirements and did not have an approved Exception to Policy during this timeframe. BHA's noncompliance during the 18-month period after the publication of ADS 319's partner vetting requirements means that it provided almost \$40 million to 8 NGOs and their subawardees that could have been prohibited entities who directly benefitted from BHA assistance.

As the U.S. continues to provide humanitarian assistance in Afghanistan, it is vital that BHA, the lead bureau within USAID that provides that assistance, complies with USAID guidance by either fulfilling vetting requirements or obtaining an Exception to Policy prior to providing funding. Since its return to power in Afghanistan, the Taliban have sought to obtain U.S. funds intended to benefit the Afghan people through the establishment of NGOs. In fact, USAID officials told us in September 2023, that it "...has heard reports that over 1,000 new national NGOs have registered with the so-called [Ministry of Economy], and there are rumors that many of these newly registered NGOs may have Taliban affiliations." Taliban association with, and establishment of, new NGOs reinforces the need for the USAID Mission to Afghanistan to strictly adhere to partner vetting requirements.

## WHAT SIGAR RECOMMENDS

To help improve USAID's BHA compliance with ADS partner vetting requirements, SIGAR recommends that the USAID Administrator:

- 1. Ensure that Missions and Bureaus adhere to the ADS requirements that they must either vet implementing partners and subawardees or obtain an approval for an Exception to Policy for vetting activities prior to implementing an award.**

SIGAR provided a draft of this report to USAID for review and comment and received combined written comments from USAID's Mission and BHA, which are reproduced in appendix III. USAID concurred with the report's recommendation. USAID stated that BHA has complied with ADS 319 partner vetting requirements since October 2022. SIGAR considers USAID's actions responsive to the recommendation and will close the recommendation as implemented upon issuance of this report. SIGAR also updated the report, as appropriate, based on USAID's technical comments.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

January 16, 2024

The Honorable Samantha Power  
Administrator, U.S. Agency for International Development

Ms. Sarah Charles  
Assistant Administrator, USAID Bureau for Humanitarian Assistance

Mr. Joel Sandefur  
Mission Director for Afghanistan, USAID Office of Afghanistan/Pakistan Affairs

This report discusses the results of SIGAR’s audit of the U.S. Agency for International Development (USAID)’s compliance with partner vetting policy in Afghanistan, with a focus on USAID’s Mission to Afghanistan (Mission) and USAID’s Bureau for Humanitarian Assistance (BHA). The Mission and BHA operate separately from one another to fund and implement development and humanitarian activities in Afghanistan; BHA also serves as the lead federal agency for all U.S. international disaster assistance.

USAID’s Automated Directives System (ADS) guidance and Mission Order 201.06 set forth varied partner vetting requirements depending on whether the implementing partner is designated as a nongovernmental organization (NGO) or public international organization (PIO), as well as whether senior USAID vetting officials approve an “Exception to Policy” request.

We found that the Mission complied with partner vetting requirements, but BHA did not. Although BHA submitted an Exception to Policy request in July 2021, the request was not approved until July 2022, one year after BHA submitted the request. Because BHA’s period of noncompliance fell within the scope of our audit (March 1, 2022–November 30, 2022), at least a portion of nearly \$40 million disbursed as of November 30, 2022, was disbursed to NGOs that BHA did not vet, as required.

We are making one recommendation to help improve USAID’s BHA compliance with ADS partner vetting requirements: we recommend that the USAID Administrator ensure that Missions and Bureaus adhere to the ADS requirements that they must either vet implementing partners and subawardees or obtain an approval for an Exception to Policy for vetting activities prior to implementing an award.

We provided a draft of this report to USAID for review and comment, and we received combined written comments from USAID’s Mission and BHA. These comments are reproduced in appendix III. USAID concurred with the report’s recommendation. USAID stated that BHA has complied with ADS 319 partner vetting requirements since October 2022. We consider USAID’s actions responsive to the recommendation and will close the recommendation as implemented upon issuance of this report. We also updated the report, as appropriate, based on USAID’s technical comments.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

We conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4, and in accordance with generally accepted government auditing standards.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

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## ABBREVIATIONS

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ADS	Automated Directives System
BHA	Bureau for Humanitarian Assistance
CFR	Code of Federal Regulations
DOD	Department of Defense
GL	General License
Mission	U.S. Mission to Afghanistan
NGO	nongovernmental organization
OFAC	Office of Foreign Asset Control
PIO	public international organization
SAM.gov	System for Award Management
State	Department of State
USAID	U.S. Agency for International Development

Since 2001, the U.S. Agency for International Development (USAID) has awarded grants, contracts, and other funding instruments to implement development and humanitarian initiatives to help achieve the U.S. government's foreign policy and national security goals in Afghanistan. Federal laws and regulations require all U.S. agencies, including USAID, to ensure they do not fund or contract with prohibited countries, organizations, individuals, or terrorist groups, including those identified by the Department of the Treasury's Office of Foreign Assets Control (OFAC).<sup>1</sup> USAID established internal regulations and policies to help ensure it complies with those prohibitions, including by following a screening process it refers to as "partner vetting."<sup>2</sup> The partner vetting process involves screening organizations and their executive officers, subawardees, and other relevant parties to determine whether they have ties to terrorism.<sup>3</sup> USAID conducts partner vetting for programs and awards using public and non-public information sources.

We have previously issued reports that identified concerns related to the partner vetting undertaken by the U.S. Departments of State (State), Defense (DOD), and USAID. (See appendix II for a summary of our prior work.) Given the Taliban's return to power in August 2021, it is especially critical that agencies funding activities to benefit the Afghan people adhere to the laws, regulations, and policies intended to prevent U.S. funds from benefitting prohibited entities. The objective of this audit was to assess the extent to which USAID adhered to applicable policies and procedures for vetting those of its implementing partners conducting activities in Afghanistan.<sup>4</sup>

To accomplish this objective, we reviewed federal laws, regulations, and procedures, including OFAC regulations and USAID's internal implementing partner vetting requirements as published in its Automated Directives System (ADS). We analyzed USAID's programming between March 1, 2022, and November 30, 2022, to determine which implementing partners it funded in Afghanistan, and we reviewed partner vetting documentation to determine if USAID adhered to applicable guidance.<sup>5</sup> We interviewed OFAC officials regarding OFAC sanctions compliance, USAID officials responsible for vetting organizations and individuals, and implementing partners who have been awarded USAID funding. We conducted our work in Arlington, Virginia, from December 2021 through January 2024, in accordance with generally accepted government auditing standards. Appendix I contains a detailed discussion of our scope and methodology.

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<sup>1</sup> As discussed below, there are exceptions to these prohibitions. For example, certain transactions may be permitted via licenses issued by OFAC.

<sup>2</sup> For purposes of our audit, we define "partner vetting" as including both USAID's internal partner vetting processes and its federal checks and screening against sanctions lists.

<sup>3</sup> OFAC maintains several lists of sanctioned organizations and individuals, including the Specially Designated Nationals and Blocked Persons List, Foreign Sanctions Evaders List, Non-Specially Designated Nationals Iran Sanctions Act List, and the Sectoral Sanctions Identifications List. For this report, the term "sanctions list" refers to all OFAC sanctions lists.

