

# Selected Public Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight



**July 30, 2012**



# SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-12-13

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## Selected Public Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight

### What SIGAR Reviewed

U.S. Embassy Kabul's Public Affairs Section (PAS) awarded 560 public diplomacy grants and cooperative agreements during fiscal years 2010-2011 that provided about \$148 million for efforts to help the Afghan government communicate a common vision of progress and urge Afghan people to resist insurgent influence and reject violent extremism. This audit sought to determine the extent to which (1) PAS followed award selection and management procedures, (2) awards were consistent with U.S. strategic objectives and achieving intended results, and (3) PAS addressed the sustainability of grant-funded equipment and facilities.

To accomplish these objectives, SIGAR obtained data from and met with officials from the Department of State's Bureau of South and Central Asian Affairs/Office of Press and Public Diplomacy and the U.S. Embassy in Kabul. SIGAR reviewed the selection and oversight of 20 of the larger (above \$1 million) public diplomacy awards issued by PAS during fiscal years 2010-2011. With values totaling approximately \$57 million, the selected awards represented about 38 percent of the total value of all public diplomacy awards issued by PAS during that period. SIGAR conducted work from September 2011 to June 2012 in Washington, D.C. and at several sites in Afghanistan, in accordance with generally accepted government auditing standards.

### What SIGAR Found

Lack of documentation prevented SIGAR from determining whether PAS completed required pre-award activities, including assessments of risk, recipient capacity, use of sub-awards, and costs. Consequently, SIGAR was unable to determine the extent to which PAS ensured that risks were identified and mitigated, recipients were capable of managing grant funds, subrecipients did not include excluded parties, and estimated costs were reasonable. SIGAR found that half of the awards reviewed were sole-sourced and that documentation on the use of fair and open competition was absent for several of the other awards. In 2011, PAS took steps to improve its award assessment and selection procedures. SIGAR also found that the untimely closeout of a terminated grant resulted in unused cash advances totaling \$253,432 that had not been recovered or de-obligated, and about \$12 million disbursed under the 20 awards had not been subjected to financial audits. (According to Embassy Kabul, the \$253,432 has subsequently been recovered and de-obligated.)

PAS awarded grants that were consistent with the U.S. government's civilian-military campaign plan for Afghanistan. While recipients for 15 of the 20 awards reviewed had achieved or were likely to achieve their intended results, SIGAR found that five grants were not likely to achieve intended results, including one grant that was terminated due to lack of cooperation between Afghan ministry officials and the grant recipient.

Although 14 of the 20 awards required some degree of sustainability funding to continue staffing, operations, or maintenance after the award period ended, none had sustainability plans because such plans were not required prior to fiscal year 2012. Consequently, up to \$32 million invested in those awards is at risk of being wasted if efforts are not made to sustain these projects. PAS has taken some steps to address sustainability for these grants and began requiring sustainability plans for new awards funded in fiscal year 2012.

### What SIGAR Recommends

SIGAR is recommending that the U.S. Ambassador to Afghanistan (1) ensure that required pre-award assessments, including cost estimates, are documented; (2) ensure timely close-out of completed awards; (3) recover and de-obligate \$253,432 in unused cash advances under a terminated grant; (4) obtain financial audits of public diplomacy awards; (5) review the viability of awards not likely to achieve their intended results, and (6) develop sustainability plans for 14 grants requiring investment after the award period ends. U.S. Embassy Kabul concurred with five recommendations and did not fully concur with one. The Embassy's comments are reproduced in appendix IV.

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John F. Sopko, Special Inspector General

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July 30, 2012

The Honorable Hillary Rodham Clinton  
Secretary of State

The Honorable James B. Cunningham  
U.S. Ambassador to Afghanistan

This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) audit of the U.S. Department of State's public diplomacy grant program in Afghanistan. We reviewed 20 grants totaling about \$57 million, or about 38 percent of the total value of all public diplomacy awards issued by the embassy during fiscal years 2010 and 2011. Overall, we found that 15 of the 20 grants were likely to meet intended results, while 5 grants faced delays and other implementation challenges. In addition, although the majority of projects funded under these awards will likely require some degree of sustainability funding to continue operations, such plans were not required prior to fiscal year 2012. The embassy also faced some initial challenges in documenting required pre-award assessments and ensuring timely grant close-out and financial audits. The embassy has since taken some steps to improve its award assessment and selection procedures, ensure timely grant close-out, and address sustainability issues for these grants. This report includes six recommendations to the U.S. Ambassador to Afghanistan to further improve oversight of its public diplomacy grants program.

