

SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR 20-46 Evaluation Report

U.S. Agency for International Development
Implemented More than 80 Percent of
Recommendations from SIGAR Audits and
Inspections



JULY
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

SIGAR's oversight mission, as defined by Section 1229 of the National Defense Authorization Act for Fiscal Year 2008, includes providing independent, objective recommendations to promote economy, efficiency, and effectiveness. This evaluation is a follow-up to SIGAR's October 2014 report that examined the status of recommendations SIGAR made to the U.S. Agency for International Development (USAID) in performance audits, financial audits, and inspections issued between January 2008 and April 2014. This evaluation provides information on the status of SIGAR recommendations made to USAID in the five years since our last report.

The objectives of this evaluation were to (1) analyze the number and status of recommendations, categorize each recommendation by intended outcome, and identify any program improvements or actions to recover questioned costs; and (2) assess USAID's system for tracking SIGAR's recommendations and the extent to which USAID took action to resolve open recommendations within the required period.

July 2020

U.S. Agency for International Development Implemented More than 80
Percent of Recommendations from SIGAR Audits and Inspections

SIGAR 20-46 EVALUATION REPORT

WHAT SIGAR FOUND

Over the five-year period since our 2014 report examining USAID's implementation of SIGAR recommendations, SIGAR's Audits and Inspections directorate made 201 recommendations in 68 reports to USAID. Of the 201, USAID implemented 167 recommendations, 22 were open, and only 12 were not implemented and closed.

About 90 percent of the 201 recommendations were intended to enhance contract oversight or improve program effectiveness. The recommendations resulted in \$66 million in funds put to better use and called for USAID to review and recoup, as appropriate, more than \$87 million in questioned program costs. The implementation of our recommendations also helped USAID hold contractors accountable for completing required work and led to improved safety conditions for infrastructure projects.

Office of Management and Budget (OMB) Circular A-50 requires executive agencies to maintain accurate records of the status of recommendations throughout the entire resolution process, and appoint a top-level audit follow-up official to oversee the implementation of recommendations. SIGAR found that USAID uses a system called the Consolidated Audit and Compliance System to track SIGAR recommendations through their resolution. In addition, USAID appointed a top-level audit follow-up official responsible for overseeing SIGAR recommendations.

The Federal Acquisition Streamlining Act requires agencies to take corrective action on audit recommendations, and directs that agencies resolve the recommendations within 12 months after the issuance of a final report. SIGAR found that USAID took less than 12 months to resolve 147 of the 179 closed recommendations, and more than 12 months to implement the other 32 recommendations. A responsible USAID official said the agency often does not resolve recommendations within 12 months for two primary reasons:

1. The nature of some SIGAR recommendations means USAID cannot implement them within 12 months.
2. Frequent turnover of USAID and SIGAR staff results in officials from both agencies having different interpretations of a recommendation's intent and the actions required for implementation.

SIGAR also found that USAID guidance differs from the Federal Acquisition Streamlining Act in the length of time allowed for final actions to implement a recommendation. While the act requires that recommendation resolution take no more than 12 months total, USAID's Automated Directives System (ADS) 595 allows up to 6 months for a management decision and an additional 12 months for final resolution, for a total of 18 months for a resolution.

WHAT SIGAR RECOMMENDS

To comply with federal law and ensure that recommendations made to USAID are resolved within 12 months, SIGAR recommends that the USAID Administrator:

- 1. Update ADS 595 to be in accordance with the 12-month recommendation resolution timeline required by the Federal Acquisition Streamlining Act of 1994.**

SIGAR received written comments on a draft of this report from the USAID Mission for Afghanistan. In the comments, USAID concurred with the recommendation and stated that it would update its ADS guidance to comply with the Federal Acquisition Streamlining Act of 1994.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 14, 2020

Mr. John Barsa
Acting Administrator, U.S. Agency for International Development

Mr. Peter Natiello
USAID Mission Director for Afghanistan

This report discusses the results of SIGAR's evaluation of the status of SIGAR audit and inspection recommendations made to the U.S. Agency for International Development (USAID) between May 1, 2014, and July 31, 2019. During this period, SIGAR made 201 recommendations in 68 reports to USAID. Of these, USAID implemented 167 recommendations, 22 were open, and only 12 were not implemented and closed by SIGAR.