<sup>4</sup> This audit focused on USAID's vetting of international organizations conducting work funded by the agency in Afghanistan. The scope of this audit originally included State. However, we removed the State from the scope of this report due to State's refusal to provide information necessary to respond to the objective; we will report separately on State's partner vetting practices when the Department provides the necessary information. We also removed an objective from this audit: "Determine the extent to which USAID has the ability to oversee and direct programming activities and, if deemed necessary, revoke and recover funding based on issues related to non-compliance with 31 CFR Part 594, 31 CFR Part 597, or Executive Order 13224." With OFAC's issuance of General License 20, these limitations were removed. As such, we removed the objective and notified USAID of its removal on April 11, 2022. This audit precedes a congressionally requested audit in which we will report on the extent to which U.S. funds intended to benefit the Afghan people since August 2021 have been used to pay taxes, fees, duties, and other costs benefitting the Taliban. We anticipate issuing that report in early 2024.

<sup>5</sup> We initiated this audit in December 2021 and scoped the period of review that aligned with our intended fieldwork timeline. However, USAID refused to provide us with information required to conduct our work throughout 2022 and early 2023. In July 2023, USAID provided us with the required information.



## BACKGROUND

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The International Emergency Economic Powers Act grants the President of the United States to the authority to impose U.S. economic sanctions or otherwise restrict a variety of international financial transactions.<sup>6</sup> Under this Act, the President is authorized to restrict certain financial transactions in order to “deal with any unusual and extraordinary threat...to the national security, foreign policy, or economy of the United States, if the President declares a national emergency with respect to such threat.”<sup>7</sup> As discussed below, successive presidents have, under the Act’s authority, issued Executive Orders declaring emergencies related to the terrorist threat posed by the Taliban. The lead federal office responsible for the blocking of assets of terrorism-supporting countries and international terrorist organizations pursuant to these executive orders and related regulations is OFAC, which is a part of the Department of the Treasury’s Office of Terrorism and Financial Intelligence.

### Sanctions Imposed on the Taliban and Their Exemptions

In July 1999, the United States first imposed sanctions on the Taliban when President Bill Clinton signed Executive Order 13129, which declared the Taliban’s harboring of Al Qaeda a national emergency.<sup>8</sup> Under this Executive Order, the Secretary of the Treasury was authorized to block all Taliban property in the U.S. and all transactions that benefitted Taliban members.<sup>9</sup> In September 2001, President George W. Bush signed Executive Order 13224, which prohibited transactions with persons who “support or otherwise associate with” terrorists, including the Taliban.<sup>10</sup> In June 2003, OFAC issued the Global Terrorism Sanctions Regulations to implement Executive Order 13224, which joined the existing Foreign Terrorist Organizations Sanctions Regulations, and created the current regulatory framework for imposing sanctions on organizations and individuals involved in or providing material support to terrorism.<sup>11</sup>

The Taliban’s return to power in August 2021 led to humanitarian and economic crises in Afghanistan. This created difficulties for organizations assisting the country because the Taliban and many of its members continued to be under U.S. sanctions. To address this issue and demonstrate U.S. commitment to the Afghan people, OFAC issued six General Licenses (GLs) from September through December 2021, along with implementing guidance explaining that certain exceptions to U.S. sanctions would be made in order to facilitate the provision of aid to the Afghan people. A GL is an OFAC authorization for organizations and individuals to engage in transactions that would otherwise be prohibited under U.S. sanctions.<sup>12</sup> Transactions specifically authorized by these six GLs include exporting agricultural commodities, medicine, medical devices, repair parts, and transactions associated with official U.S. government business.<sup>13</sup> While these transactions are

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<sup>6</sup> See, International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–1709.

<sup>7</sup> 50 U.S.C. §§ 1701, 1702.

<sup>8</sup> Executive Order 13129 of July 4, 1999, “Blocking Property and Prohibiting Transactions with the Taliban,” 64 FR 36759, title 3 (1999): 36759–36761.

<sup>9</sup> When OFAC refers to blocked property, it is referring to frozen assets. For example, property that may be blocked pursuant to OFAC sanctions include bank accounts or items imported into or exported from the United States from or to a prohibited foreign country.

<sup>10</sup> Executive Order 13224 of September 23, 2001, “Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism,” 64 FR 49079, title 3 (2001): 49079–49083.

<sup>11</sup> 31 C.F.R. § 594 and 31 C.F.R. § 597, respectively.

<sup>12</sup> All OFAC GLs are “self-executing,” meaning that if the organizations or individuals are engaging in transactions within the scope of a GL, they may execute those transactions without further OFAC approval. However, GLs do not relieve organizations or individuals from compliance with other federal laws, requirements of other federal agencies, or applicable international obligations.

<sup>13</sup> On September 24, 2021, OFAC issued GLs 14 and 15 authorizing humanitarian activities and transactions related to the exportation or re-exportation of agricultural commodities, medicine, medical devices, and replacement parts in Afghanistan. On December 10, 2021, OFAC issued GL 16, which authorized noncommercial personal remittances to Afghanistan. On

authorized through the GLs, organizations and individuals must keep a full and accurate record of each transaction, regardless of whether the transaction occurs under the GL. Additionally, according to the CFR, each “record shall be available for examination for at least 5 years after the date of such transaction.”<sup>14</sup>

On February 25, 2022, OFAC issued GL 20, authorizing transactions involving Afghanistan and its governing institutions, subject to certain exceptions.<sup>15</sup> GL 20 does not authorize financial transfers

to the Taliban, the Haqqani Network, any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest, or any blocked individual who is in a leadership role of a governing institution in Afghanistan, other than for the purpose of effecting the payment of taxes, fees, or import duties, or the purchase or receipt of permits, licenses, or public utility services, provided that such payments do not relate to luxury items or services.<sup>16</sup>

Accordingly, GL 20 permits organizations to make the abovementioned payments to the Afghan government, which is currently Taliban-controlled, while leaving prohibitions on other payments unchanged.<sup>17</sup>

## Oversight of General Licenses

OFAC’s Office of Compliance and Enforcement is responsible for fostering compliance with and enforcing all sanctions that OFAC administers, including GLs. OFAC officials told us that the office may request or subpoena copies of potentially relevant records from organizations and individuals as part of its compliance and enforcement actions, and to detect apparent violations of U.S. sanctions by organizations or individuals; as such, organizations and individuals are required to keep potentially relevant records for 5 years.<sup>18</sup> Additionally, OFAC may exclude any person, property, or transaction from the operation of any GL, or from the privileges conferred by any GL, thereby allowing OFAC to notify a particular organization or individual that it may no longer rely upon a given exception provided by a GL.

For Afghanistan-specific transactions, OFAC told us that it monitors and investigates instances of terrorist abuse in the charitable sector, and that intelligence, law enforcement, media and other organizations, and civil society provide information to OFAC about potential violations of the terms of a GL.<sup>19</sup> OFAC told us that financial institutions are also required to report certain transactions to the Department of the Treasury, thus adding another layer of monitoring for potential diversion or abuse of funds. OFAC also told us, “Nongovernmental organizations often provide information or documentation to financial institutions in order for the financial institution to fulfill their compliance obligations.”<sup>20</sup> According to OFAC, if the U.S. government detects apparent violations of U.S. sanctions, OFAC may request or subpoena copies of these potentially

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December 22, 2021, OFAC issued GLs 17, 18, and 19, authorizing transactions associated with official U.S. business, official activities of certain international organizations and other international entities, and certain transactions supporting NGO activities in Afghanistan.

