

Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited



January 31, 2012



SIGAR

Special Inspector General for Afghanistan Reconstruction

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What SIGAR Reviewed

The Afghan First Initiative (AFI) supports U.S. counterinsurgency objectives by supporting Afghan companies in order to increase Afghan employment. The Fiscal Year 2008 National Defense Authorization Act authorized the Department of Defense (DOD) to limit competition to Afghan products, services, and sources. In 2010, further guidance was issued to agencies which encourage local procurement contracting for the purpose of improving the Afghan economy by building Afghan leadership, participation, capacity, and sustainability. This report assesses (1) how agencies identified and documented that Afghan companies were eligible for AFI, (2) progress made on selected contracts with Afghan companies, and (3) how agencies were measuring progress towards AFI's overall goal of increasing employment. To accomplish these objectives, SIGAR met with contracting officials from DOD, the Department of State, the U.S. Agency for International Development (USAID), and Afghan contractors and manufacturers. SIGAR limited its review to the Afghanistan Security Forces Fund, the Economic Support Fund, and other reconstruction funds. SIGAR reviewed 29 AFI construction contracts and conducted 10 site inspections to determine compliance with contract terms. SIGAR conducted work from March 2011 to December 2011 in seven provinces in Afghanistan, in accordance with generally accepted government auditing standards.

What SIGAR Found

U.S. contracting authorities used at least six different methods to announce contract solicitations to the Afghan business community and at least seven separate databases to vet contractor ownership and capacity. The announcement methods provided numerous opportunities for Afghan businesses to identify U.S. contract opportunities; however, most U.S. agencies did not use a website that consolidated this information in a single location. Similarly, a wide variety of databases were available to vet Afghan companies for ownership, resource capacity, and prior performance. However, many U.S. agencies did not use the full range of information available to vet companies prior to award. For example, although U.S. agencies obtained business licenses at the time of award to confirm Afghan ownership, they did not independently verify these licenses with Afghan authorities or monitor the validity of the licenses throughout the contract's period of performance. SIGAR found four instances in which non-Afghan companies were awarded an AFI contract. As a result of the inconsistent approaches in selecting and vetting Afghan companies, access to contract opportunities may have been limited, and some companies may not have been eligible for AFI contracts.

Over 90 percent of the AFI reconstruction-funded awards that SIGAR reviewed were for construction projects, of which 20 Afghan companies received nearly 80 percent of the \$654.4 million awarded. SIGAR reviewed 29 AFI construction contracts valued at \$133 million and found that the companies generally met contract requirements. SIGAR found that 19 construction projects that had cost and schedule variances, were generally justifiable, supported by approved modifications. Of the 10 construction projects SIGAR inspected, only a police station in Farah Province had significant construction deficiencies, although corrective action was recently taken by the contracting authority.

The absence of both a standard definition of employment and a systematic requirement to track and verify employment figures resulted in an inability to fully assess the effect of \$654.4 million in AFI reconstruction contract awards over the last 3 years. U.S. agencies collect employment data on Afghan employment related to their procurement awards for a variety of purposes and through a variety of means; however, these efforts are not designed to gauge agency progress toward promoting Afghan employment through the AFI award process. Aggregate data on Afghan employment resulting from coalition partners' contracting activities is only available in a coalition partners created "scorecard," which includes broad indicators of the effect of contracts awarded by coalition countries. For a variety of reasons, however, this data does not provide a suitable basis for measuring the effect U.S. procurement efforts have had on generating short- and long-term employment gains in Afghanistan in support of U.S. goals.

What SIGAR Recommends

To broaden the base of participating Afghan companies, and ensure that only qualified companies receive AFI awards, SIGAR is making four recommendations to the Commander of U.S. Forces-Afghanistan and the U.S. Ambassador to Afghanistan, in coordination with the U.S. Central Command Combined Joint Theater Support Contracting Command (C-JTSCC), U.S. Army Corps of Engineers, and the USAID Mission Director to Afghanistan to develop more systematic approaches for soliciting and vetting contracts, and collecting employment data. The U.S. Embassy and C-JTSCC concurred with the recommendations. The U.S. Army Corps of Engineers concurred with three recommendations and did not concur with one due to challenges in measuring local employment in Afghanistan.

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OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

January 31, 2012

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U.S. Ambassador to Afghanistan

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Commander, International Security Assistance Force

Rear Admiral Nicholas Kalathas
Commander, U.S. Central Command Joint Theater Support
Contracting Command

Lieutenant General Daniel P. Bolger
Commanding General, NATO Training Mission-Afghanistan/
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Major General Merdith W. B. Temple
Acting U.S. Army Chief of Engineers and
Acting Commanding General, U.S. Army Corps of Engineers

Dr. S. Ken Yamashita
USAID Mission Director to Afghanistan

This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) audit of the Afghan First Initiative (AFI) implemented by U.S. contracting authorities. This report includes four recommendations to the Commander of U.S. Forces-Afghanistan and the U.S. Ambassador to Afghanistan, in coordination with U.S. Central Command Combined Joint Theater Support Contracting Command, U.S. Army Corps of Engineers, and the U.S. Agency for International Development Mission Director to Afghanistan, to assure that AFI solicitation and vetting procedures are improved, Afghan business ownership is verified, and the effect on employment is adequately measured.

When preparing the final report, we considered comments from the U.S. Embassy Kabul, U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC), U.S. Army Corps of Engineers, and the Combined Security Transition Command-Afghanistan (CSTC-A). These comments are reproduced in appendices II-V, respectively. The U.S. Embassy, C-JTSCC, and CSTC-A concurred with the recommendations. The U.S. Army Corps of Engineers did not concur with one recommendation due to challenges in measuring local employment in Afghanistan. SIGAR conducted this performance audit under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978; and the Inspector General Reform Act of 2008.

A handwritten signature in black ink, appearing to read "Steven J Trent".

Steven J Trent
Acting Special Inspector General
for Afghanistan Reconstruction

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ACRONYMS

ABAP	Afghan Business Advisor Program
AFI	Afghan First Initiative
AFWG	Afghan First Working Group
AISA	Afghanistan Investment Support Agency
CERP	Commander's Emergency Response Program
C-JTSCC	U.S. Central Command Joint Theater Support Contracting Command
COIN	Counterinsurgency
CSTC-A	Combined Security Transition Command-Afghanistan
DOD	Department of Defense
INL	Bureau of International Narcotics and Law Enforcement Affairs
ISAF	International Security Assistance Force
NDAA	National Defense Authorization Act
PAS	Public Affairs Section
PDT	Peace Dividend Trust
PPIRS	Past Performance Information Retrieval System
SIGAR	Special Inspector General for Afghanistan Reconstruction
State	Department of State
TFBSO	Task Force for Business and Stability Operations
USACE	U.S. Army Corps of Engineers
USACE-TAN	USACE, Afghan Engineer District - North
USACE-TAS	USACE, Afghan Engineer District - South
USAID	U.S. Agency for International Development
USFOR-A	U.S. Forces-Afghanistan



Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited

Since March 2006, U.S. military and civilian agencies operating in Afghanistan have taken steps to ensure that a greater number of contracts are awarded to Afghan companies. Over time, these efforts have become known collectively as the Afghan First Initiative (AFI).¹ The key aim of AFI is to support U.S. counterinsurgency (COIN) objectives by helping create job opportunities to improve the economy. In January 2008, AFI was codified in Section 886 of the Fiscal Year 2008 National Defense Authorization Act (NDAA)² authorizing the Department of Defense (DOD) to limit competition to Afghan products, services, and sources. In the fall of 2010, the U.S. Forces-Afghanistan (USFOR-A) Commander and the U.S. Ambassador to Afghanistan issued guidance that U.S. contracting agencies should hire Afghans first, buy Afghan products, and build Afghan capacity.

In fiscal year 2011, the International Security Assistance Force (ISAF) estimated that U.S. agencies contracted over \$4 billion, out of \$17.3 billion, with Afghan companies. This report examines only the part of AFI funded by funds such as the Afghanistan Security Forces Fund, the Economic Support Fund, and other reconstruction funds.³ We reviewed reconstruction funds provided to Afghan prime contractors.⁴ Based on agency-reported data for reconstruction activities⁵—U.S.-funded reconstruction awards to Afghan prime contractors from January 2008 to May 2011 totaled \$654.4 million, of which over 90 percent went to construction projects throughout Afghanistan. Specifically, we assessed (1) how agencies identified and documented that Afghan companies were eligible for AFI, (2) progress made on selected contracts with Afghan companies, and (3) how agencies were measuring progress towards AFI's overall goal of increasing employment.

To accomplish these objectives, we met with contracting officials from the Combined Security Transition Command-Afghanistan (CSTC-A); the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC), responsible for 12 Regional Contracting Centers in Afghanistan; the U.S. Army

¹We refer to the "Afghan First Initiative" throughout this report, but it has also been referred to as the Afghan First Program and Afghan First Policy by U.S. officials at different times.

²P.L. 110-181, Section 886.

³According to ISAF, more than 90 percent of the \$4 billion was spent on four primary categories: products purchased from Afghan vendors (49 percent), construction (28 percent), support services (11 percent), and transportation (6 percent).