We determined that, as required, USAID appointed a top-level audit follow-up official to oversee the agency's implementation of our recommendations and established a system to track the recommendations through resolution. USAID resolved 82 percent of closed recommendations within 12 months, as required by the Federal Acquisition Streamlining Act. However, we found that USAID guidance allows up to 18 months for the final resolution of recommendations, a difference from the act's 12 month requirement.

We are making one recommendation. To comply with federal law and help ensure that recommendations made to USAID are resolved within 12 months, we recommend that the USAID Administrator update USAID's Automated Directives System 595 to be in accordance with the 12-month recommendation resolution timeline required by the Federal Acquisition Streamlining Act of 1994.

We received written comments on a draft of this report from the USAID Mission for Afghanistan. USAID concurred with our recommendation and stated that it would update its ADS guidance to comply with the Federal Acquisition Streamlining Act of 1994. USAID's comments are reproduced in appendix II of this report. We also received technical comments from USAID, which we incorporated as appropriate.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

ADS	Automated Directives System
CACS	Consolidated Audit and Compliance System
OMB	Office of Management and Budget
USAID	U.S. Agency for International Development

Congress established SIGAR in 2008 to independently and objectively conduct audits and investigations of reconstruction activities in Afghanistan. SIGAR's Audits and Inspections directorate is responsible for conducting and supervising the agency's performance audits, financial audits, inspections, and evaluations of projects and programs implemented to reconstruct Afghanistan. We are required to report on both problems and deficiencies related to the administration of reconstruction programs and operations, as well as on the corrective action(s) needed and taken in response to our recommendations.

This evaluation is a follow-up to our October 2014 report on the status of the 127 recommendations we made to the U.S. Agency for International Development (USAID) in performance audits, financial audits, and inspections issued between January 2008 and April 2014.¹ This evaluation provides information about the 201 recommendations SIGAR made to USAID over the five-year period since our 2014 report examining USAID's implementation of SIGAR recommendations. The objectives were to

1. Analyze the number and status of recommendations, categorize each recommendation by intended outcome, and identify any program improvements or actions to recover questioned costs.
2. Assess USAID's system for tracking SIGAR's recommendations and the extent to which USAID took action to resolve open recommendations within the required period.

To accomplish these objectives, we reviewed Office of Management Budget (OMB) Circular A-50, the Inspector General Act of 1978, as amended, the Federal Acquisition Streamlining Act of 1994, and USAID's Automated Directives System (ADS) guidance related to recommendation follow-up. We analyzed our recommendations in reports issued between May 1, 2014, and July 31, 2019, and USAID's responses. We also interviewed USAID officials responsible for resolving our recommendations. We conducted our work in Arlington, Virginia, from December 2019 through May 2020, in accordance with the *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency. Appendix I has a more detailed discussion of our scope and methodology.

BACKGROUND

SIGAR's oversight mission, as defined by Section 1229 of the National Defense Authorization Act for Fiscal Year 2008, includes providing independent, objective recommendations to promote economy, efficiency, and effectiveness. Additionally, the Inspector General Act of 1978, as amended, requires us to prepare semiannual reports summarizing our recommendations to executive branch agencies during the previous 6-month period.² The reports include a description of recommendations for corrective action made during the reporting period and a list of each recommendation made during previous reporting periods for which corrective actions were not completed.

Historically, SIGAR has used its quarterly report to fulfill these reporting requirements. However, in 2014, we determined that additional reporting would allow us to provide more in-depth analyses and better inform Congress on the status of our recommendations. In October 2014, we reported on the status of the 127 recommendations we made to USAID between January 2008 and April 2014.³ For that period, USAID implemented 103 recommendations, representing more than 80 percent of the recommendations we made to the agency. USAID did not implement 7 recommendations, and 17 remained open at the time we issued our 2014 report. Most of the recommendations related to the agriculture and infrastructure sectors, and one recommendation led to an estimated \$23 million in savings and funds put to better use.⁴

¹ SIGAR, *U.S. Agency for International Development: More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR 15-1-AR, October 3, 2014.

² The Inspector General Act of 1978, as amended, 5 U.S.C. app. §5(a).