<sup>14</sup> 31 C.F.R. § 501.601.

<sup>15</sup> GL No. 20, February 25, 2022, p. 1.

<sup>16</sup> GL No. 20, February 25, 2022, p. 1. The Haqqani Network is a militant organization that allied with the Afghan Taliban during the mid-to-late 1990s. In 2012, the U.S. government designated the Haqqani Network as a Foreign Terrorist Organization because of its involvement with the Afghan insurgency, the Taliban, and al-Qaeda, and its attacks on U.S. military and civilian personnel. Additionally, according to OFAC, luxury items and services, such as yachts, furs, designer clothing, and certain entertainment activities, do not support basic human needs. GL No. 20. OFAC, “Frequently Asked Questions – Newly Added: 994,” U.S. Department of the Treasury, February 25, 2022.

<sup>17</sup> In December 2022, OFAC global antiterrorism sanctions regulations were amended to provide that “[a]ll transactions prohibited by this part [i.e., the Foreign Terrorist Organizations Sanctions Regulations] that are for the conduct of the official business of the [United States Government] by employees, grantees, or contractors thereof are authorized.” 31 C.F.R. § 597.515.

<sup>18</sup> 31 C.F.R. §501.601.

<sup>19</sup> OFAC told us that it does not comment on ongoing investigations and directed us to its website for a listing of its disclosed “civil penalties and enforcement information” taken against organizations and individuals.

<sup>20</sup> OFAC response to SIGAR, March 30, 2023, p. 1.

relevant records. USAID is not required to report those transactions because GLs authorize organizations and individuals to engage in transactions that would otherwise be prohibited.

## USAID's Requirements to Vet Implementing Partners

USAID's vetting regulations, 2 C.F.R. Part 701 for assistance and 48 C.F.R. Subpart 704.70 for acquisition, set out the agency's regulatory procedures for partner vetting in the interest of national security.<sup>21</sup> USAID's partner vetting regulations define key terms, address applicability, provide specific procedures, and include requirements related to (1) vetting of nonfederal entities, nonprofit organizations, for-profit organizations, and foreign organizations that may potentially receive or have received a USAID award; (2) including partner vetting pre-award provisions and award terms; (3) timing of partner vetting during the pre-award and post-award phase; (4) issuing awards to entities only after they were deemed eligible following vetting; and (5) outlining the roles and responsibilities of vetting officials. These vetting requirements apply to the directors, officers, or other employees of nonfederal and for-profit entities that apply for contracts, grants, cooperative agreements, or other funding from USAID.

USAID provides policy requirements in the ADS that address a range of risk mitigation requirements applicable to the assistance and acquisition processes. Specifically, for all assistance and acquisition awards globally, the ADS requires that

- USAID includes award clauses detailing federal laws that prohibit transactions with, and the provision of support and resources to, individuals or entities that are terrorists, supporters of terrorists, or affiliated with terrorists;
- all potential awardees seeking funding from USAID to provide a certification stating that they do not support terrorists;
- USAID agreement officers ensure that potential awardees are not listed within the System for Award Management (SAM.gov) as being excluded from doing business with the federal government, do not appear on Treasury's sanctions list, and do not appear on the United Nations' sanctions list;<sup>22</sup> and
- USAID conducts risk-based assessments for all programs, including complying with long-standing guidance to consider risk factors and legal requirements to mitigate programming activities from inadvertently benefitting terrorists.

In addition to the ADS requirements, some USAID bureaus and offices have additional risk mitigation processes in place. For example, USAID's Bureau for Humanitarian Assistance (BHA) requires potential awardees operating in high-risk areas, such as Afghanistan, to submit risk assessment and management plans with their applications. These documents detail the potential awardees' processes and procedures to mitigate the risk of transacting with sanctioned entities or terrorist organizations.

USAID's policies on partner vetting are intended to further ensure that U.S.-funded activities do not support, "purposefully or inadvertently," organizations or individuals that pose a risk to U.S. national security.<sup>23</sup> ADS Chapter 319 establishes agency-wide policies on partner vetting, including defining the roles and responsibilities of USAID's Central Vetting Group. This group provides management and oversight of partner vetting policy and governance support by (1) integrating and coordinating vetting policy, (2) conducting training

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<sup>21</sup> USAID classifies grants and cooperative agreements as assistance awards, and contracts as acquisitions. USAID, "Understanding USAID Awards," June 22, 2022.

<sup>22</sup> SAM.gov is a federal website that serves as the central registration point for government contractors. Subcontractors must register at SAM.gov to receive an award and must maintain an active registration throughout the award. ADS 319, "Partner Vetting," January 15, 2021.

<sup>23</sup> ADS 319.

on USAID partner vetting policies and procedures and counterterrorism awareness, (3) managing resources and personnel, and (4) analyzing and reporting partner vetting data.

In addition, Mission Order 201.06 sets partner vetting policies and procedures specific to Afghanistan's assistance program, and generally requires any partner, subawardee, or individual receiving more than \$25,000, or when USAID "has reason to believe the awardee or subawardee could be a prohibited party," to go through the vetting process and details procedures for implementation of partner vetting.<sup>24</sup> The Mission Order also establishes rules that govern which awards, entities, and individuals are generally subject to vetting. These policies may vary by the category of organization with whom USAID partners, including whether the organization is a contractor, NGO, or public international organization (PIO), as well as by the type of assistance involved such as whether the programming provides urgently needed humanitarian assistance.<sup>25</sup>

## USAID'S MISSION TO AFGHANISTAN COMPLIED WITH PARTNER VETTING REQUIREMENTS BUT THE BUREAU FOR HUMANITARIAN ASSISTANCE DID NOT

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We found that USAID's Mission to Afghanistan (Mission) complied with implementing partner vetting requirements set forth in the ADS and Mission Order 201.06, but BHA did not vet implementing partners for 18 months, despite not having an approved "Exception to Policy." The Mission and BHA operate separately from one another to fund and implement development and humanitarian activities in Afghanistan; BHA is also the lead federal agency for all U.S. international disaster assistance.<sup>26</sup> We found that both the Mission and BHA are subject to USAID's ADS Guidance and Mission Order 201.06, which set forth varying partner vetting requirements depending on whether USAID's implementing partner is an NGO or PIO, and whether senior USAID officials approved an "Exception to Policy" request, as outlined in ADS Chapter 319.

### USAID's Mission to Afghanistan Complied with Vetting Requirements

We found that the Mission followed USAID's implementing partner vetting requirements for its programs in Afghanistan. According to USAID, vetting requirements include agreement officers issuing responsibility determinations, which is the application of ADS guidance based on the organization type. The corresponding guidance is ADS 319 for agreements with NGOs or ADS 308 for agreements with Category 1 or 2 PIOs, and the application of Mission Order 201.06. We sampled and tested Mission activities and determined that the Mission complied with its vetting requirements for NGOs. We also determined that the Mission complied with its vetting requirements for awards to approved Category 1 PIOs.<sup>27</sup>

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<sup>24</sup> USAID, "National Security Screening (Non-U.S. Party Vetting)," Mission Order 201.06, June 7, 2015.