⁴Reconstruction funds are used to build or rebuild the physical infrastructure of Afghanistan, establish training or technical assistance programs for the Afghan government, deliver relief assistance to the people of Afghanistan, and provide security or other support functions to facilitate reconstruction efforts. To identify U.S.-funded AFI awards, we requested agencies to identify contracts that they had awarded to prime Afghan vendors funded by Afghanistan Security Forces Fund, the Economic Support Fund, and other reconstruction funds.

⁵Both the U.S. Agency for International Development (USAID) and the Air Force Center for Engineering and the Environment manage significant portfolios of U.S.-funded reconstruction project in Afghanistan, which were excluded from this audit. We did not include the Air Force Center for Engineering and the Environment because it reported it did not have any prime contracts with Afghan companies. USAID officials noted that the agency relies almost exclusively on non-Afghan entities to serve as prime contractors or grantees. However, the agency encourages its prime contractors and grantees to employ Afghan companies as sub-contractors.

Corps of Engineers' (USACE) Afghanistan Engineer District-North (USACE-TAN) and Afghanistan Engineer District-South (USACE-TAS); DOD's Task Force for Business and Stability Operations (TFBSO); the U.S. Agency for International Development (USAID); the Department of State (State); interagency working groups; and Afghan companies. We excluded awards made under the Commander's Emergency Response Program (CERP). We selected 29 construction contracts valued at \$133 million for detailed review, and made inspections of 10 project sites valued at \$46 million. We also held a panel discussion with 10 Afghan companies that had received AFI awards. We conducted our audit work in seven Afghan provinces from March 2011 to December 2011 in accordance with generally accepted government auditing standards. Appendix I provides a more detailed discussion of our scope and methodology.

BACKGROUND

From 2002 through December 31, 2011, \$85.5 billion has been appropriated for Afghanistan reconstruction. This effort has resulted in reported progress in terms of infrastructure development and the restoration of certain critical services. However, security conditions remain tenuous in certain parts of the country and both unemployment and underemployment remain high, which raises concerns about Afghanistan's future as expected draw-downs of international operations and assistance begin.⁶ To further COIN objectives, the United States initiated AFI to increase Afghan job opportunities to help improve the Afghan economy. As illustrated below, U.S. laws and related guidance established AFI.

- In March 2006 then Commanding General of Combined Forces Coalition-Afghanistan, announced the creation of the "Afghan First" program to leverage Combined Forces Coalition-Afghanistan's activities and resources to promote the Afghan economy.
- In January 2008, Section 886 of the 2008 NDAA stipulated DOD to limit competition to Afghan companies if used by Afghanistan security forces or if the limitation is in the "national security interest of the United States" when the limitation provides "a stable source of jobs" in Afghanistan and will not harm military operations nor the U.S. industrial base.⁷
- In 2009, Section 1102 of the Supplemental Appropriations Act stipulated that State's Economic Support Funds may be awarded on a limited-competition basis in Afghanistan in a manner that utilizes Afghan entities and improves the economic, social well-being, and political status of Afghan women and girls.⁸
- In early 2010, the U.S. Ambassador and Commander USFOR-A and Commander ISAF, issued an "Afghan First Policy," which states that the U.S. Mission will work with the United Nations Assistance Mission in Afghanistan, USFOR-A, the ISAF, and international organizations to increase procurement from Afghan companies.
- In September 2010, the Commander USFOR-A and Commander ISAF, issued COIN contracting guidance to ISAF urging the award of more contracts directly to Afghan companies.⁹
- In November 2010, the U.S. Ambassador issued additional COIN contracting guidance directing all U.S. Embassy and USAID Mission personnel in Afghanistan to adhere to overall COIN goals in contracting on behalf of the U.S. government.

⁶The Central Intelligence Agency World Factbook notes that despite the "infusion of international assistance," Afghanistan is "highly dependent on foreign aid." The Factbook notes Afghanistan, in 2008, had a 35 percent unemployment rate – making it the 180th worst figure out of 199 countries the Central Intelligence Agency ranked.

⁷P.L. 110-181, Section 886.

⁸P.L. 111-32, Section 1102.

⁹COIN contracting objectives include hiring Afghans first, buying Afghan products, and building Afghan capacity.

- In September 2011, the Commander USFOR-A and Commander ISAF, re-issued the ISAF COIN contracting guidance, which stated that, in addition to the COIN objectives in the September 2010 guidance, local leaders must be consulted and vendors must be vetted to ensure that contracting does not allow the diversion of funds.

U.S. Awards to Afghan Companies since January 2008

DOD, State, and USAID are the primary U.S. contracting authorities in Afghanistan. Between January 2008 and May 2011, these contracting authorities reported awarding \$654.4 million in reconstruction funds directly to 214 Afghan companies for 356 contracts or other agreements for construction, services, and commodities. USACE accounted for over \$531 million, or 81 percent, of the AFI awards. The majority of the C-JTSCC,¹⁰ USACE, USAID, and State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) AFI reconstruction awards were for construction, followed by commodities. Awards by the U.S. Embassy’s Public Affairs Section (PAS) were for services only. USAID makes some awards directly to Afghan companies, but generally relies on its non-Afghan contractors and grantees to use Afghan companies as sub-contractors. See table 1.

Table 1: AFI Funding and Award Categories, by Contracting Authority, January 2008 through May 2011

Contracting Authority	Total Number of AFI Prime Awards	Total Dollar Value of All Awards (in millions)	Construction	Services	Commodities / Other
USACE	125	\$531.5	100%	0%	0%
C-JTSCC	192	\$66.4	58%	19%	24%
INL	27	\$37.4	52%	7%	41%
PAS	8	\$10.2	0%	100%	0%
USAID	4	\$8.9	75%	25%	0%
Total	356	\$654.4			

Source: SIGAR analysis of USACE, C-JTSCC, State, and USAID data.

Note: Percentages are based on number of awards and may not add to 100 percent due to rounding.

Though awards come directly from these contracting entities, several entities, which do not directly contract with Afghan companies, play a role in AFI.

- The U.S. Embassy established the Afghan First Working Group (AFWG) in June 2010 to coordinate both U.S. and international efforts in AFI. Both civilian and military agencies participate in the AFWG. The AFWG acts as a forum to exchange information and provide a strategic, high-level view of AFI efforts, but it cannot authorize, compel, or instruct agencies to make awards to Afghan companies.
- In 2006, DOD created TFBSO to increase the number of contracts awarded to Iraqi companies, but in 2009 it shifted its focus to Afghanistan at the request of ISAF, the U.S. Central Command, and the U.S. Embassy Kabul. Among other activities, TFBSO created the AfghanFirst.org website, which is intended to be a repository for AFI solicitations for all agencies.

¹⁰We are conducting a separate review to assess the reliability of C-JTSCC’s data (see app. I).

- The Peace Dividend Trust (PDT) is a non-governmental organization partially funded by development agencies from Canada and the United Kingdom. In 2006, it established the Peace Dividend Marketplace-Afghanistan, which is intended to support the AFI local procurement practices. PDT maintains a database of registered Afghan companies that is used by some contracting authorities in Afghanistan.
- The Afghanistan Investment Support Agency (AISA) is the primary Afghan government entity responsible for issuing required business operating licenses and tax identification numbers to businesses. Other Afghan ministries may issue a license, based on their specific area, but AISA licenses are required for all businesses that are not small retail firms or import/export firms.

CONTRACTING AUTHORITIES USED INCONSISTENT METHODS TO SOLICIT AND VET AFGHAN COMPANIES

U.S. contracting authorities used at least six different methods to announce solicitations to the Afghan business community and at least seven separate databases to vet for contractor ownership and capacity. The announcement methods used by U.S. contracting authorities provided numerous opportunities for the Afghan business community to identify U.S. contract opportunities; however, the U.S. contracting authorities did not use an established information portal intended to consolidate information on U.S. contract opportunities. Similarly, a wide variety of databases are available to vet Afghan companies for ownership, resource capacity, and prior performance. However, none of the contracting authorities used the full range of information available in these databases to vet companies prior to award. For example, we found that U.S. agencies did not routinely check business licenses to ensure that Afghan companies are qualified to do business in Afghanistan. We reviewed 19 licenses of companies with U.S. contracts under AFI and found that four companies were foreign-owned. As a result, access to procurement opportunities by Afghan companies may be limited, and some companies may not have been eligible.

Solicitations for Procurement Opportunities Were Not Provided In a Single Location

U.S. contracting authorities reported at least six different methods to announce their contract opportunities, increasing the likelihood that Afghan companies may not be able to identify the full range of solicitations available. Table 2 illustrates how U.S. contracting authorities advertised their AFI contract solicitations. Contracting authorities generally relied on a mix of websites, meetings, and conferences and, in some cases, solicited companies from internal agency databases.

Table 2: Contract Solicitation Methods by Agency

Contracting Agency	AfghanFirst .Org	Federal Business Opportunities Website	Agency Website	Peace Dividend Trust Website or Fairs	Industry Fairs, Conferences or Other Meetings	Internal Agency Database, Afghan Advisors
C-JTSCC				✓		✓
USACE-TAN			✓	✓	✓	✓
USACE-TAS	✓	✓	✓	✓	✓	✓
INL		✓	✓			✓
PAS			✓			
USAID		✓		✓	✓	✓

Source: SIGAR analysis of information from C-JTSCC, USACE, State, USAID, and Federal Business Opportunities and AfghanFirst.org websites.