³ SIGAR, *U.S. Agency for International Development: More than 80 Percent...*, SIGAR 15-1-AR.

⁴ Funds that could be put to better use include funds that are used more efficiently because an agency de-obligates them from their original program or operation to avoid incurring unnecessary expenses or costs.

This evaluation updates our 2014 report and assesses the follow-up process and tracking system USAID used to resolve our recommendations.

The recommendation follow-up process for USAID begins when we issue a report that has recommendations for the agency. In each report, we state whether USAID concurred with our recommendations and, when applicable, explain USAID's position and give our response. Generally within 60 days from when we issue a report, we remind USAID to provide documentation of the agency's corrective actions; if it has not taken any, we ask the agency to give us the status of the actions taken to address the recommendations with details on the actions it plans to take for each one.

SIGAR tracks recommendations made to USAID and (1) records whether the agency responded to our recommendations and what supporting documentation it provided; (2) determines the status of each recommendation; and (3) documents any costs savings or recoveries that result from each recommendation. SIGAR recommendation follow-up personnel liaise with USAID and SIGAR teams tasked with determining whether USAID provided sufficient, relevant information necessary to resolve a recommendation. If the documentation is insufficient or does not meet the intent of a recommendation, the recommendation remains open. This process continues until we receive information necessary to close the recommendation. For recommendations that have not been resolved within 2 years, we notify USAID that we will close the recommendation as unimplemented unless USAID can reach a resolution within 90 days.

After we make recommendations, and throughout the follow-up process, we place recommendations into one of four categories:⁵

1. *Open*: USAID has not taken action to close the recommendation, or the actions taken are insufficient.
2. *Open But Resolved*: USAID is in the process of taking actions sufficient to close the recommendation. Once the actions are complete, we consider the recommendation closed and implemented.
3. *Closed and Implemented*: USAID provided sufficient evidence that it addressed the intent of the recommendation.
4. *Closed But Not Implemented*: This occurs because (1) USAID did not concur with the recommendation and did not take steps to address it; (2) USAID's actions did not meet the intent of the recommendation, or could not provide evidence that the recommendation was implemented; or (3) USAID did not take action in a timely manner, and the recommendation was closed because of inaction.

Between May 1, 2014, and July 31, 2019, we issued 86 reports to USAID.⁶ Of these, 68 reports contained 201 recommendations to USAID. For the purposes of this report, we grouped these recommendations into five categories of intended outcomes:

1. *Infrastructure Compliance and Safety*: Recommendations to USAID to make improvements to infrastructure in order to comply with contract requirements or safety best practices. This category primarily comprises recommendations from inspection reports.
2. *Contract Oversight*: Recommendations to USAID to provide improved oversight of contracts that it manages. This category primarily comprises recommendations from financial audits.
3. *Improving Program Effectiveness*: Recommendations to USAID to take actions that will improve a program's effectiveness. This category primarily comprises recommendations from performance audits.
4. *Program Performance Evaluations*: Recommendations to USAID to evaluate a program's performance. This category primarily comprises recommendations from performance audits.

⁵ There are two additional categories that SIGAR has yet to use: "Closed-Overcome by Events" and "Closed-Redirected."

⁶ These 86 reports consist of 17 performance audits, 8 inspections, 59 financial audits, and 2 alert letters.