<sup>25</sup> A PIO is an organization composed of multiple member states (i.e., sovereign countries), or any other organization that USAID designates as a PIO.

<sup>26</sup> Disaster assistance, or urgently needed humanitarian assistance, includes, but is not limited to, emergency food and nonfood assistance made available in response to a declared disaster under Section 491 of the Foreign Assistance Act, or Section 202(a) of the Food for Peace Act. USAID ADS Chapter 251 makes urgently needed humanitarian assistance distinct from other types of assistance and recognizes that because of the immediate and variable nature associated with disasters and lifesaving relief needs, expedited processes may be required to achieve USAID's goals and deliver humanitarian assistance in a timely manner.

<sup>27</sup> USAID groups PIOs into two categories based on the results of its review. USAID must designate a PIO as a "Category 1 PIO" in order for USAID to rely on the PIO to make "responsibility determinations," which include performing vetting functions. Category 1 PIOs are generally major international PIOs and Category 2 PIOs are generally smaller, regional PIOs that are not frequent recipients of USAID funding. ADS 308maa, "List of Public International Organizations," June 28, 2023.

## USAID's Mission to Afghanistan Complied with Vetting Requirements for NGOs

When an award to an NGO for a development program is subject to vetting, Mission Order 201.06 and ADS Chapter 319 stipulate that USAID must complete a “pre-award” vetting of the presumptive awardee.<sup>28</sup> During this pre-award vetting process, the agreement officer requires award applicants—and potential subawardees the applicants anticipate using—to complete and submit a Partner Information Form comprising basic information about the organization and its key officers and personnel of all potential subawardees. Once received, the Vetting Support Unit, or USAID vetting officials responsible for coordinating organizations’ information for vetting, must review and verify the information provided and then search public and nonpublic sources and federal databases—such as SAM.gov or OFAC and UN sanctions lists—for relevant information on the organization and its key officers to ensure no one tied to the award is ineligible for funding. Once completed, the Vetting Support Unit recommends whether the organization is eligible to receive USAID funds.<sup>29</sup>

If the responsible Vetting Support Unit, in conjunction with USAID’s Office of Security, recommends that the potential awardee organization and its subawardees are eligible for an award, the Vetting Support Unit notifies that organization and the agreement officer, who then proceeds with the award process. If the responsible USAID Vetting Support Unit makes an ineligibility recommendation, the unit hosts an assessment meeting where a Mission’s Deputy Director reviews the recommendation, consults with relevant technical offices, including General Counsel and Agency senior management offices, and makes a final determination on eligibility. The Vetting Support Unit then notifies the organization, program team, and agreement officer of the final decision.<sup>30</sup> Additionally, ADS 319 and the Mission Order also allows the agency to conduct “post-award” vetting for urgently needed humanitarian assistance to expedite the provision of lifesaving relief or if the agreement officer modifies an award to incorporate a new vetting requirement.

All eligibility notices are valid for 1 year, after which USAID must re-evaluate the organization’s eligibility using the same processes as above. If USAID subsequently obtains information to indicate that the organization, its key officers, or its subawardees are no longer eligible to partner with USAID, USAID may terminate the award in its entirety or in part. The eligibility notices USAID provided to us note that a determination is valid for 364 days.

We performed testing of the Mission’s compliance with vetting requirements and determined that the Mission complied with its vetting requirements. Specifically, we found the Mission followed ADS guidance by vetting nondomestic implementing partners, subawardees, and program beneficiaries. To perform our testing, we first requested that the Mission provide us with the award details for its ongoing activities in Afghanistan from March 1, 2022, through November 30, 2022. In response, the Mission provided us with 27 activities using 23 implementing partners, totaling about \$908 million in obligations and \$738 million in disbursements as of November 2022.<sup>31</sup> Of the 23 implementing partners, 15 were NGOs, 5 were Category 1 PIOs, and 3 were U.S. and allied government agencies. Using this list, we requested that the Mission provide us the vetting activities it performed for each ongoing award with total obligations exceeding \$10 million.

We found that the Mission complied with vetting requirements. The Mission provided us with documentation for 823 vetting requests from which we selected 63 for testing using a randomized stratified sample selection. The

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<sup>28</sup> Mission Order 201.06 also outlines exceptions to vetting requirements. Of note, program beneficiaries of cash or in-kind assistance such as food, water, medical care, micro-enterprise loans, and shelter, may not be subject to vetting, unless the amount of cash or in-kind assistance exceeds \$25,000. For example, program beneficiaries receiving emergency food assistance or water sanitation supplies are not vetted.

<sup>29</sup> Key officers include principal officers of the organization’s governing body (e.g., chairman), the principal officer and deputy principal officer of the organization (e.g., president and vice president), the program manager or chief of party for the USAID-funded program, and any other person with significant responsibilities for the administration of USAID-funded activities or resources. ADS 319mak, “USAID Guidance on the Identification of Key Individuals,” January 15, 2021.

<sup>30</sup> If an NGO is determined to be ineligible, it has the right to appeal the determination within 7 days of the date of USAID’s notification letter and provide any relevant material for reconsideration. The agency then has 7 days from when it receives the appeal to make its reconsidered determination, which is final. However, a final determination of ineligibility does not preclude an entity or individual from seeking future awards, subawards, or subcontracts with USAID.

<sup>31</sup> The number of implementing partners is less than the number of activities because certain implementing partners carried out more than one activity.

Mission then sent us corresponding eligibility determinations for each of the 63 vetting requests in our sample. After examining the sample's supporting documents and comparing them to USAID partner information provided to us by the agency, we determined that the Mission complied with ADS vetting requirements. Specifically, the Mission provided evidence showing that it reviewed each implementing partner and any subawardees, determined both to be eligible for funding, and notified them of this eligibility determination.

The Mission's adherence to vetting requirements is particularly important given the changing operating environment in Afghanistan. Since its return to power in Afghanistan, the Taliban have sought to obtain U.S. funds intended to benefit the Afghan people through the establishment of NGOs. In fact, USAID officials told us in September 2023 that the Mission and BHA have "...heard reports that over 1,000 new national NGOs have registered with the so-called [Ministry of Economy], and there are rumors that many of these newly registered NGOs may have Taliban affiliations." Taliban association with, and establishment of, new NGOs reinforces the need for the USAID Mission to Afghanistan to strictly adhere to partner vetting requirements. USAID also told us in September 2023 that it did not directly fund any Afghan NGOs, and we found no instances in our sample in which USAID determined that an implementing partner, or a subawardee, was ineligible for funding. However, in October 2023, USAID told us that it identified one subawardee through partner vetting during the period of our review (a subawardee that was not included in our sample) that was ineligible to receive USAID funding.