The TFBSO established AfghanFirst.Org, in cooperation with partner nations, to provide a simple mechanism to communicate with the Afghan business community. The website’s goal is to simplify interaction between Afghan business and the international community’s contracting professionals who purchase materials in support of their respective missions. AFWG also promotes the use of this website as a source of U.S. contract solicitations for AFI. We found that only USACE used the website. INL explained that it uses the website of the U.S. Consulate General in Frankfurt to announce solicitations because its Regional Procurement Support Office is located there. However, it is unlikely that this website is well known in the Afghan business community as a source of AFI awards. INL officials also reported that they often relied on informal knowledge of local companies, which could limit the ability to attract new companies. In response to our request, PAS reported AFI grants that were sole source and therefore did not use solicitation mechanisms. However, in commenting on a draft of this report, the U.S. Embassy stated that since June 2010, PAS policy is to limit sole source and make awards under specific requests for proposals or the Annual Program Statement for open competition that are solicited on grants.gov and the U.S. Embassy website. Some Afghan companies that participated in our panel discussion noted that a single website would be useful in identifying all U.S. contract solicitations available and, at a minimum, could provide links to available solicitations on other contracting authority websites.

Vetting of Afghan Ownership and Sufficiency of Resources Was Inconsistent

Contracting officials have multiple databases available to vet Afghan companies prior to award to document (1) Afghan ownership, (2) sufficiency of resources (cash flow, equipment, and staff), and (3) past performance.¹¹ Specifically, we found that contracting authorities used at least seven different databases or information sources to vet companies. However, they did not use the same sources and only one agency used the full range of reported databases or information sources available to vet Afghan companies prior to award. Although U.S. contracting authorities obtained the business licenses at the time of award to confirm Afghan ownership, they neither independently verified business licenses

¹¹We did not include vetting Afghan vendors for insurgent links. A recent U.S. Government Accountability Office report addressed this topic. See GAO-11-355, *U.S. Efforts to Vet Non-U.S. Vendors Need Improvement* (June 8, 2011).

with Afghan authorities nor monitored the validity of business licenses throughout the period of performance of a contract. In addition, only one information source was available to check for sufficiency of company resources, but it does not verify a potential company's current cash flow. We found that only C-JTSCC used this database to vet sufficiency of resources. As of September 2011, C-JTSCC acquisition guidance was updated to require that C-JTSCC use business advisors located at Afghan regional contracting centers for C-JTSCC to validate (1) vendor information in the Joint Contingency Contracting System,¹² (2) legitimacy of vendor registration documentation, and (3) business portfolio of Afghan companies. As shown in table 3, contracting authorities varied widely in selecting databases or information sources to vet Afghan companies for ownership, sufficiency of resources, and prior performance.

Table 3: Databases or Information Sources Available for Vetting of Afghan Companies

Acronym	Database or Information Source	Afghan Ownership	Sufficiency of Resources	Past Performance
AISA	Afghanistan Investment Support Agency	✓		
CPARS	Contractor Performance Assessment Reporting System			✓
EPLS	Excluded Parties List System			✓
FAPIIS	Federal Awardee Performance and Integrity Information System			✓
JCCS	Joint Contingency Contracting System			✓
PDT	Peace Dividend Trust's Registration and Validation Process	✓	✓	✓
PPIRS	Past Performance Information Retrieval System			✓

Source: SIGAR analysis of DOD, State, and USAID documents and interviews, PDT interviews and documents, AISA documents and interviews, and data from CPARS, EPLS, FAPIIS, JCCS.

Note: Sufficiency of resources includes cashflow, equipment, and staffing resources. In March 2011, C-JTSCC implemented an Afghan Business Advisor program utilizing Afghan business advisors to validate Afghan company's business portfolios.

Table 4 identifies which databases or information sources were used by the U.S. contracting authorities to vet Afghan companies. The lack of a standard approach for vetting Afghan companies raises questions regarding the adequacy and thoroughness of agency vetting efforts and the potential risk for incomplete identification of qualified Afghan companies for AFI awards.

¹²The Joint Contingency Contracting System is a DOD database that provides information on the past performance of vendors.

Table 4: Databases and Information Sources Utilized by Contracting Authorities to Vet Afghan Companies for Award

Contracting Authority	ABAP ^a	AISA	CPARS	EPLS	FAPIIS	JCCS ^b	PDT	PPIRS	Internal Databases
INL			✓			N/A			
PAS				✓	✓	N/A		✓	
C-JTSCC	✓		✓	✓		✓	✓	✓	
USACE			✓	✓	✓	✓		✓	✓ ^c
USAID		✓	✓	✓		N/A			

Source: SIGAR analysis of C-JTSCC, USACE, State, and USAID documents and interviews; PDT interviews and documents; documents from AISA, CPARS, EPLS, FAPIIS, JCCS; and agency websites.

Notes:

^aIn March 2011, C-JTSCC initiated an Afghan Business Advisor Program (ABAP) requiring the use of Afghan business advisors to plan vendor outreach events, assist with resolution of vendor registration, payment and claims issues and help match host nation vendors' capabilities to coalition forces needs.

^b According to U.S. Embassy comments, JCCS is not applicable for vetting State and USAID contracts.

^c USACE-TAN maintains a "Section 886" database, which lists all companies that have registered with USACE.

Afghan Ownership

Section 886 of the 2008 NDAA allowed DOD to limit competition, provide preference, or use non-competitive procurement methods in procuring a product or service in Afghanistan.¹³ A product from Afghanistan is defined to be mined, produced, or manufactured in Afghanistan. A service from Afghanistan is defined to be performed in Afghanistan by citizens or permanent resident aliens of Afghanistan. An Afghan company is defined as a business that (1) is owned by an Afghan citizen; (2) has 51 percent or more interest in the business held by an Afghan citizen, as indicated in licensing documentation, (3) holds a current operating license issued by a Government of the Islamic Republic of Afghanistan licensing authority; and (4) holds a identification number.¹⁴ U.S. contracting officials reported using two sources of information to vet the ownership of Afghan companies: (1) the PDT database and (2) the AISA online website or licensing department officials.

- PDT provides information on ownership via its business portal website, afghanistan.buildingmarkets.org. According to PDT, the database provides information on over 7,000 Afghan-owned businesses across the country. Companies are entered into the business portal after a 7-step registration and validation process, which includes a site visit to the company by a PDT official and confirmation that the company has a current domestic business license—issued by the Afghan government—specifically the AISA.
- AISA maintains a business directory on its website, which can be used to check whether a company has a valid AISA license and is Afghan owned or foreign owned. AISA's database, in contrast to PDT's, allows direct access to verify a company's status with AISA. However, we found instances in which the database provided incorrect ownership information. For example, AISA officials told us they had issued 20 to 30 licences designated as domestic ownership when, in fact, they were internationally owned.

¹³P.L. 110-181, Section 886.

¹⁴According to TFBSO, these three criteria are the common U.S. government/North Atlantic Treaty Organization approved definition of an Afghan company.

Only two contracting authorities—C-JTSCC and USAID—reported using these databases to verify ownership and licensing documents of Afghan companies. USACE-TAS, INL, and PAS officials reported they were either unaware of AISA’s online database or tended to accept AISA licenses at face value without validation due, in part, to the lack of requirements to further verify licenses.

To determine an Afghan company’s ownership, U.S. contracting authorities collected AISA licenses from Afghan companies at the time of award and maintained those documents as verification of Afghan ownership. Our review of contract files for AFI awards found that AFI awards went to companies that were not Afghan-owned, although contracting authorities had copies of AISA licenses to confirm ownership from Afghan companies. Specifically, we reviewed 19 AISA licenses to determine whether they had a “D” for domestic or an “I” for international license and independently confirmed ownership status of these Afghan companies with AISA licensing officials.¹⁵ As described below, 4 of 19 companies that we reviewed were registered as majority foreign-owned—or “international”—companies at the time of award. AISA confirmed in October 2011, that one of these companies had recently become Afghan-owned and would now have a “D” license. These companies had received a total value of over \$23 million in AFI awards.¹⁶

- AISA confirmed that company A was registered as a foreign-owned company at the time of award, but AISA’s files demonstrated that company A, as of October 2011, was a majority Afghan-owned company. According to AISA officials, the company was a majority foreign-owned when it first registered with AISA, but the foreign owner—an American—no longer holds the majority of shares. Company A recently re-registered as a domestic company. Company A has three sole-source contracts with USAID and one contract with USACE-TAN worth over \$10.7 million collectively; it is one of the top 20 recipients of AFI awards identified in our analysis.
- AISA confirmed that company B, which has an ongoing contract with USACE-TAS, was mistakenly issued a domestic license when in fact, it was fully foreign-owned (a Turkish national owns 50 percent and an American owns 50 percent). Company B’s contract with USACE-TAS is valued at about \$2.1 million.
- Although AISA issued company C an AISA license as a domestic company, checks by AISA officials found that company C is owned by foreign investors, including the president and vice president. Company C currently has two AFI contracts, one with C-JTSCC and the other with USACE-TAN. These contracts are valued at over \$8.8 million.
- AISA confirmed that company D is a foreign-owned company, although it has ongoing contracts with C-JTSCC. In project files sent to SIGAR, CSTC-A provided an AISA “D” license of a company that turned out to be company D’s subcontractor. Company D’s contract with C-JTSCC lists a California address. C-JTSCC told SIGAR it believed an exception for Company D had been made, but did not provide requested documentation or written confirmation. Company D currently has two contracts with C-JTSCC worth over \$1.6 million.