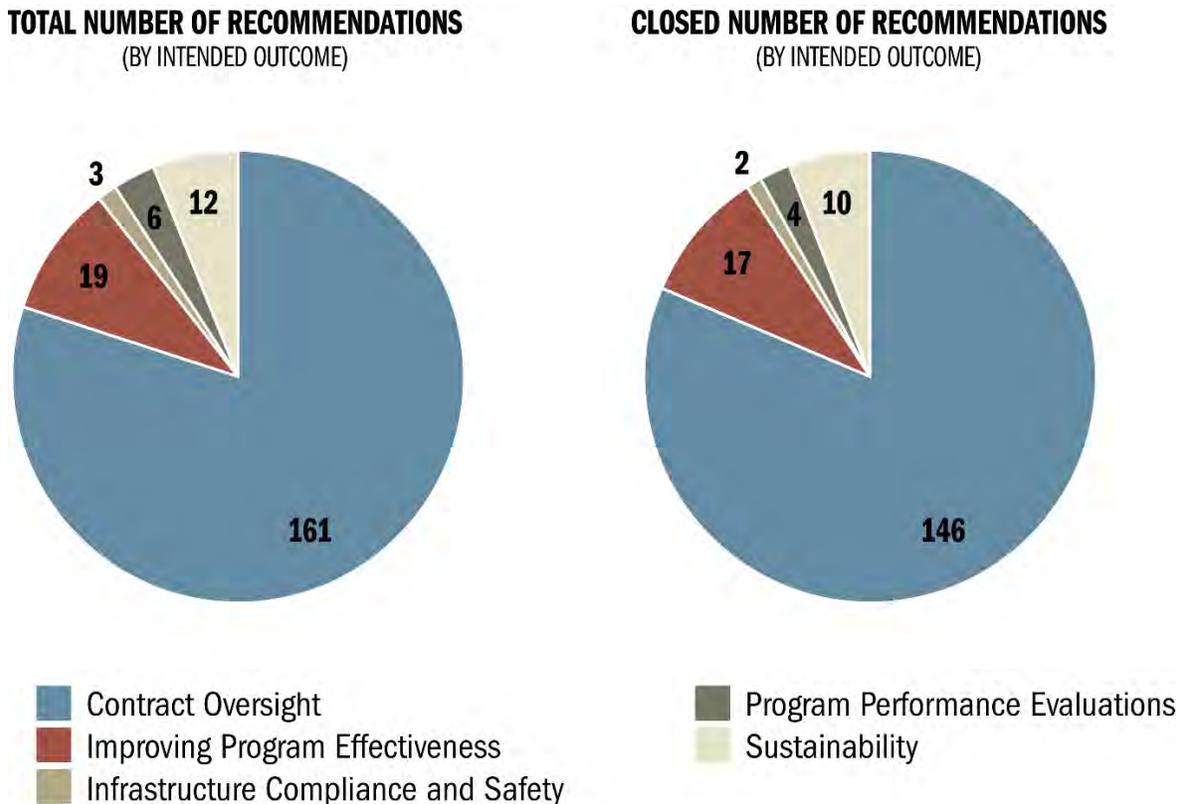
5. *Sustainability*: Recommendations to USAID to comply with U.S. laws or USAID regulations, policies, or procedures for ensuring that a program or its outcomes are sustainable. This category primarily comprises recommendations from performance audits.

SIGAR CLOSED 179 OF 201 RECOMMENDATIONS MADE TO USAID

We made 201 recommendations to USAID over the five-year period since our 2014 report examining USAID’s implementation of SIGAR recommendations; we closed 179 of them. Of the 179 closed recommendations, USAID implemented 167, and we closed 12 as unimplemented because the agency did not concur with our recommendation and did not take steps to address it, or because the agency took steps to address our recommendation, but we determined the agency had not taken sufficient action. As of July 31, 2019, 22 recommendations remained open awaiting USAID’s action.⁷

For purposes of this report, we categorized the 201 recommendations into one of five intended outcomes, as described above. Approximately 80 percent of all our recommendations were intended to enhance contract oversight, and another 9 percent were intended to improve program effectiveness. Of the 179 closed recommendations, 82 percent were in the contract oversight category, and 9 percent in the improved program effectiveness category.

Figure 1 - Recommendations by Intended Outcome



Source: Analysis of SIGAR reports issued between May 1, 2014, and July 31, 2019.

⁷ The scope of this evaluation included recommendations issued to USAID between May 2014 and July 2019. However, since July 2019, we closed 19 of the 22 recommendations open at that time.

SIGAR Recommendations Led to \$66 Million Put to Better Use and Called for USAID to Review More than \$87 Million in Questioned Costs

Our recommendations improved USAID's accountability for U.S. funds spent on reconstruction in Afghanistan and resulted in \$66 million of funds put to better use. For example, we released a report in 2016 on Afghanistan's road infrastructure, which included examining USAID's Road Sector Sustainability Program for the Afghan Ministry of Public Works.⁸ We reported that USAID intended for the ministry to create its own independent authorities to manage road construction, and the audit found that the ministry demonstrated its commitment to reforms by proposing legislation to the Afghan Parliament that would establish the new authorities. However, we also found that the Afghan Parliament might not pass the legislation and that, even if legislation were passed, the road management authorities might not be independent. Based on this finding, we recommended that USAID condition future program funding on the creation of the independent authorities. USAID concurred with our recommendation and subsequently reprogrammed \$66 million from the program, and put the funds to better use when the Afghan Parliament did not establish the new independent authorities.