When preparing the final report, we considered comments from the U.S. Embassy in Kabul, Afghanistan. These comments are reproduced in appendix IV. 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.

John F. Sopko  
Special Inspector General for Afghanistan Reconstruction

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## ACRONYMS

GMIC	Government Media Information Center
NATO	North Atlantic Treaty Organization
PAS	Public Affairs Section
SIGAR	Special Inspector General for Afghanistan Reconstruction
State	Department of State



## **Selected Public Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight**

In line with the “Claiming the Information Initiative” of the U.S. Government’s Integrated Civilian-Military Campaign Plan for Support to Afghanistan, the U.S. Embassy in Kabul’s Public Affairs Section (PAS) awarded 560 public diplomacy grants and cooperative agreements during fiscal years 2010 and 2011 to help the Afghan government communicate a common vision of hope and progress and to convince the Afghan people to resist insurgent influence and reject violent extremism. With a total value of approximately \$148 million, these awards constituted the largest embassy-based public diplomacy program administered by the Department of State (State) during that period.

The public diplomacy program in Afghanistan was delivered through a combination of grants and cooperative agreements awarded mostly to Afghan nongovernmental organizations and commercial firms. Most award proposals were solicited by PAS through an Annual Program Statement, which requested proposals designed to, among other things, expand media engagement, build the communication capacity of the Afghan people and their government to confront ideological support for terrorism, and strengthen partnership between Afghan communities and between the peoples of Afghanistan and the United States.

We conducted this performance audit to determine the extent to which (1) PAS followed award selection and management procedures, (2) awards were consistent with U.S. strategic objectives and achieving intended results, and (3) PAS addressed the sustainability of grant-funded equipment and facilities.

To accomplish these objectives, we selected and analyzed 20 of the larger (more than \$1 million) public diplomacy awards issued by PAS during fiscal years 2010-2011. With values totaling approximately \$57 million, the selected awards represented about 38 percent of the total value of all public diplomacy awards issued by PAS during that same period. We also interviewed State officials in Washington, D.C. and at the U.S. Embassy in Kabul, as well as representatives from all the recipients in our selection. We visited award-funded project sites in five Afghan provinces, including Balkh, Kabul, Helmand, Herat, and Nangarhar. We conducted our fieldwork from September 2011 through June 2012 in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is included as appendix I.

## BACKGROUND

The public diplomacy program in Afghanistan is part of the overall U.S. effort to disrupt, dismantle, and defeat al Qaeda and prevent its capacity to threaten the United States and its allies. The U.S. government's campaign plan to support Afghanistan includes the transformative effect of "Claiming the Information Initiative."<sup>1</sup> Consistent with that initiative is an integrated communication plan that has the goal of helping the Afghan government communicate a common vision of hope and progress to the Afghan people, decrease violence, and increase resistance to insurgent influence. Toward this end, the communication plan identifies four strategic objectives to (1) counter extremist voices, (2) strengthen people-to-people ties and promote a shared vision of Afghanistan's future, (3) build Afghan communication capacity, and (4) expand media outreach.

The public diplomacy program is primarily administered by PAS. At the time of our fieldwork, PAS consisted of a press office, cultural affairs office, strategic communication section, an advisory unit working at the Government Media Information Center (GMIC), and a deployed military information support team. In addition to their assigned duties, PAS employees may serve as grant officers,<sup>2</sup> grant officer representatives, and members of an award review panel. The grant officer representative is the primary PAS contact with the award recipient and is designated in writing by the grant officer to assist in the management of federal assistance awards. Employees of other federal agencies working in Afghanistan often serve as grant officer representatives for PAS. Special considerations in selecting a grant officer representative may include training and experience in the technical aspects of the project, knowledge of applicable laws, regulations, and policies, and knowledge of the awarding office's goals and program priorities.

PAS administers the public diplomacy program by awarding grants and cooperative agreements.<sup>3</sup> Public diplomacy awards typically consist of a high volume of low dollar value grants, often used to support the travel of host nation officials and promote international understanding. In May 2010, in anticipation of a large funding increase for the public diplomacy program in Afghanistan, PAS issued an annual program statement to generate proposals for new and larger awards. The statement encouraged the submission of unique and creative proposals that were aligned with strategic objectives in the U.S. government's communication plan for Afghanistan.

The number and value of public diplomacy awards for Afghanistan increased substantially in fiscal years 2010 and 2011. Between fiscal years 2007 and 2009, PAS issued 204 awards, with a total value of approximately \$1.5 million and an average value of \$7,238. During fiscal years 2010 and 2011, PAS issued 560 awards, with a total value of approximately \$148 million and an average value of \$264,140. Figures 1 and 2 below illustrate the significant increase in the number and value of public diplomacy awards issued by PAS during fiscal years 2010 and 2011.