Although contracting authorities collect AISA licenses at the time of award, we found that they did not monitor license expiration dates of AFI companies during their contract period. Specifically as of October 2011, 8 of the 19 companies with current, ongoing contracts had expired licenses. For example, one company with an ongoing contract with USACE-TAN and ongoing contracts with USAID had a license that expired in December 2010.

¹⁵Our assessment reflects the status of licenses as of October 2011 and not as of the date the contracts were awarded.

¹⁶We are not using company names to protect their identities.

Sufficiency of Resources

U.S. contracting authorities do not have a sufficient basis to determine whether Afghan companies have the needed resources to execute awarded contracts and grants raising the risk Afghan companies might default on their obligations due to resource constraints. Of the databases used by contracting authorities, only the PDT database provides information on a prospective awardee's sufficiency of resources. PDT's staff visit companies to validate their existence, including the presence of staff and equipment. PDT, however, does not verify cash-flow or current financial resources. Of the contracting authorities examined, only C-JTSCC consulted the PDT database to assess an Afghan firm's sufficiency of resources.

In March 2011, ABAP was initiated by the ISAF COIN Contracting Economic Enterprise, an umbrella program that coordinates COIN contracting efforts in Afghanistan. The aim is to use ABAP as the primary entity for vetting vendors for Afghan ownership, sufficiency of resources, and past performance. Intended to be used for the vetting of all contracts awarded by C-JTSCC, ABAP currently has 14 business advisors located at C-JTSCC Regional Contracting Centers across Afghanistan. C-JTSCC intends to increase the number of advisors up to 75, and according to the September 2011 C-JTSCC acquisition instructions, the business advisor will be used to validate all "non-vetted vendors" for company information including ownership and its portfolio. The relative newness of the ABAP meant that we could not assess its accuracy, although it appears to be the most rigorous effort by a U.S. contracting authority to verify a company's capacity to perform.

Past Performance

U.S. contracting authorities generally use databases that provide information on company performance to vet Afghan company's prior performance. As identified in table 3, databases include the Contractor Performance Assessment Reporting System, Excluded Party List System, Federal Awardee Performance and Integrity Information System, Joint Contingency Contracting System, PDT's business directory, and Past Performance Information Retrieval System. Vetting of prior performance generally does not include physical visits to the site of a potential contractor's business. For example, USACE-TAS officials stated that they rely on records from past, completed work to assess a company's prior performance, to include the vetting of all potential bidders through the Joint Contingency Contracting System.

- The Contractor Performance Assessment Reporting System is a web-enabled application that collects and manages a library of automated performance reports that document performance information required by federal regulations. USACE, C-JTSCC, and State/INL reported that they use this system to evaluate the past performance of Afghan companies.
- The Excluded Party List System is a database that identifies companies that have been debarred, suspended, proposed for debarment, excluded or disqualified under the non-procurement common rule, or otherwise declared ineligible from receiving federal contracts. Contracting officials from PAS, C-JTSCC, and USACE reported that they use the Excluded Party List System for vetting purposes.
- The Federal Awardee Performance and Integrity Information System is a distinct application that is accessed through the Past Performance Information Retrieval System and is available to federal acquisition professionals for their use in award and responsibility determinations. The Federal Awardee Performance and Integrity Information System provides users access to integrity and performance information from its reporting module in the Contractor Performance Assessment Reporting System. PAS and USACE officials reported that they use this system to evaluate past performance of Afghan companies.

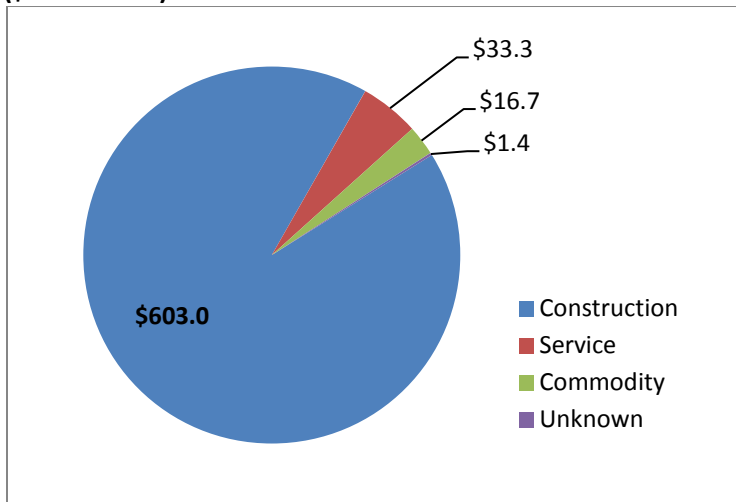
- The Joint Contingency Contracting System is a DOD database that provides information on the past performance of DOD vendors that have reconstruction contracts in Iraq and Afghanistan. According to the U.S. Embassy, this database does not track all U.S. government vendors and is not applicable for use by State and USAID. This system allows oversight of in-theater contracts to monitor cost, schedule, and vendor activities and provides a centralized web-based reporting and tracking tool for data on contract awards and expenditures in Iraq and Afghanistan. According to U.S. Central Command regulations, contracting officers are required to use this system to vet all non-U.S. vendors. USACE and C-JTSCC officials reported that they used the Joint Contingency Contracting System as their primary method for verifying past performance of Afghan companies.
- PDT offers a business validation and registration service, which provides information on Afghan companies including contact information and operational capacity. PDT maintains a vendor database, which requires vendors to provide three past performance references including the name of the client, contact information for the client, type of work performed, period of contract, total value of the contract, and the description of work performed. C-JTSCC officials reported that they use PDT for vetting purposes.
- The Past Performance Information Retrieval System is a web-enabled, enterprise application that aims to provide timely and pertinent contractor past performance information to the DOD and the federal acquisition community for use in making source selection decisions. Contractor Performance Assessment Reporting System has connectivity with the Federal Past Performance Information Retrieval System. PAS, C-JTSCC, and USACE reported that they use the Past Performance Information Retrieval System for vetting purposes.

SELECTED AFI CONSTRUCTION PROJECTS GENERALLY MET CONTRACT TERMS AND OUR INSPECTIONS GENERALLY FOUND MINOR CONSTRUCTION FLAWS

Of the \$654.4 million in reported U.S.-funded AFI awards to Afghan prime companies from January 2008 to May 2011, construction projects represented 90 percent of the awards, of which 20 Afghan companies received nearly 80 percent of the \$654.4 million.¹⁷ Figure 1 illustrates the distribution of funds for AFI awards by procurement category.

¹⁷ Figures are based on agency responses to our May 2011 request for information on prime contracts with Afghan companies.

Figure 1: Distribution of AFI Awards by Procurement Category (\$ in millions)



Source: SIGAR analysis of USACE, C-JTSCC, INL/PAS, and USAID data

We found that for the contracts we reviewed, the Afghan companies generally met contract cost, schedule, and outcome requirements.¹⁸ Specifically, we reviewed 29 AFI construction contracts valued at \$133 million and selected 10 projects to inspect the progress and quality of work. Only one project had major construction flaws, but the contracting authority had already issued letters of concern to the contractor regarding its performance.

Selected Construction Projects Generally Met Outcomes and Our Inspections Generally Found Minor Construction Flaws

We reviewed 29 AFI construction contracts valued at \$133 million and found variances in costs and construction schedules for 19 projects. Cost variances ranged from \$7,400 to \$15.2 million over the original award amount. Schedule variances ranged from 38 days to 463 days over original targets.¹⁹ With the exception of a police headquarters building in Farah, the other cost and schedule variances had reasons generally not attributed to the contractor and supported by approved modifications. For example, delays occurred because security issues had made it difficult to gain access to sites and changes were requested by contracting authorities. In one instance, a land ownership issue put a \$1.8 million project on hold.

We selected 10 contracts, which represented \$46 million, to inspect the progress and quality of work and conducted inspections in July and August 2011. Of the 10, 5 projects were for the construction of facilities for the Afghan National Police and the Afghan National Army, such as headquarters facilities, an Afghan National Army medical clinic; other projects included a staff barracks at a prison. All projects were ongoing at the time of our inspection. We found only minor construction flaws at 9 of the 10 sites

¹⁸Our reporting on other U.S. construction awards to an Afghan firm illustrates that these positive results are not necessarily typical and that a continued emphasis on vetting Afghan companies for their capacity to perform is an important agency responsibility. For example, see SIGAR Audit-11-3, *ANP District Headquarters Facilities in Helmand and Kandahar Provinces Contain Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance* (October 27, 2010).

¹⁹We did not have sufficient documentation to assess schedule variances for the C-JTSCC and INL projects we reviewed.

and the contactors were largely meeting the outcome requirements in their contracts.²⁰ Table 5 lists the 10 construction projects, their location, description, and award amounts.