Our recommendations also led to improved accountability for U.S. funds spent on reconstruction in Afghanistan by recommending that USAID determine the allowability of and recover, when appropriate, more than \$87 million in questioned costs. Between May 1, 2014, and July 31, 2019, we issued 59 financial audits that examined costs incurred on various USAID projects. Those audits resulted in 153 recommendations that called for (1) USAID to review and determine whether certain contract costs were allowable, and (2) implementing partners to improve their internal controls to prevent incurring unallowable costs in the future.

As a result of these questioned costs—and costs questioned under Department of State and Department of Defense contracts, grants, and cooperative agreements—we initiated an evaluation in January 2020 to summarize our completed financial audits and identify common contracting and oversight issues that led to questioned costs. The results of this evaluation will be published in a forthcoming report.

SIGAR Recommendations Resulted in Improved Safety Conditions and Other Improvements

In addition to improving its accountability over U.S. funds, USAID's implementation of our recommendations helped the agency hold contractors accountable for completing required work and led to improved safety conditions of infrastructure projects. For example, our inspection of a USAID-funded hospital in Gardez, Paktiya Province, found that construction did not meet contract specifications, and identified potential safety hazards for hospital occupants.⁹ In response to our recommendations, USAID required contractors to make necessary repairs, including installing required seismic bracing and emergency lighting, and repairing roof leaks; these were all performed under warranty.

USAID's implementation of our recommendations also led to program and process improvements within the agency. For example, in 2018, we issued a report on USAID's Regional Agriculture Development Program.¹⁰ We found that USAID did not consistently monitor the program and had yet to evaluate whether the program met its goals. We recommended that USAID perform a mid-term performance evaluation of the program. USAID concurred with the recommendation and in response, conducted a performance evaluation of the program and adjusted program implementation, as needed.

⁸ SIGAR, *Afghanistan's Road Infrastructure: Sustainment Challenges and Lack of Repairs Put U.S. Investment at Risk*, SIGAR 17-11-AR, October 27, 2016.

⁹ SIGAR, *Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies Still Need to be Addressed*, SIGAR 16-56-IP, August 29, 2016.

¹⁰ SIGAR, *Regional Agriculture Development Program: Additional Evaluations and Assessments Could Improve the Performance and Sustainability of USAID/Afghanistan's \$301 Million Program*, SIGAR 18-65-AR, July 30, 2018.

USAID MET REQUIREMENTS FOR HAVING A TRACKING SYSTEM AND DESIGNATING AN OFFICIAL RESPONSIBLE FOR IMPLEMENTING RECOMMENDATIONS, BUT ITS GUIDANCE DIFFERS FROM FEDERAL REQUIREMENTS

OMB Circular A-50 and the Federal Acquisition Streamlining Act of 1994 lists requirements for how agencies should handle recommendations made by an inspector general. The requirements include that agencies have a system to track recommendations, appoint a top-level audit follow-up official to oversee the implementation of recommendations, and take final actions to implement recommendations within 12 months after an inspector general makes recommendation. We found that USAID complied with OMB Circular A-50 requirements, but USAID's internal guidance differs from the Federal Acquisition Streamlining Act regarding the amount of time allowed to take final actions on a recommendation.

USAID Has a System and Audit Follow-Up Coordinator to Track SIGAR Recommendations as Required

OMB's Circular A-50 requires executive agencies to establish a system to "assure the prompt and proper resolution and implementation of audit recommendations."¹¹ The system must include an accurate record of the status of the recommendations throughout the entire resolution process, which should result in efficient, prompt, and proper resolution and corrective action. The circular provides 11 specific standards for follow-up systems, including maintaining accurate records regarding the status of recommendations throughout the entire resolution process, and appointing a top-level audit follow-up official.