### **The Mission Is Not Required to Vet Category 1 PIOs and Relies on the PIOs to Vet Their Awardees**

Per ADS 308 guidance, prior to entering into an agreement with a PIO, USAID must conduct a review of the PIO's policies and internal controls, organizational framework, and operational capacity. According to the ADS, USAID must conduct this review at least every 5 years. The review serves as a high-level assessment to determine whether the PIO is capable of effectively managing USAID resources and to identify any considerations or risks that should be considered when working with the PIO. When conducting a review, USAID examines numerous characteristics of each PIO such as (1) reviewing the quality of its past performance, (2) examining its U.S. government-funded programs, (3) obtaining its financial statements, (4) reviewing its internal policies and internal controls, and (5) evaluating the effectiveness of its governance structure. Once an organization is designated as a Category 1 PIO, USAID includes it on its list of approved Category 1 PIOs. This list is continuously updated and published by the agency. While USAID does not publish the 5-year review cycle for each PIO, the listing of approved Category 1 PIOs is "updated periodically as organizations are added, deleted, or re-categorized."<sup>32</sup> Additionally, after USAID designates an organization as a Category 1 PIO, Mission Order 201.06 does not require partner vetting of the organization or its subawardees, officers, or program beneficiaries.

When working with Category 1 PIOs, USAID agreement officers may rely on the PIO to make "responsibility determinations" and perform various functions on behalf of the agreement officer, which include vetting functions.<sup>33</sup> USAID officials told us that USAID coordinates with the Category 1 PIOs to ensure that they conduct due diligence to mitigate the risk that the PIO's staff and affiliated entities provide support to sanctioned entities. This coordination includes screening against U.S. sanctions or excluded parties lists. USAID maintains that it relies on its implementing partners, including PIOs, to self-report sanctions violations.

In our review of the Mission's ongoing activities from March 1, 2022, through November 30, 2022, we found that 5 of the Mission's 23 implementing partners were Category 1 PIOs. We made this determination by verifying that those 5 PIOs were included on USAID's current list of approved Category 1 PIOs for the scope of the audit, indicating that USAID already performed its review of the PIO in accordance with ADS guidance, found the PIO met review requirements, and that the PIO was within its 5-year review cycle. Thus, when Mission

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<sup>32</sup> ADS 308maa.

<sup>33</sup> USAID defines responsibility determination as "...the capacity to adequately perform the award in accordance with the principles established by USAID and the Office of Management and Budget." ADS 303sam, "Non-U.S. Organization Pre-Award Survey Guidelines and Support," June 28, 2012.

Agreement Officers relied on PIOs listed as approved Category 1 PIOs to perform due diligence functions, including vetting functions, we found that they complied with ADS requirements.<sup>34</sup>

## BHA Did Not Comply with Vetting Requirements

According to USAID, it created BHA in 2020 to streamline its humanitarian responses, tasking the bureau with responding to international disasters and provide urgently needed humanitarian assistance—including food, water, shelter, emergency healthcare, sanitation and hygiene, and critical nutrition services—to the world’s most vulnerable and hardest-to-reach people.

USAID’s ADS Chapter 319 contains the policy directives and required procedures for partner vetting, including for urgently needed humanitarian assistance. Specifically, ADS 319 requires partner vetting for urgently needed humanitarian assistance in all locations where USAID conducts partner vetting of development assistance. However, ADS 319 also allows USAID to request an “Exception to Policy,” which is “a variance from Agency-level policy or procedure, or from the policy or procedures set out in a Vetting Order.”<sup>35</sup> According to ADS 319, any Exception to Policy must be in the form of an advance written approval from the primary senior official charged with corporate-level oversight of USAID’s partner vetting activities, with mandatory clearance from the principal officer of the USAID office that requested the partner vetting, USAID’s Office of Security, USAID’s Bureau for Management, and USAID’s Office of General Counsel.

We requested that BHA provide us with a listing and award details for its ongoing programming in Afghanistan from March 1, 2022, through November 30, 2022. BHA provided us with 24 vetting activities using 15 implementing partners; these totaled about \$770 million in obligations and \$475 million in disbursements as of November 2022.<sup>36</sup> When reviewing those activities, we compared BHA’s award listing with USAID’s current list of Category 1 PIOs and determined that 7 of the 15 partners to whom BHA provided urgently needed humanitarian assistance funding were designated as Category 1 PIOs, meaning that they were already vetted by USAID. The remaining 8 organizations were NGOs and were required by ADS 319 to be vetted by BHA before receiving funding. When we requested the supporting vetting documentation for those NGOs, BHA told us it had not vetted these organizations due to an Exception to Policy and a lack of available vetting personnel.

After reviewing the Exception to Policy, we determined that from July 2021 to July 2022, BHA was not in compliance with ADS partner vetting requirements for its humanitarian assistance in Afghanistan. After USAID issued ADS 319 in January 2021, BHA submitted a request for an Exception to Policy in July 2021 for the vetting of BHA’s implementing partners, and their subawardees, who were providing urgently needed humanitarian assistance for five high-risk countries, including Afghanistan. However, USAID’s Senior Agency Vetting Official submitted an alternative exception request that then superseded BHA’s request by tasking USAID’s Bureau for Management to develop a memo with several options for an Exception to Policy request. USAID did not approve the Exception to Policy request until July 2022.

The Bureau for Management’s memo presented a number of options in its request for an Exception to Policy describing how BHA could comply with the new vetting requirements. One option was for USAID to provide BHA a 90-day waiver before requiring compliance with the new vetting requirements. USAID’s Office of Security, Bureau for Management, and the Bureau for the Middle East supported this option. Additionally, BHA’s request cited various security risks and administrative hurdles that it believed posed challenges to its vetting of its implementing partners and why BHA preferred a different option. For example, BHA feared that implementing the new vetting requirements might place additional risks on its partners. BHA’s request also stated that it lacked the staffing resources to perform the newly required vetting functions, including for Afghanistan, and that it would take time to hire and train staff. BHA was concerned that the new vetting requirements would

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<sup>34</sup> ADS 308maa.

<sup>35</sup> ADS 319.

<sup>36</sup> The number of implementing partners is less than the number of activities because certain implementing partners carried out more than one activity.

delay its humanitarian assistance, citing a previous urgent humanitarian crisis in a high-risk country where vetting procedures caused a delay of humanitarian aid by 2 to 3 months—even though the delay cited was due to a different type of partner vetting procedure not applicable in Afghanistan.

USAID approved a 90-day waiver for BHA to comply with ADS 319's vetting requirements in July 2022, one year after BHA's initial request and 18 months after ADS 319 took effect. The approval stated that at the conclusion of the 90-day period, BHA was required to be in compliance with ADS 319 guidance in the five high-risk countries. Furthermore, the waiver did not state that it was retroactive. BHA complied with the 90-day Exception to Policy waiver and began vetting implementing partners, and their subawardees, in Afghanistan on October 1, 2022, within the approved 90-day period. BHA did not explain to us how it overcame the cited security and administrative hurdles detailed in its initial request from July 2021 to comply with ADS 319.