Table 5: Status of AFI Construction Projects in July-August 2011

Date of Visit	Contracting Authority	Province	Project Description	Original Award Amount
7/6/11	USAID	Kabul	Renovation of Men's Dormitory at Kabul University	\$6,890,771
7/16/11	INL	Kabul	Staff Barracks at Pol-i-Charkhi Prison Compound	\$1,904,855
7/16/11	INL	Kabul	Elevated Water Tank at Pol-i-Charkhi Prison Compound	\$1,492,135
7/20/11	USACE-TAS	Ghazni	Afghan National Police Station	\$1,546,292
7/27/11	USACE-TAS	Farah	Afghan National Police Station	\$2,099,600
8/9/11	USACE-TAN	Kabul	Kabul Military Training Center Drainage Rehabilitation	\$1,738,238
8/13/11	USACE-TAN	Balkh	Afghan National Army Regional Military Training Center	\$26,943,886
8/21/11	C-JTSCC	Helmand	Regional Military Training Center Power Plant and Distribution	\$866,748
8/21/11	C-JTSCC	Helmand	Regional Military Training Center Billeting	\$950,496
8/27/11	USACE-TAS	Herat	Afghan National Army Troop Medical Clinic	\$1,668,806

Source: SIGAR analysis of data provided by USACE, C-JTSCC, USAID, INL, and PAS.

At one project—a police station in Farah province—we found some major construction flaws. We observed that the main building had columns in place and a complete slab on grade, the perimeter wall was structurally complete, and concrete block work had commenced. However, the quality of concrete block work was poor, the slab on grade was uneven in many locations and the concrete columns evidenced honeycombing and cosmetic concrete patching.²¹ During the course of this audit, we identified that this Afghan firm had an expired license and was identified by AISA to be majority foreign-owned.

²⁰Examples of minor construction flaws include honeycombing on some columns, cold joints, consumer quality fixtures, and improperly buried electrical cables.

²¹A rough, pitted surface resulting from incomplete filling of the concrete against formwork, often caused by using concrete that is too stiff or by not vibrating it sufficiently after it has been poured.

In July 2011, the project was about a year behind schedule. USACE-TAS officials in Farah stated that they had issued cure notices²² and letters of concern to the Afghan company. For example, USACE-TAS issued a letter to the Afghan contractor in July 2011 citing concerns with the poor quality of concrete on the site. Until June 2011, when USACE-TAS established a Resident Engineer Office in Farah, USACE-TAS did not have a significant presence in the region and had used a Local National Quality Assurance representative to visit the site on a regular basis. In October 2011, USACE-TAS officials stated that construction quality of this project had improved and that actions had been taken to correct the poor concrete quality issues.

DATA ON EMPLOYMENT GAINS IS LIMITED

U.S. agencies collected employment data from their AFI awards for different purposes and in various ways, but not with the intention of measuring increases in Afghan employment. However, AFI guidance neither requires U.S. agencies to systematically collect employment data from AFI awards nor provides a standard definition of employment to track AFI's progress in increasing Afghan employment and improving Afghanistan's economy. Aggregate data on Afghan employment resulting from coalition partners' contracting activities is only available in an ISAF "scorecard," which includes broad indicators of the impact of procurements awarded by coalition countries.

In response to the September 2010 COIN contracting guidance, ISAF developed a "scorecard" to assess ISAF's progress in furthering the COIN contracting guidance. The scorecard reports data in several relevant areas, one of which is Afghan employment figures. Nevertheless, the scorecard only reports DOD agency data; ISAF officials told us that they are in discussions with State and USAID to obtain their data. On a quarterly basis, each DOD contracting agency reports figures to ISAF. According to ISAF officials, these figures are validated by comparing the submissions to the Federal Procurement Data System and Army Contracting Business Intelligence System data.

Due to the various methods used to collect employment data and the absence of a standard definition of employment, the data in the scorecard may be of questionable validity and value. Although the scorecard's contract data is validated in total, ISAF officials stated that the employment data provided is agency-reported and not independently verified—either by physical inspection at the worksites or by reviewing supporting documents. ISAF officials stated they lack the staff to verify figures. For example, each of the contracting authorities we reviewed collected some type of Afghan employment data, but the absence of a standard definition of employment led each agency to use varying employment records and data sources, varying definitions of what constituted "employment," and varying levels of data verification.

We attempted to verify claimed employment gains at a project often cited by the Combined Security Transition Command-Afghanistan and others to be an AFI success story. In October 2011, we performed a physical verification of employees and confirmed that the numbers reported were accurate at the time. See the case study summary.

²²A cure notice is sent prior to terminating a contract for any reason other than late delivery, such as the contractor's failure to perform some other provision of the contract or failure to make progress so as to endanger the performance of the contract.

CASE STUDY: AFGHAN-OWNED COMPANY EMPLOYS APPROXIMATELY 160 AFGHANS

To verify one set of reported employment figures, we conducted a case study of a company frequently publicized to be an AFI success story. Over the past 3 years, this company received \$75.2 million from the Afghanistan Security Forces Fund to produce boots for the Afghanistan National Security Forces. This company has three divisions which make boots, PVC pipes, and mattresses. The company started supplying boots through a Blanket Purchase Agreement awarded by C-JTSCC in 2007, and later through an Indefinite Delivery Indefinite Quantity contract awarded in 2009. The Defense Contract Management Agency provides contract oversight for the 2009 contract. According to these officials, the company originally produced poor quality boots and could have been terminated. Instead, the agency officials stated they made significant investments in training and improved quality control to allow the company to continue production. For example, the Defense Contract Management Agency recommended building a prototype boot using U.S. specifications and then have the company enter into a low-rate, initial production to verify the boots could be produced at an acceptable quality level.

The company reports on a monthly basis to DOD the number of employees it directly hired as a result of its contract with the U.S. government. In October 2011, the company reported that it employed 162 individuals. To validate these figures, in October 2011, we physically verified the number of employees at the company by observing the payroll distribution. We confirmed that the numbers reported were accurate. The 162 positions—part of the company's 700 employees—were directly attributed to performing work for the 2009 Indefinite Delivery Indefinite Quantity contract.

CONCLUSION

U.S. contracting authorities did not use a single location or repository to link sources of AFI opportunities and did not consistently consult available databases to vet an Afghan firm's ownership, licensing, and prior performance. As a result, interested and qualified Afghan companies may not be aware of solicitation notices, and contracting authorities did not always ensure that Afghan companies met AFI requirements for Afghan ownership and were licensed to do business in Afghanistan. Therefore, access to contract opportunities among Afghan companies may be limited, and some companies may not have been eligible for AFI. Although our inspections of 10 construction projects found that the Afghan contractors had generally met the contract terms, as more contracts are awarded to Afghan companies, vetting their qualifications and prior performance will become increasingly important. The lack of a standard definition of and methodology for assessing employment gains as a result of AFI led to varying interpretations of what is needed and inconsistent data. This limits the U.S. ability to assess progress and determine whether the overall objective of creating job opportunities in the economy. Without capturing the data associated with the intended goal of increasing licit Afghan employment, the overall effect of AFI on the Afghan economy cannot be assessed.

RECOMMENDATIONS

To help broaden the base of participating Afghan companies, and ensure that only qualified companies receive AFI awards, SIGAR recommends that the Commander USFOR-A and the U.S. Ambassador to Afghanistan, in coordination with C-JTSCC, USACE, and the USAID Mission Director:

1. Promote the use of a designated website, such as AfghanFirst.org, as an information portal for linking sources of U.S. procurement information in one location.
2. Develop guidelines to encourage U.S. contracting authorities to adopt a more systematic approach to considering all available and relevant vetting sources to assess Afghan ownership, sufficiency of resources, and past performance.
3. Immediately require U.S. contracting authorities to verify whether current AFI award recipients are Afghan-owned and have current licenses to operate in Afghanistan.

To help assess whether AFI awards are generating Afghan employment opportunities, SIGAR recommends that the Commander USFOR-A and the U.S. Ambassador to Afghanistan, in coordination with C-JTSCC, USACE, and the USAID Mission Director:

4. Develop guidelines that define employment generation; delineate the employment data needed, including collection and verification standards; and develop an assessment process to measure Afghan employment levels resulting from AFI procurement activities.

COMMENTS

The U.S. Embassy Kabul (including USAID and the Embassy's Public Affairs and INL sections), C-JTSCC, CSTC-A, and USACE provided written comments on a draft of this report. These comments are reproduced in appendices II through V, respectively. In their responses, the U.S. Embassy Kabul, C-JTSCC, and CSTC-A concurred with the four recommendations and noted actions taken or planned to be taken. USACE concurred with three of the recommendations, but did not concur with the fourth recommendation to take measures to assess the generation of Afghan employment opportunities from AFI awards. USACE stated that employment data is difficult to collect and validate, and noted that the nature of construction contracts results in employment that is not permanent. However, construction skills are transferable and Afghan workers will likely have opportunities to work on other projects. The U.S. Embassy Kabul also provided technical comments, which we incorporated, as appropriate.

APPENDIX I: SCOPE AND METHODOLOGY

This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) review of the Afghan First Initiative (AFI). This review did not include all AFI awards; rather, it was limited to awards funded by the Afghanistan Security Forces Fund, Economic Support Fund, or other Afghanistan reconstruction funds. This report assesses (1) how agencies identified and documented that Afghan firms were eligible for AFI, (2) progress made on selected contracts with Afghan firms, and (3) how agencies were measuring progress towards AFI's overall goals of increasing employment opportunities.