We found that USAID has a system to track our open recommendations through resolution in accordance with the OMB circular. The agency uses a system called the Consolidated Audit and Compliance System (CACS), which is a web-based program for storing and managing audit reports and recommendation actions. CACS allows USAID to assign an audit follow-up official for each recommendation, specify corrective actions to address recommendations and due dates for those actions, and maintain accurate records for each recommendation through final resolution.

USAID gave us access to CACS for our review. We determined that the system included all of the recommendations we made between May 1, 2014, and July 31, 2019. We also determined that CACS contained accurate records on the status of recommendations. According to a USAID official, for each SIGAR recommendation, USAID creates a folder within CACS to track the recommendation's progress from issuance to final resolution. The official said that within each folder, USAID enters milestone dates, supporting documents, and other information pertaining to the final resolution of the recommendation. We reviewed some of these folders and confirmed that USAID has a folder for each recommendation, and each folder includes milestone dates, supporting documentation, and other key information. Further, we determined that CACS accurately tracked the status of recommendations, allowing USAID to determine which recommendations were open and pending final resolution, and which recommendations had been resolved.

We also determined that USAID had assigned a top-level audit follow-up official for SIGAR recommendations. The OMB circular states that the follow-up official has responsibility for ensuring that (1) a system of audit follow-up, resolution, and corrective action is documented and in place; (2) timely responses are made for all audit reports; (3) disagreements are resolved; (4) corrective actions are actually taken; and (5) semiannual reports are sent to the head of the agency.¹²

¹¹ OMB, Circular A-50 Revised, "Audit Follow-up," Section 5, September 29, 1982.

¹² OMB, Circular A-50 Revised, "Audit Follow-up," Section 7(c), September 29, 1982.

Automated Directives System (ADS) 595 is USAID's guidance for managing audit recommendations and complying with the OMB circular.¹³ ADS 595 requires the use of CACS for documenting recommendation follow-up actions, defines the roles and responsibilities for audit follow-up officials, and outlines procedures for the audit follow-up process, from recommendation issuance through final resolution.

USAID has a designated official responsible for recommendation follow-up at the USAID Mission for Afghanistan. That official acts as a liaison at the mission level between a mission's technical office, SIGAR, and USAID headquarters management. This follow-up official is responsible for issuing management decisions, ensuring the final resolution of recommendations, and documenting the recommendation follow-up process within CACS. The official said that after a mission takes final action on a recommendation, the top-level audit follow-up official at USAID headquarters reviews the information in CACS, makes sure the proper documentation is stored in the folder, and closes the recommendation.

After reviewing closed folders within CACS, we confirmed that officials with the USAID Mission for Afghanistan uploaded documentation into CACS and that USAID headquarters closed the folders after a recommendation's final resolution.

USAID Resolved 82 Percent of SIGAR Recommendations within 12 Months, But Its Internal Guidance Differs from Federal Law

The Federal Acquisition Streamlining Act requires agencies to submit a management decision within 6 months and take final actions to implement recommendations within 12 months of an inspector general issuing a final report.¹⁴

We reviewed whether USAID's actions were sufficient for us to close our recommendations within 12 months of report issuance. First, we analyzed the 22 open recommendations and determined that as of July 31, 2019, 20 of them (about 90 percent) had been open for less than 12 months. We also analyzed the 179 closed recommendations to determine whether USAID took action within the required 12 months. The agency took final action on 147 recommendations (82 percent) in less than 12 months. We found that USAID used more than 12 months to take final action on 32 recommendations (18 percent), with an average of about 23 months for final action.

The USAID mission official responsible for recommendation follow-up told us that the agency works to take final action and close recommendations within 12 months. However, the official identified two reasons that recommendations may take longer than 12 months to implement and close. First, the USAID official stated that due to the nature of some SIGAR recommendations, USAID cannot close them within 12 months. For example, the USAID official cited a recommendation from a 2017 performance audit that called on USAID to "conduct assessments of FY [fiscal year] 2011 AIF [Afghanistan Infrastructure Fund] projects to determine the extent to which each project has achieved its stated objectives" within 3 months.¹⁵ Although the agency concurred with the recommendation, the official said USAID could not take final action within 3 months, or within 12 months, because projects were still ongoing and, once complete, assessing whether projects achieved their objectives would take longer than 12 months. USAID provided the requested assessments to us in March 2020, 29 months after we made the recommendation. Second, the USAID official stated that frequent staff turnover at USAID and SIGAR may result in differing interpretations of a recommendation's intent and the actions required for closure.