After examining BHA's vetting activities, we determined that BHA was not in compliance with ADS vetting requirements from July 2021 through July 2022 because BHA did not adhere to ADS humanitarian vetting requirements, nor did it have an approved Exception to Policy for this period. Of the \$475 million BHA disbursed as of November 30, 2022, about 92 percent went to Category 1 PIOs that BHA would not have been required to vet per ADS 308 guidance; however, about 8 percent of disbursements, or \$39.3 million, went to eight NGOs that BHA was required to vet. In October 2023, BHA told us that its vetting process had identified one subawardee that was determined to be ineligible to receive USAID funding during our audit's scope. BHA's noncompliance with ADS vetting requirements during the 18-month period after the publication of ADS 319's partner vetting requirements in Afghanistan means that prohibited entities may have directly benefitted from BHA assistance. As the United States continues to provide humanitarian assistance in Afghanistan, it is vital that BHA, the lead U.S. agency providing that assistance, complies with USAID guidance by either fulfilling vetting requirements or obtaining an Exception to Policy prior to providing funding.

## CONCLUSION

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Federal laws and regulations require all agencies, including USAID, to ensure that they do not fund or contract with prohibited countries, organizations, individuals, or terrorist groups. USAID has developed policies and procedures for complying with those requirements, which include the vetting of implementing partners, subawardees, and others. To its credit, the USAID Mission to Afghanistan complied with partner vetting requirements. However, BHA did not vet its NGOs in Afghanistan as required, even as it disbursed nearly \$40 million to those organizations as of November 30, 2022.

By exercising due diligence through the vetting processes, the Mission may have helped prevent the diversion of some funds from directly being provided to prohibited entities, beyond those legally allowed under the GLs. However, because BHA did not comply with ADS 319's NGO vetting requirement for more than a year and did not have an approved Exception to Policy during that time, prohibited parties may have benefited from BHA's provision of emergency humanitarian assistance. As the U.S. government continues to provide funding for development and humanitarian assistance in Afghanistan, it remains vital that it knows who is benefitting from this assistance and prevents this aid from benefiting the Taliban or other sanctioned parties.

## RECOMMENDATION

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To help improve USAID's BHA compliance with ADS partner vetting requirements, we recommend that the USAID Administrator:

- 1. Ensure that Missions and Bureaus adhere to the ADS requirements that they must either vet implementing partners and subawardees or obtain an approval for an Exception to Policy for vetting activities.**



## AGENCY COMMENTS

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We received combined official and technical comments from USAID's Mission and BHA. The official comments are reproduced in appendix III. We updated our report in response to USAID's official and technical comments, as appropriate.

In its official comments, USAID concurred with the findings of our report and our recommendation. USAID also confirmed that since October 2022, BHA had complied with the ADS 319 partner vetting requirements that have been effective since January 2021. USAID noted that BHA supported the new requirements, which called for the vetting of humanitarian assistance wherever developmental assistance was being vetted, because they would standardize vetting for humanitarian assistance. However, USAID further noted that BHA could not immediately comply with those requirements because it did not have in place the additional vetting resources required for implementation.

USAID's comments noted that BHA submitted its Exception to Policy request in July 2021, following the finalization of vetting language in the Code of Federal Regulations; however, USAID's Senior Agency Vetting Official submitted an alternative exception request that then superseded BHA's request in favor of a Bureau of Management memo. In July 2022, one year after BHA submitted its request, USAID's Senior Agency Vetting Official approved an Exception to Policy that gave BHA 90 days to comply with ADS 319 partner vetting requirements. USAID's comments noted that BHA was in compliance with ADS 319 requirements at the end of that 90-day period.

SIGAR considers USAID's actions responsive to the recommendation and will close the recommendation as implemented upon issuance of this report. SIGAR also updated the report, as appropriate, based on USAID's technical comments.

## APPENDIX I - SCOPE AND METHODOLOGY

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This report addresses the extent to which the U.S. Agency for International Development (USAID) adhered to its internal policies and procedures for conducting partner vetting in Afghanistan from March 1, 2022, through November 30, 2022. To abide by federal laws and regulations, USAID established internal agency policies for vetting the organizations and individuals to whom it awards funding. This process includes screening implementing partners and their key personnel to ensure they are not Specially Designated Nationals or other prohibited entities on any of the Department of the Treasury's Office of Foreign Asset Control's (OFAC) sanctions lists.

To achieve our objective, we reviewed federal laws, regulations, and procedures related to compliance with partner vetting requirements and OFAC regulations, including the Code of Federal Regulations, the Federal Acquisition Regulation, USAID's Automated Directives System (ADS), and USAID's Mission Order 201.06. Additionally, we reviewed documentation governing sanctions on organizations and individuals involved in or supporting terrorism such as the International Emergency Economic Powers and National Emergencies Acts, Executive Orders 13129 and 13224, the Global Terrorism Sanctions Regulations, and OFAC's General Licenses (GL).

To assess USAID's compliance with federal laws, regulations, and procedures related to partner vetting requirements, including the ADS and Mission Order 201.06, we requested that USAID's Mission to Afghanistan (Mission) provide us with its award listing and details for activities in Afghanistan from March 1, 2022, through November 30, 2022.<sup>37</sup> The Mission provided us with a list of 27 activities totaling about \$908 million in obligations and \$738 million in disbursements. Using this list, we requested that the Mission provide us with documentation for all vetting it performed on each ongoing award with total obligations exceeding \$10 million. In response, the Mission provided us with documentation for 823 distinct vetting requests.

We divided the 823 vetting requests, our sampling frame, into the following four strata based on the number of vetting requests attributed to each implementing partner: (1) Small Implementers (1–50 vetting requests), (2) Medium Implementers (51–100 vetting requests), (3) Large Implementers (101–200 vetting requests), and (4) Macro-Implementers (201+ vetting requests). Using a 90 percent confidence interval with a 10 percent margin of error and 50 percent response rate, we identified a stratified random sample of 63 vetting requests for USAID partners with total awards exceeding \$10 million during our scope.

This methodology allowed us to generalize to the population of 823 vetting requests we received from USAID in response to our request for information. Because we followed a probability procedure to randomly select implementing partners for review, our sample is only one of many samples that we might have drawn. Each sample could have provided different estimates. There was also no guarantee that our sample would contain at least one activity from each implementing partner.

To test the 63 vetting requests in our sample, we requested and received from the Mission eligibility determination and supporting documents for each vetting request. Based on our analysis, the Mission complied with USAID's vetting requirements for nongovernmental organizations (NGOs) because the Mission provided us with documentation showing that it (1) reviewed each implementing partner and subcontractor, (2) determined each partner to be eligible for funding, and (3) notified each partner of this determination.

As part of our review of the Mission's ongoing activities from March 1, 2022, through November 30, 2022, we found that 23 distinct implementing partners, some of whom participated in multiple activities, accounted for the 823 vetting requests in our sampling frame. Of the 23 implementing partners, we found that five partners were Category 1 public international organizations (PIOs) for the purposes of ADS 308 on agreements with

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<sup>37</sup> Our audit's scope began on March 1, 2022, because OFAC issued GL 20, which authorized transactions involving Afghanistan or governing institutions in Afghanistan, on February 25, 2022. GL 20's issuance removed many limitations on the provision of foreign assistance, meaning that certain formerly prohibited transactions were now legal.