Overall, to accomplish these objectives, we reviewed AFI legislative guidance and related documentation, including Section 886 of the Fiscal Year 2008 National Defense Authorization Act,²³ Section 1102 of the 2009 Supplemental Appropriations Act,²⁴ counterinsurgency contracting guidance, and other AFI related guidance from the Commander of U.S. Forces-Afghanistan and the U.S. Ambassador to Afghanistan.

To determine what awards—funded by the Afghanistan Security Forces Fund and the Economic Support Fund—were AFI-related, we met with contracting officials or collected data from the US Central Command Joint Theater Support Contracting Command-Afghanistan (C-JTSCC); the U.S. Army Corps of Engineers' Afghanistan Engineer District-North (USACE-TAN) and Afghanistan Engineer District-South (USACE-TAS); the Department of Defense's (DOD) Task Force for Business and Stability Operations (TFBSO); the U.S. Agency for International Development (USAID); the Department of State (State); interagency working groups, and Afghan companies.²⁵ Our scope included AFI reconstruction-funded awards to prime contracts and grants awarded from January 2008 through May 2011. We excluded (1) awards to Afghan companies based on full and open competition, (2) prime contractors' and implementing partners' sub-contracts awarded to Afghan companies, and (3) Commander's Emergency Response Program-funded projects.²⁶ The response from agencies to our May 2011 request provided us with information on 356 projects totaling \$654.4 million. To assess the reliability of computer-processed data, we (1) interviewed officials to discuss the reliability of the data; (2) conducted electronic testing and checked for missing data, erroneous or incomplete entries, and duplicates; and (3) compared system generated data with the documents in the project files. On the basis of our reliability assessments, we determined that the data was sufficiently reliable to identify AFI awards within our limited scope, with the exception of C-JTSCC data. We have ongoing work to assess the reliability of C-JTSCC's data and its data query retrieval process. Until the assessment is complete, the reliability of the construction data obtained from C-JTSCC and used in this report is undeterminable.

To determine how agencies solicit Afghan companies for AFI awards, we conducted interviews with contracting authorities, attended Afghan First Working Group meetings held by State and the International Security Assistance Force, and held a panel discussion with 10 Afghan companies to gain their general views of solicitation. To determine how contracting agencies vetted companies for

²³P.L. 110-181, Section 886.

²⁴P.L. 111-32, Section 1102.

²⁵The Air Force Center for the Environment and the Environment notified us that it does not use AFI when awarding contracts.

²⁶Although by definition, the Commander's Emergency Response Program (CERP) is an Afghan First program, its authorizing legislation (P.L. 108-106, Title 1, Section 1110) gives field commanders broad authority to spend CERP funds notwithstanding other provisions of law. As a result, projects funded by CERP funds are not bound by the Federal Acquisition Regulation or other procurement laws. Therefore, we excluded CERP projects from the scope of our audit. Additionally, we reported on CERP project implementation efforts. See SIGAR, *Commander's Emergency Response Program in Laghman Province Provided Some Benefits, but Oversight Weaknesses and Sustainment Concerns Led to Questionable Outcomes and Potential Waste*, SIGAR Audit-11-7 (January 27, 2011).

(1) sufficiency of resources (cash flow, equipment, and staff) and (2) prior performance, we collected information on available sources for vetting and conducted interviews with contracting agencies to determine the methods used by each agency. To determine whether agencies vet companies for Afghan ownership, we provided information on 20 contractors, which were within the 29 larger construction contracts, to AISA to independently verify ownership status. We were able to confirm the status of 19 companies with AISA officials. We also independently reviewed the information available for these companies in AISA's online directory, and validated these licenses in the contract files with agency officials to confirm they were Afghan-owned.

To assess the performance of companies awarded AFI contracts, including compliance with cost, schedule, and outcome terms of the contracts, we analyzed the 29 larger construction projects. To determine the cost of projects, we analyzed obligation and disbursement data from contract documents obtained from the relevant contracting authorities.

To determine project outcomes, we analyzed quality assurance reports and additional documents in the project files that listed the project requirement (such as the contracts and statements of work) and described the conditions of the projects. Of the 29 construction projects, we selected 13 contracts for site visits based on risk factors such as schedule slippage and reported quality or design issues. We were unable to visit three projects due to security constraints. In the end, we inspected 10 projects which represented \$46 million. We conducted our inspections during July and August 2011. At the sites, we interviewed key project management officials, contractors' representatives, and agency officials providing contract oversight. To determine project schedules, we analyzed project completion dates based on the contract documents that we obtained from the contracting agencies.

To assess the progress made towards achieving AFI's broad outcome objectives, including increased employment, we conducted interviews with contracting authorities to obtain information on the tracking of employment in AFI contracts.

We assessed internal controls over contracting authorities' procedures for (1) selecting and awarding projects under AFI, (2) tracking projects after awards; and (3) monitoring and evaluating the contractors through interviews, site visits, and analyses performed for the 29 construction projects. The results of our assessment are included in the body of this report.

We conducted this audit from March 2011 to December 2011 in Kabul, Herat, Farah, Balkh, Ghazni, Helmand, and Kandahar provinces in Afghanistan, 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. This audit was conducted by SIGAR under the authority of Public Law No. 110-181, as amended; and the Inspector General Act of 1978; and the Inspector General Act of 2008.



Embassy of the United States of America

Kabul, Afghanistan

January 25, 2012

The Honorable Steven J. Trent
Acting Inspector General
Office of the Special Inspector General
for Afghanistan Reconstruction

Dear Mr. Trent:

Thank you for the opportunity to comment on the draft audit undertaken by SIGAR on the U.S. Government's Afghan First initiative to help create job opportunities in the licit economy by supporting Afghan businesses. Embassy Kabul's response to the draft audit is enclosed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard G. Olson".

Richard G. Olson
Coordinating Director for Development &
Economic Assistance

Enclosure

Embassy Kabul Response to the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) draft report: "Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Are Limited" (SIGAR Audit 12-6)

Embassy Kabul appreciates the audit undertaken by SIGAR on the U.S. Government's Afghan First initiative to help create job opportunities in the licit economy by supporting Afghan businesses. Embassy Kabul's response is divided into two parts; comments on specific SIGAR recommendations and general and technical comments on the audit.

PART I: COMMENTS ON SPECIFIC SIGAR RECOMMENDATIONS

Recommendations 1 - 3:

To help broaden the base of participating Afghan companies, and ensure that only qualified companies receive AFI awards, SIGAR recommends that the Commander USFOR-A and the U.S. Ambassador to Afghanistan, in conjunction with C-JTSCC, USACE Transatlantic Division, and in coordination with the USAID Mission Director:

1. Promote the use of a designated website, such as Afghan First.org, as an information portal for linking sources of U.S. procurement information in one location.
2. Develop guidelines to encourage U.S. contracting authorities to adopt a more systematic approach to considering all available and relevant vetting sources to assess Afghan ownership, sufficiency of resources, and past performance.
3. Immediately require U.S. contracting authorities to verify whether current AFI award recipients are Afghan-owned and have current licenses to operate in Afghanistan.

Embassy Comments: The Embassy Team, including USAID and the Embassy's Public Affairs (PAS) and International Narcotic and Law Enforcement (INL) Sections, concurs with these recommendations and notes the following actions to implement the recommendations:

- USAID has implemented Recommendation 1. U.S. regulations require all procurement actions be posted to FEDBIZOPS or Grants.gov. AfghanFirst.org already has a data feed which collects postings to FEDBIZOPS and cross posts them to its website. USAID's business model has most of its procurement dollars to Afghan firms flow through its Implementing Partners. AfghanFirst.org does not support the posting of subcontract tenders.
- With regard to Recommendations 2 and 3, USAID already has existing procedures to assess Afghan ownership, sufficiency of resources, and past performance. As mentioned above, USAID's business model has most procurement actions to Afghan firms flow through its Implementing Partners. Pertinent guidelines are provided in award terms and conditions.

- It is the responsibility of USAID's Implementing Partners to do the following: (1) determine that a company that performs in Afghanistan is properly licensed in accordance with Afghan laws and has the capacity to perform; and (2) validate the company's past performance history. USAID guidelines also exist for Contracting Officers in regard to making responsibility determinations for prospective USAID direct awards to Afghan firms.
- USAID is in the process of hiring additional contracting staff to conduct compliance checks within USAID and its Implementing Partners. USAID also performs a comprehensive vetting (background check) of Implementing Partner subcontractors to ensure that they are properly licensed and that they have no criminal or terrorist ties. This extensive vetting process works to verify licensing information. In the event of inconsistencies between the AISA license and other information in USG databases checked by USAID, the USAID vetting unit contacts AISA directly for further verification.
- Current PAS policy is to make awards under specific requests for proposals (RFPs) or the Annual Program Statement (APS) for open competition that are included on grants.gov and the Embassy website per State Department requirements. This PAS solicitation process was implemented in June 2010 and remains in place. PAS will put in place processes within its standard operating procedures to implement independent verification of business licenses with Afghan authorities and ongoing monitoring of their validity through the period of performance.
- INL has posted new solicitations for the Herat and Balkh Prison projects on FedBizOps, and it will broaden its data base use to review new contract awards. INL has requested copies of current licenses from all of its contractors and has put in place procedures to review all contractors' business licenses periodically and to request updates.