The Federal Acquisition Streamlining Act requires agencies to submit a management decision within 6 months and take final actions to implement recommendations within 12 months after an inspector general issues a

¹³ USAID, ADS 595, "Audit Management Program," partially revised July 18, 2012.

¹⁴ Federal Acquisition Streamlining Act of 1994, as amended, 5 U.S.C. App. §5 note.

¹⁵ SIGAR, *Afghanistan Infrastructure Fund: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth about \$400 Million, Achieved Counterinsurgency Objectives and Can Be Sustained*, SIGAR 18-10-AR, October 31, 2017.

final report. However, we found that USAID's internal guidance differs from the Federal Acquisition Streamlining Act. Specifically, the ADS 595 states USAID must reach a management decision within 6 months of the issuance of an audit,¹⁶ and that "a reasonable effort must be made to complete corrective action on audit recommendations within one year of a management decision."¹⁷

The USAID official responsible for recommendation follow-up confirmed that USAID must submit a management decision within 6 months and take final action within 12 months of the management decision, allowing for up to 18 months total for the agency to take final action on a recommendation. However, the official said USAID usually makes a management decision within 2 months of a report's issuance, meaning the agency would have up to 14 months to take final action.

CONCLUSION

Between May 1, 2014, and July 31, 2019, SIGAR closed 179 of the 201 recommendations it made to USAID (about 89 percent). Of the 179 closed recommendations, USAID took action to implement 167. Of the 179 closed recommendations, we determined that USAID took final action on 82 percent within 12 months. In addition, USAID complied with OMB Circular A-50 guidance by appointing a top-level audit follow-up official and implementing a system to track our recommendations. Overall, we found USAID was implementing the practices and procedures as required, and that the agency has been responsive to implementing our recommendations. However, we did find that by allowing 6 additional months to the agency to take final actions, USAID guidance differed from federal law regarding the timeliness of reaching management decisions and taking steps to address recommendations.

RECOMMENDATION

To comply with federal law and ensure that recommendations made to USAID are resolved within 12 months, we recommend that the USAID Administrator:

- 1. Update ADS 595 to be in accordance with the 12-month recommendation resolution timeline required by the Federal Acquisition Streamlining Act of 1994.**

AGENCY COMMENTS

We received written comments on a draft of this report from the USAID Mission for Afghanistan. USAID concurred with our recommendation and stated that it would update its ADS guidance to comply with the Federal Acquisition Streamlining Act of 1994. USAID's comments are reproduced in appendix II. We also received technical comments from USAID, which we incorporated as appropriate.

¹⁶ USAID ADS 595.3.1.1, partially revised July 18, 2012.

¹⁷ USAID ADS 595.3.1.6, partially revised July 18 2012.

APPENDIX I - SCOPE AND METHODOLOGY

This report provides the results of SIGAR's evaluation of the U.S. Agency for International Development's (USAID) efforts to track and provide evidence of the corrective actions it took in response to recommendations from SIGAR's performance audits, financial audits, inspections, evaluations, and alert letters between May 1, 2014, and July 31, 2019. Our objectives were to (1) analyze the number and status of recommendations, categorize each recommendation by intended outcome, and identify any program improvements or actions to recover questioned costs; and (2) assess USAID's system for tracking SIGAR's recommendations and the extent that USAID took action to resolve open recommendations in the required period.

To answer the first objective, we compiled a list of all SIGAR recommendations that were directed, in whole or in part, to USAID, along with the number, type, and issue date for the report containing the recommendation. To categorize recommendations status as either "closed and implemented" or "closed but not implemented," we examined internal SIGAR recommendation status determinations and records. We then grouped the recommendations into one of five intended outcome categories.