PIOs, and 15 were NGOs.<sup>38</sup> We drew this conclusion by comparing the award listing that USAID provided to us with the agency's current list of approved Category 1 PIOs as of June 2023, "List of [PIOs]: A Mandatory Reference for [ADS] 308." A PIO may be designated as a Category 1 PIO after USAID conducts a review of the PIO and finds that it meets certain requirements. ADS guidance specifies that this review must be conducted at least once every 5 years. Because all five partners in our sample appeared on USAID's current list of PIOs, we can conclude that USAID performed a review of the organizations, determined that they met requirements, and that reviews were conducted within USAID's 5-year review cycle. Thus, we found that the Mission complied with vetting requirements for PIOs.

Additionally, to complete our objective of determining USAID's compliance with federal laws, regulations, and procedures related to partner vetting requirements, we requested that USAID's Bureau for Humanitarian Assistance (BHA) provide us with its award listing and details for activities in Afghanistan from March 1, 2022, through November 30, 2022. In response, BHA provided us with a listing of 24 activities totaling about \$770 million in obligations and \$475 million in disbursements. After examining the listing, we determined that for the 24 activities, BHA used 15 implementing partners, 7 of which were Category 1 PIOs and 8 of which were NGOs.

We determined that for 12 of 24 activities, BHA used 7 Category 1 PIOs. We drew this conclusion by comparing the award listing that BHA provided to us with the agency's current list of approved Category 1 PIOs. Given that the 5 implementing partners appeared on the agency's current list of approved Category 1 PIOs, it means that USAID performed a review of the PIOs, determined that they met the USAID's requirements, and that USAID's review was conducted within the 5-year cycle.

For the remaining 12 of 24 activities, BHA used 8 NGOs, which represented about \$68 million in obligations. We requested that BHA provide us with documentation for all vetting it performed on each ongoing award, regardless of obligated amount. In response, BHA told us that it was not required to perform vetting on those awards, thus it had no vetting documentation to provide us. We then requested BHA provide us with an approved "Exception to Policy" for those 12 activities, which BHA provided. We reviewed the Exception to Policy and determined that BHA was not in compliance with USAID's ADS 319 partner vetting requirements for NGOs from July 2021 to July 2022 because the Exception to Policy did not cover that period.

To complete our objective, we also interviewed officials from OFAC and USAID who are responsible for vetting organizations and individuals, as well as current and former USAID implementing partners.

Finally, we relied on USAID computer-processed data and coordinated with USAID to ensure that provided data was complete and did not contain duplicative information. USAID verified that all data was correct. We did not test USAID's internal controls on the processes it used to verify the computer-processed data.

We conducted our work in Arlington, Virginia, from December 2021 through January 2024, in accordance with generally accepted government auditing standards. Those 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR performed this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4.

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<sup>38</sup> Per USAID ADS Chapter 308, a PIO is an organization composed of multiple member states (i.e., sovereign countries), or any other organization that USAID designates as a PIO. U.S. House of Representatives Committee on Foreign Affairs, March 13, 2023.

## APPENDIX II - SUMMARY OF PRIOR SIGAR WORK

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We have previously reported on the vetting of contractors by the Department of Defense (DOD), Department of State (State), and U.S. Agency for International Development (USAID). For example, in April 2013, we reviewed Section 841 of the Fiscal Year 2012 National Defense Authorization Act in which Congress granted DOD authority to restrict, terminate, or void contracts with entities or individuals determined to be actively supporting an insurgency or opposing coalition forces in Afghanistan.<sup>39</sup> The audit found several weaknesses in DOD's implementation of Section 841 that prevented DOD from having reasonable assurance that U.S. funds were not being provided to persons or entities supporting the insurgency or opposing coalition forces in Afghanistan. We made seven recommendations to strengthen DOD's processes and controls. In June 2022, we issued a report following up on our seven recommendations and found that DOD implemented five of them.<sup>40</sup> By not implementing all seven recommendations, DOD continued to be vulnerable to providing funds to the enemies of coalition forces, particularly through subcontracts, as DOD did not proactively monitor awards below the prime contract level despite being empowered to do so. Our follow up report made four additional recommendations. DOD concurred with three of them and stated it had already met the intent of the fourth recommendation, which was to direct the heads of contracting activities to require that contractors do not have subcontracts with Section 841 designees prior to awarding contracts valued over \$50,000.

We also examined State's and USAID's mechanisms to vet contractors in a July 2013 audit.<sup>41</sup> We reported that State and USAID each had internal processes and controls for vetting non-U.S. contractors in Afghanistan. Although we did not make any recommendations in this report, we asked Congress to consider including State and USAID under Section 841's authority to provide an additional layer of accountability and help ensure that all government agencies engaged in international affairs were subject to similar scrutiny and compliance obligations.

In March 2023, the House of Representatives Committee on Foreign Affairs wrote to SIGAR expressing concerns over how the Taliban is benefitting from public international organizations (PIO) providing them with U.S.-funds, which is authorized in Department of the Treasury's Office of Foreign Assets Control (OFAC)'s General Licenses (GLs).<sup>42</sup> The committee noted that PIOs began authorizing direct payments to the Taliban and deemed the payments "essential" to the PIOs' ability to carry out humanitarian assistance, but that the amount of funding provided to the Taliban was not tracked. Based on these concerns, the committee requested that we report on "the extent to which U.S. funds intended to respond to a humanitarian crisis in Afghanistan have been provided to the Taliban to pay taxes, fees, import duties, or for the purchase or receipt of permits, licenses, or public utility services since August 2021."<sup>43</sup> In response, we initiated a separate audit to make that determination, as this audit never intended to determine the amount of U.S.-funds provided to the Taliban.<sup>44</sup>

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<sup>39</sup> SIGAR, *Contracting with The Enemy: DOD Has Limited Assurance that Contractors with Links to Enemy Groups Are Identified and their Contracts Terminated*, SIGAR 13-06-AR, April 11, 2013.

<sup>40</sup> SIGAR, *Contracting with the Enemy: DOD Has Not Fully Implemented Processes Intended to Prevent Payments to Enemies of the United States*, SIGAR 22-29-AR, June 7, 2022.

<sup>41</sup> SIGAR, *Contracting with the Enemy: State and USAID Need Stronger Authority to Terminate Contracts When Enemy Affiliations Are Identified*, SIGAR 13-14-AR, July 24, 2013.

<sup>42</sup> Per USAID ADS Chapter 308, a PIO is an organization composed of multiple member states (i.e., sovereign countries), or any other organization that USAID designates as a PIO. U.S. House of Representatives Committee on Foreign Affairs, March 13, 2023.

<sup>43</sup> U.S. House of Representatives Committee on Foreign Affairs, Letter to SIGAR, March 13, 2023.

<sup>44</sup> In response to the request, we initiated audit 158-A in April 2023.

## APPENDIX III - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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### MEMORANDUM

**TO:** The Honorable John F. Sopko, The Special Inspector General for Afghanistan Reconstruction (SIGAR)

**FROM:** Mr. Matthew Nims, Acting Assistant to the Administrator, USAID/BHA  
Mr. Joel Sandefur, Mission Director, USAID Afghanistan /s/

**DATE:** December 21, 2023

**SUBJECT:** Management Comments to Respond to the Draft Performance Audit Report and Recommendations Provided by the SIGAR titled, *"Implementing Partner Vetting in Afghanistan: The USAID Mission to Afghanistan Complied with Vetting Requirements but USAID's Bureau for Humanitarian Assistance Did Not"*  
(SIGAR 23-XX /SIGAR 152A)

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The U.S. Agency for International Development (USAID) would like to thank SIGAR for the opportunity to provide comments on the subject draft report and accompanying recommendation regarding compliance with ADS partner vetting requirements. The Agency agrees with this recommendation and has been working to comply with it since January 2021, when the revised ADS Chapter 319 was released, and has been fully complying with it since October of 2022.