Recommendations 4:

To help assess whether AFI awards are generating Afghan employment opportunities, SIGAR recommends that the Commander USFOR-A and U.S. Ambassador to Afghanistan, in conjunction with C-JTSCC, USACE Transatlantic Division, and in coordination with the USAID Mission Director:

4. Develop guidelines that define employment generation; delineate the employment data needed, including collection and verification standards; and develop an assessment process to measure Afghan employment levels resulting from AFI procurement activities.

Embassy Comments: The Embassy Team concurs with this recommendation and notes the following actions to implement the recommendation:

- USAID has in place appropriate policies and procedures to track data related to Afghan employment generated by AFI awards. Afghan Info currently collects information on Afghan employees from implementing partners on a quarterly basis. The information is submitted directly by the implementing partner.
- The following definitions have been used for FY2011 data, but will be updated for FY2012 to improve the clarity of the definitions:
 - a. Number of Afghan Graduates/Interns Hired: Number of Afghan Graduate(s) or Intern(s) hired during the reporting quarter on the project to help with project implementation and in return receive compensation (pay/salary).
 - b. Number of Afghan Personnel Employed: Number of Afghan Personnel hired to help with project implementation (Program, Security, or Administrative Staff) during the reporting quarter.
 - c. Number of Afghan personnel employed providing security functions: Number of Afghan personnel hired during the reporting quarter on the project to provide security functions and in return receive compensation (pay/salary).
- Verification of data entered by the Implementing Partners is performed by the Mission's Contract Officer Representatives. An assessment to measure the impact of AFI procurement activities on Afghan employment levels has not been conducted by the Mission. The Mission will review options and determine the most appropriate and efficient method by which such an assessment could be carried out.

II. GENERAL AND TECHNICAL COMMENTS ON THE SIGAR AUDIT

1. Table 1 and Figure 1 misrepresent USAID's contribution to Afghan First objectives. Based on information extracted from Afghan Info (Attachment 1), the total dollar value of local procurements over the past three fiscal years (2009 – 2011) averaged \$442 million annually. Additional information extracted from the USAspending data base (Attachment 2) shows, for one project alone, that sub-awards to local firms amounted to \$38 million in FY 2011. USAID suggests that Table 1 and Figure 1 be corrected to clearly depict USAID's actual contribution to AFI. If the total value of prime awards only is to be shown in the charts, the title and column headings should show "PRIME" where appropriate. For example: In Table 1, "prime" should be added to the column 3 heading to read, "Total Dollar Value of All Prime Awards." We also suggest including a footnote showing the average annual dollar value of local procurements under sub-awards.
2. In Table 2 there should be a check mark under AfghanFirst.org in the USAID row. Posts to FEDBIZOPS automatically appear on the AfghanFirst.org website. USAID also posts all procurement opportunities on its website http://afghanistan.usaid.gov/en/opportunities/doing_business_with_usaid.

See SIGAR
comment 1.

See SIGAR
comment 2.

3. The draft audit report should make note that USAID participated actively in procurement fairs in conjunction with the U.S. military and ISAF. USAID hired Peace Dividend Trust (PDT) to hold a vendor outreach event at the Intercontinental Hotel last year. More than 200 Afghans representing a cross section of Afghan companies attended the event.
4. The third sentence on page 7 should be corrected to reflect that the Regional Procurement Support office (RPSO) is located at the U.S. Consulate General in Frankfurt, not in Berlin.
5. With respect to the carryover paragraph on page 7, current PAS policy is to limit sole source awards and to award contracts under specific requests for proposals (RFPs) or the Annual Program Statement (APS) for open competition that are included on grants.gov and the Embassy website per DOS requirements.
6. In Table 4 there should be check marks under CPARS and EPLS in the USAID row. "N/A" or a similar notation should be placed under ABAP and JCCS in the State/INL, State/PAS, and USAID rows because those are Defense Department (DoD) systems not applicable to State and USAID. For all direct awards made by USAID and any sub-awards made by its Implementing Partners, it is required that EPLS be checked. For USAID Contracting Officers, it is required to check CPARS and to verify that a company is properly licensed with GIRoA and registered in CCR. Implementing Partners are required to ensure that Afghan firms are properly licensed with GIRoA (AISA or other approved ministerial licensing agency). Implementing Partners also are responsible for checking past performance and determining that an Afghan firm has the capacity to perform. USAID also has a robust vetting system that verifies licensing of all non-U.S. firms, and conducts background checks to ensure that the organizations or individuals do not have any ties to terrorists or corruption.
7. The first sentence in the first bullet point on page 12 should be corrected to reflect that JCCS tracks past performance of DoD vendors only, not all USG vendors.

See SIGAR
comment 3.

See SIGAR
comment 4.

See SIGAR
comment 5.

See SIGAR
comment 6.

See SIGAR
comment 7.

ATTACHMENT 1

Afghan Info - Aid Effectiveness Indicator: FY 2009 - 2011

Indicator	FY 2009	FY 2010 1st Qtr	FY 2010 2nd Qtr	FY 2010 3rd Qtr	FY 2010 4th Qtr	FY 2011 1st Qtr Total	FY 2011 2nd Qtr Total	FY 2011 3rd Qtr Total	FY 2011 4th Qtr Total
# of Afghan Personnel Employed	23,161	19,687	13,757	16,022	6,901	55,036	33,659	58,369	24,536
# of Local Firms Under Sub-Contract	689	416	829	564	263	1,145	955	805	355
\$ Value of Local Procurements (sub-contracts, goods, services)	\$410,043,250	67,897,106	220,645,854	90,878,142	60,999,117	121,064,603	119,569,524	121,857,428	111,780,602
			FY 2010 Total		\$40,420,219		FY 2011 Total		\$474,292,157

Average	\$441,585,209
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ATTACHMENT 2 - Subawards Info Exported from USAspending Database

PrimeAwardID	PrimeAwardTitle	PrimeAwardAmount	PrimeAwardStart	PrimeAwardEnd	PrimeAwardProgramTitle	SubawardAgency	SubawardAgency	SubawardCity	SubawardStreet	SubawardState	SubawardCity	SubawardCount	SubawardStart	SubawardEnd	SubawardType	PrimeAwardYear
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	954525281	KANDAHAR	STREET 15, LANE 3, HOUSE 260	KANDAHAR	KANDAHAR	16,879,260	5/24/2011	11-0184	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	954525290	KANDAHAR	STREET 15, LANE 3, HOUSE 50, WAZIR AKBAR KHAN	KANDAHAR	KANDAHAR	13,131,913	3/23/2011	KCIC 78.1003 (11-2002)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00456009	KANDAHAR	Street 2, Chirah	KANDAHAR	KANDAHAR	6,183,260	7/1/2011	KCIC 78.1306 (11-2004)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00489276	KANDAHAR	Afghan wala Hospital Street	KANDAHAR	KANDAHAR	559,099	3/1/2011	11-0186	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	954525290	KANDAHAR	STREET 15, LANE 3, HOUSE 50, WAZIR AKBAR KHAN	KANDAHAR	KANDAHAR	536,432	7/28/2011	KCIC 78.1001 (11-2103)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00456009	KANDAHAR	Street 2, Chirah	KANDAHAR	KANDAHAR	357,390	3/24/2011	KCIC 78.1306 (11-2004)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00456009	KANDAHAR	Street 2, Chirah	KANDAHAR	KANDAHAR	132,600	3/31/2011	KCIC 78.1308 (11-2009)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00456009	KANDAHAR	Street 2, Chirah	KANDAHAR	KANDAHAR	103,310	7/1/2011	KCIC 78.1307 (11-2007)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00456009	KANDAHAR	Street 2, Chirah	KANDAHAR	KANDAHAR	39,000	6/1/2011	KCIC 78.1306 (11-2008)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	55738107	KANDAHAR	Aino Tewn	KANDAHAR	KANDAHAR	55,432	8/17/2011	KHPF 68.1001 (11-2301)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development	B00469396	KANDAHAR	Jalalabad	KANDAHAR	KANDAHAR	32,400	8/16/2011	KHPF 12.5002 (11-2031)	Contracts	2011
AUD366C001100506	PrimeAward#100506	266,017,820	12/21/2011	12/21/2011	LANSAMAR POWER PROJECT - BLACK & VEATCH	United States Agency for International Development						37,899,291				2011

The following are SIGAR's comments to the U.S. Embassy Kabul's response dated January 25, 2012:

1. We disagree. We have noted in the introduction section of this report and in the scope and methodology that we only included prime contracts awarded to Afghan companies in this audit. Therefore, the figures in table 1 only represent U.S. agency prime awards funded with the Afghanistan Security Forces Fund, the Economic Support Fund, or other reconstruction funds. Our depiction of USAID's AFI awards is based on USAID's response to our data call in May 2011. This response included four contracts awarded by USAID to Afghan companies. We subsequently confirmed this data with USAID staff in June 2011.
2. We disagree. We noted that USAID uses www.fbo.gov, but cannot confirm that USAID uses www.AfghanFirst.org. FedBizOps (www.fbo.gov) is a distinct website, separate from www.AfghanFirst.org. We did not define the websites to be interchangeable as suggested.
3. We updated table 2 to indicate that USAID also participates in industry fairs, conferences, or other meetings as a method of solicitation.
4. We made the correction.
5. We added acknowledgement of PAS's policy change.
6. We updated table 4 to reflect that USAID uses CPARS and EPLS and also added "N/A" to the JCCS column for INL, PAS and USAID. We did not include "N/A" under ABAP because ABAP officials provided information confirming that State may make requests through them for information. We excluded contracts awarded by implementing partners and therefore cannot comment on their vetting practices. Additionally, we did not examine vetting methods used by U.S. contracting authorities for terrorism links, as stated.
7. We made the correction.