1. *Infrastructure Compliance and Safety*: Recommendations that instruct USAID to make improvements to infrastructure in order to comply with contract requirements or safety best practices. This category primarily comprises recommendations from inspection reports.
2. *Contract Oversight*: Recommendations that instruct USAID to provide improved oversight of contracts that it manages. This category primarily comprises recommendations from financial audits.
3. *Improving Program Effectiveness*: Recommendations that instruct USAID to take actions that will improve a program's effectiveness. This category primarily comprises recommendations from performance audits.
4. *Program Performance Evaluations*: Recommendations that instruct USAID to evaluate a program's performance. This category primarily comprises recommendations from performance audits.
5. *Sustainability*: Recommendations that instruct USAID to comply with U.S. laws or USAID regulations, policies, or procedures for ensuring that a program or its outcomes are sustainable. This category primarily comprises recommendations from performance audits.

To quantify funds recovered or put to better use that were associated with a recommendation, we reviewed SIGAR documentation, including audit accomplishment reports, and documentation and correspondence from USAID.

To answer the second objective, we reviewed Office of Management and Budget Circular A-50, the Federal Acquisition Streamlining Act of 1994, as amended, and the Inspector General Act of 1978, as amended, to identify the requirements for addressing recommendations issued by inspectors general. We did this by (1) determining whether USAID had assigned a top-level audit follow-up official for SIGAR recommendations; (2) examining USAID's system for tracking recommendations; and (3) analyzing how long USAID took to implement our recommendations or how long recommendations have been open. Additionally, we analyzed whether USAID took action to respond to and resolve recommendations within the required 12-month period.

For both objectives, we interviewed the current USAID mission official responsible for overseeing the implementation of our audit and inspection recommendations. We also interviewed agency officials to discuss the process for recommendation tracking and follow-up for the period between May 1, 2014, and July 31, 2019.

We conducted our evaluation in Arlington, Virginia, from December 2019 to May 2020, in accordance with the *Quality Standards for Inspection and Evaluation 2012* of the Council of the Inspectors General on Integrity and Efficiency. We believe that the evidence obtained provides a sufficient and reasonable basis for our findings and conclusions based on our objectives. We conducted this evaluation under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

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



MEMORANDUM

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

FROM: Peter Natiello, Mission Director

DATE: July 7, 2020

SUBJECT: Management Comments to Respond to the Draft Evaluation Report Produced by SIGAR titled, *U.S. Agency for International Development Implemented More than 80 Percent of Recommendations from SIGAR Audits and Inspections* (SIGAR 20-XX Evaluation Report/SIGAR E-004).

The U.S. Agency for International Development (USAID) would like to thank SIGAR for the opportunity to provide comments on the subject draft report, which contains one recommendation for the Agency. USAID concurs with the report's recommendation and agrees to update Chapter 595 of our Automated Directives System (ADS) to clarify that the Agency must complete final action on each Management Decision from an audit report issued by an Inspector General within 12 months after the report's issuance.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT ON THE DRAFT REPORT RELEASED BY THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION (SIGAR) TITLED, “U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT IMPLEMENTED MORE THAN 80 PERCENT OF RECOMMENDATIONS FROM SIGAR AUDITS AND INSPECTIONS” (SIGAR 20-XX Evaluation Report/SIGAR E-004)

Please find below the management comments from the U.S. Agency for International Development (USAID) on draft evaluation report SIGAR E-004, which contains one recommendation for USAID:

Recommendation 1: *Update [Automated Directive System (ADS) Chapter] 595 to be in accordance with the 12-month recommendation resolution timeline required by the Federal Acquisition Streamlining Act of 1994.*

- **Management Comments:** USAID concurs with the recommendation with a clarification that SIGAR is referring to “final action” on a Management Decision, as opposed to the “resolution” of a recommendation.
- The Office of the Chief Financial Officer will update ADS Chapter 595.3.1.6 to reflect the requirement in Paragraph (b) of the note made by the Federal Acquisition Streamlining Act of 1994 to Appendix 5 of Title 5 of the United States Code (the Inspector General Act of 1978) that the Agency must complete final action on each Management Decision required with regard to a recommendation in a report issued by an Inspector General within 12 months after the date of the report’s publication.

Target Closure Date: September 30, 2020.

APPENDIX III - ACKNOWLEDGEMENTS

Carole Coffey, Senior Program Manager

Adriel Harari, Auditor-in-Charge

Sara Giska, Student Trainee

This evaluation was conducted
under project code SIGAR E-004.

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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