Please find below the management comments from USAID on the draft report produced by the Special Inspector General for Afghanistan Reconstruction (SIGAR), which contained one recommendation for USAID.

**Recommendation 1:** To help improve USAID's BHA compliance with ADS partner vetting requirements, we recommend that the USAID Administrator ensure that Missions and Bureaus adhere to the ADS requirements that they must either vet implementing partners and subawardees or obtain an approval for an Exception to Policy for vetting activities prior to implementing an award.

**Management Comments:** USAID agrees with this recommendation and confirms that USAID/BHA has been in full compliance since October 2022. For additional background, on January 15, 2021, USAID issued ADS Chapter 319 on partner vetting. Among other things, the chapter required Bureaus managing urgently needed humanitarian assistance to vet such assistance in any location in which USAID vets development assistance. ADS 319 included the option for post-award or post-obligation vetting for urgently needed humanitarian assistance, so as to prevent delays in reaching the most vulnerable with life-saving assistance. "Urgently needed humanitarian assistance" is defined as including, but is not limited to, nonfood assistance made available in

response to a declared disaster or emergency food assistance under Section 491 of the Foreign Assistance Act, as amended, or section 202(a) of the Food for Peace Act.

As background, prior to the issuance of ADS 319, urgently needed humanitarian assistance was not required to be vetted, except in the case of Syria and West Bank/Gaza. Vetting orders typically include general categorical exemptions for urgently needed humanitarian assistance, while leaving discretion to vet urgent HA in appropriate circumstances. Despite this, USAID/BHA supported the change to provide a standard approach to vetting of humanitarian programs across all countries in which development assistance was being vetted.

While supporting the new requirements in ADS 319, USAID/BHA requested additional time to implement this new program. USAID/BHA requested additional time to implement this through an Exception to Policy (ETP) process, to allow time for adequate staffing, and socialization with humanitarian partners. USAID/BHA submitted the ETP request to USAID's Senior Agency Vetting Official (SAVO) in July 2021. USAID/BHA took this step based on the following reasons: (1) lack of applicable post-award vetting language in the Code of Federal Regulations (CFR), (2) inadequate staffing levels to fulfill full implementation of humanitarian vetting, and (3) a need to ensure a phased approach to initiate vetting, including outreach and training for humanitarian organizations, as this would be a new policy requirement for the majority of USAID's humanitarian implementing partners. Additionally, USAID/BHA had to coordinate with other Bureaus/Independent Offices on the best approach in establishing an ETP that would give USAID/BHA enough time to properly establish humanitarian vetting. Concurrently, USAID was working on a deviation memo to add specific post-award vetting language to the CFR, a necessary step to ensure the policy could be appropriately implemented. Following finalization of post-award vetting language for 2 CFR 701 (which is currently reflected in [ADS 319maf](#) and pending inclusion in the CFR) in April 2021, USAID/BHA submitted an ETP memo in July 2021 to request additional time to initiate humanitarian vetting for the aforementioned reasons.

Based on the request by the USAID Senior Agency Vetting Official (SAVO), USAID/BHA's ETP memo was superseded by a vetting options memo developed by USAID's Management Bureau. In July 2022, the SAVO approved an option to delay partner vetting of urgently needed humanitarian assistance for up to 90 days.

During the timeframe of January 2021 and July 2022, USAID/BHA (1) recruited new staff and increased the footprint of the Vetting Support Unit from two persons in January 2021 to five staff members by July 2022, (2) developed a phased vetting implementation plan to roll out vetting, (3) created internal Bureau-level award and eligibility management process guidance and templates, and (4) prioritized the initiation of partner vetting in West Bank and Gaza in 2021 and Lebanon in 2022. Additionally, USAID/BHA continued to vet humanitarian programs in Northwest and Northeast Syria, which had been initiated in FY 2020.

In response to the USAID SAVO's decision, USAID/BHA implemented partner vetting in humanitarian programs in Afghanistan in October 2022, 90 days from the July 2022 decision. USAID/BHA utilized a phased approach, including socialization of the new vetting policy with USAID humanitarian partners and their field staff, and training for USAID/BHA staff and USAID/BHA implementing partners. USAID/BHA was in full compliance with ADS 319 for all awards by October of 2022, the beginning of Fiscal Year 2023, coinciding with USAID/BHA phased roll out of partner vetting.

### **Comments on the Draft Report**

USAID is providing the following response to the draft audit report, which USAID believes does not accurately reflect all the realities related to BHA's implementation of vetting for humanitarian assistance in Afghanistan. USAID transmitted separate edits/comments within the draft report, which are meant to make the characterizations of our vetting and sanctions procedures more accurate.

**SIGAR Statement:** SIGAR found that USAID's Mission to Afghanistan (Mission) followed USAID's partner vetting requirements in Afghanistan for nongovernmental organizations (NGOs) and Category 1 public international organizations (PIOs), or organizations composed of several member states. However, SIGAR found that from July 2021 through July 2022, USAID's Bureau for Humanitarian Assistance (BHA) did not comply with partner vetting procedures established in USAID's Automated Directives System (ADS) Chapter 319.

**USAID Response:** While USAID agrees on the dates of non-compliance, there were valid reasons why USAID/BHA was unable to comply. At the time, USAID/BHA did not have in place appropriate vetting resources to successfully fully implement partner vetting of humanitarian programs. For example, USAID Vetting Analysts had a five month waiting period to get cleared at an interagency site as well as a prolonged training period to use interagency systems. Additionally, there were delays in onboarding other USAID/BHA vetting staff through the personal services contract competitive process. Unlike the Asia Bureau, whose vetting procedures had been fully operational for over 10 years, prior to the issuance of ADS 319, urgently needed humanitarian assistance was not required to be vetted, except in the case of Syria and West Bank/Gaza. Therefore, When ADS 319 was issued in January 2021, USAID/BHA had to assemble a team and develop processes to complete required vetting entries in USAID's Partner Vetting System and train humanitarian partners. Additionally, USAID had to finalize post-award vetting award language, as 2 CFR 701 Appendix B only included pre-award vetting language and did not accommodate the post-award vetting option for urgently needed humanitarian assistance that was in ADS 319.

The hiring of qualified staff and the roll out of new vetting policies to partners required time in order to roll out vetting activities appropriately, through (1) increasing the USAID/BHA VSU staffing footprint, (2) finalizing post-award vetting language and internal award management processes and templates, (3) conducting outreach and training of humanitarian partners, as some had never been previously vetted by USAID, and (4) prioritizing the implementation of partner vetting in priority areas, such as Lebanon and West Bank and Gaza. USAID/BHA is submitting technical comments on the SIGAR draft audit report for consideration.

## APPENDIX IV - ACKNOWLEDGMENTS

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This performance audit was conducted  
under project code SIGAR-152A.

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