**APPENDIX III: COMMENTS FROM CENTCOM JOINT THEATER SUPPORT CONTRACTING
COMMAND**



HEADQUARTERS
CENTCOM JOINT THEATER SUPPORT CONTRACTING COMMAND
CAMP AS SAYLIYAH
APO AE 09898



CJTSCC- CoS

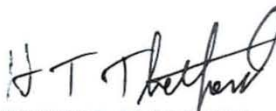
17 January 2012

MEMORANDUM FOR RECORD

SUBJECT: CENTCOM TASKER; USCC1136109870, DRAFT SIGAR AUDIT 12-6

1. CENTCOM IG requested that C-JTSCC review the draft SIGAR Audit 12-6 "Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Are Limited," and provide technical comments as required. In addition, provide written responses to the four recommendations on page 17 of the report.
2. The report was reviewed and C-JTSCC recommends that SIGAR clarifies that the figures represented in pages (4), (5) and (14) of the draft are limited to Afghanistan Security Forces Fund (ASFF) and Economic Support Fund (ESF) vice Afghan First Initiative (AFI) funds at large.
3. POC for this memorandum is LT Ifedayo O. Lofinmakin, ifedayo.o.lofinmakin@ccc.centcom.mil, DSN 318-432-6541.

Encl
Response


HARRY T. THETFORD
CAPT, SC, USN
Chief of Staff



HEADQUARTERS
SENIOR CONTRACTING OFFICIAL - AFGHANISTAN
CAMP PHOENIX, AFGHANISTAN
APO AE 09320



SCO-A

07 January 2012

MEMORANDUM FOR C-JTSCC

SUBJECT: Response to SIGAR Audit Draft Report #12-6, Economic and Social Development / Afghan First Initiative

1. Recommendation 1: Promote the use of a designated website, such as Afghan First.org, as an information portal for linking sources of U.S. procurement information in one location. Concur
2. Recommendation 2: Develop guidelines to encourage U.S. contracting authorities to adopt a more systematic approach to considering all available and relevant vetting sources to assess Afghan ownership, sufficiency of resources, and past performance. Concur
3. Recommendation 3: Immediately require U.S. contracting authorities to verify whether current AFI award recipients are Afghan-owned and have current licenses to operate in Afghanistan. Concur
4. Recommendation 4: Develop guidelines that define employment generation; delineate the employment data needed, including collection and verification standards; and develop an assessment process to measure Afghan employment levels resulting from AFI procurement activities. Concur
5. Point of contact for this memorandum is Capt Bruce L. Hebert, SCO-A Deputy Chief of Operations at DSN 318-237-6549.

A handwritten signature in black ink, appearing to read "Casey D. Blake".

CASEY D. BLAKE, Brig Gen, USAF
Deputy Commander
USCENTCOM -Joint Theater Support
Contracting Command and Senior Contracting
Official-Afghanistan

APPENDIX IV: COMMENTS FROM NATO TRAINING MISSION-AFGHANISTAN / COMBINED SECURITY TRANSITION COMMAND-AFGHANISTAN



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


REPLY TO
ATTENTION OF

10 January 2012

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL FOR AFGHANISTAN
RECONSTRUCTION

SUBJECT: NTM-A/SAO-A Response to Draft Report “Review of the Implementation of the Afghan First Initiative in Reconstruction Contracting.”

1. I would like to thank you for the time you have taken to examine the implementation of the Afghan First Initiative in Reconstruction Contracting. We concur with the recommendations, and have no additional comments to provide.
2. If you have any further questions, please feel free to contact me at DSN 318-237-9850 of Gregory.r.perchatsch@afghan.swa.ar.my.mil at any time.


GREGORY R. PERCHATSCH
COL, U.S. Army
Director, SAO-A



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G STREET, NW
WASHINGTON, DC 20314-1000

CEIR

24 January, 2012

MEMORANDUM FOR OFFICE FOR THE SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION (SIGAR)

SUBJECT: U.S. Army Corps of Engineers (USACE) Response to SIGAR Draft Report
12-6 on the Afghan First Initiative

1. Reference SIGAR requesting management to provide comments on the subject report.
2. The USACE reply is attached.
3. If you have any questions concerning our comments, please contact Alicia S Matias at 202-761-4573.

A handwritten signature in cursive script that reads "Brenda L. Mayes".

BRENDA L. MAYES
Deputy Chief
HQs USACE Internal Review Office

Printed on  Recycled Paper



DEPARTMENT OF THE ARMY
U.S. Army Corps of Engineers
441 G Street, NW
Washington DC 20314-1000

REPLY TO
ATTENTION OF:

CECT-P

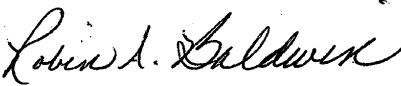
23 January 2012

MEMORANDUM FOR Office of the Special Inspector General for Afghanistan
Reconstruction (SIGAR)

SUBJECT: U.S. Army Corps of Engineers (USACE) Response to SIGAR Draft Report
12-6 on the Afghan First Initiative.

1. The U.S. Army Corps of Engineers (USACE) welcomes the opportunity to review the draft report.
2. USACE concurs with three of the recommendations of the draft report. USACE does not concur with the fourth recommendation due to the inherent challenges in measuring local employment in Afghanistan. Further explanation is provided in the enclosure
3. Point of contact for these comments is Ms. Colleen J. O'Keefe, Regional Chief of Contracting for the USACE Transatlantic Division, (540) 665-1391, Colleen.J.Keefe@usace.army.mil.

Enclosure


Robin A. Baldwin
Chief, Contracting Policy Division
National Contracting Organization

ENCLOSURE 1

Headquarters
U.S. Army Corps of Engineers
Response to Draft SIGAR Audit 12-6

RECOMMENDATIONS

To help broaden the base of participating Afghan companies, and ensure that only qualified companies receive AFI awards, SIGAR recommends that the Commander USFOR-A and the U.S. Ambassador to Afghanistan, in conjunction with C-JTSCC, USACE Transatlantic Division, and in coordination with the USAID Mission Director:

1. Promote the use of a designated website, such as Afghan First.org, as an information portal for linking sources of U.S. procurement information in one location.

USACE Response: Concur. USACE will continue to use the Afghan First.org website; however security and integrity of the website would need to be assured for USACE to post solicitations. There have been reports of several incidents where U.S. contracting authority websites were hacked into, solicitations altered and/or offered for sale to vendors.

2. Develop guidelines to encourage U.S. contracting authorities to adopt a more systematic approach to considering all available and relevant vetting sources to assess Afghan ownership, sufficiency of resources, and past performance.

USACE Response: Concur. USACE will assist USFOR-A and others to develop guidelines as required and will comply with guidelines once implemented.

3. Immediately require U.S. contracting authorities to verify whether current AFI award recipients are Afghan-owned and have current licenses to operate in Afghanistan.

USACE Response: Concur with comment. USACE will comply with the requirement. However, the report indicates that U.S. contracting authorities should constantly monitor the licenses to ensure they are valid throughout the life of the contract. U.S. contracting authorities should not be expected to police licensing of Afghan firms throughout the life of the contract. Licenses should be validated at time of award and when exercising options.

To help assess whether AFI awards are generating Afghan employment opportunities, SIGAR recommends that the Commander USFOR-A and U.S. Ambassador to Afghanistan, in conjunction with C-JTSCC, USACE Transatlantic Division, and in coordination with the USAID Mission Director:

4. Develop guidelines that define employment generation; delineate the employment data needed, including collection and verification standards; and develop an assessment process to measure Afghan employment levels resulting from AFI procurement activities.

USACE Response: Non-concur. The suggested data is difficult to collect and validate. U.S. contracting authorities are already required to gather data on number of local nationals employed through their contracts. Three major issues have limited the effectiveness of the Synchronized Pre-deployment Operational Tracker (SPOT) for accounting for local national employment. The first is that local nationals do not have to deploy thus there is no forcing mechanism such as the inability to obtain a Letter of Authorization if SPOT data is not input accurately. The second is the lack of unique data elements for Afghans such as date of birth or national identity number. The third is fear of being associated with the US government which causes false data to be provided. Until unique data elements are mandated by the Government of the Islamic Republic of Afghanistan and local nationals feel safe being associated with USG, the integrity of any data provided will be impossible to validate.

A further consideration is the nature of construction contracts. Construction contract awards do not generate permanent employment. Also due to the nature of construction the number of people employed throughout the life of the contract fluctuates. Subcontractors for paving, grading or "horizontal" construction are used in the early phase of construction, but later other subcontractors for "vertical" or building construction are used. The vertical subcontractor moves from construction site to construction site.

If accurate data could be obtained it might help validate the Afghan First program, however for USACE the picture is incomplete. USACE awards many construction contracts to Afghan firms using full and open competition rather than the Afghan First program. The temporary employment generated from these multi-million dollar contracts would not be included in the Afghan First calculation.

(This performance audit was conducted under the audit project code SIGAR-043A).

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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To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: hotline@sigar.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan 318-237-2575
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-604-0983

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive,
Arlington, VA 22202