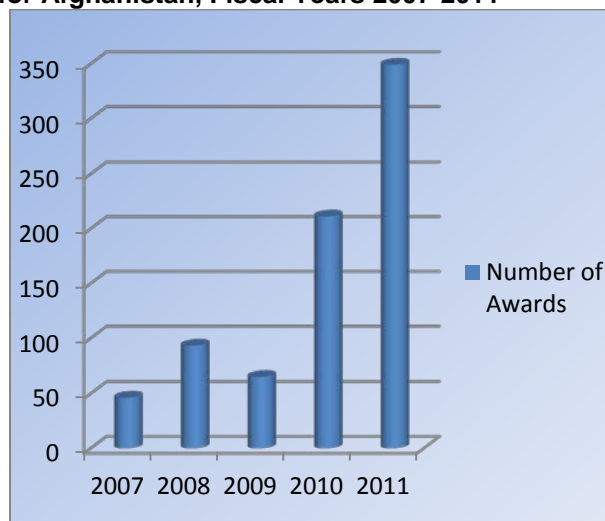
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<sup>1</sup>U.S. Embassy in Kabul/U.S. Forces-Afghanistan: *United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan* (Kabul, Afghanistan: Mar. 26, 2010).

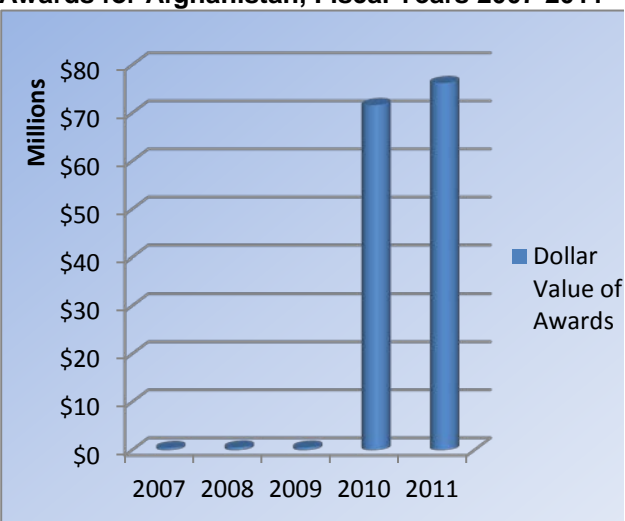
<sup>2</sup>The grant officer is appointed by State's Procurement Executive through a warrant certificate to award, amend, and terminate federal assistance agreements.

<sup>3</sup>A grant is an assistance instrument used when it is anticipated that there will be no substantial involvement between the agency and the recipient during the performance of the activity. A cooperative agreement is an award to transfer money, property, or services to a recipient to accomplish a public purpose and substantial involvement is anticipated by the U.S. government during performance of the activity.

**Figure 1: Number of Public Diplomacy Awards for Afghanistan, Fiscal Years 2007-2011**



**Figure 2: Total Dollar Value of Public Diplomacy Awards for Afghanistan, Fiscal Years 2007-2011**



Source: SIGAR analysis of U.S. Department of State data

Source: SIGAR analysis of U.S. Department of State data

To accomplish our audit objectives, we judgmentally selected and analyzed 20 of the larger public diplomacy awards (above \$1 million) issued by PAS during fiscal years 2010-2011. Our audit focused on the high-dollar awards used to further reconstruction efforts in Afghanistan rather than the smaller traditional educational and cultural awards. Of the 20 awards we selected, 8 were given to Afghan nongovernmental organizations, 7 to commercial firms (including 6 Afghan and 1 U.S.), 3 to international or U.S. nonprofit organizations, and 2 to an Afghan government-type entity. Table 1 summarizes the distribution of awards by type of organization.

**Table 1: Distribution of Selected Awards by Organizational Category**

Type of organization	Number of award recipients	Number of awards	Value of awards
Afghan nongovernmental organizations	4	8	\$21,493,569
Afghan commercial firms	5	6	17,269,528
International /U.S. nonprofit organizations	3	3	8,902,904
Afghan government-type entity	1	2	7,005,524
U.S. commercial firm	1	1	1,931,371
<b>Total</b>	<b>14</b>	<b>20</b>	<b>\$56,602,896</b>

Source: SIGAR analysis of U.S. Department of State data

The awards to Afghan nongovernmental organizations focused primarily on promoting new media outlets, developing the capacity of university journalism and media operations, and increasing the number of programs to counter extremist voices. Awards to commercial firms were intended to develop the capacity of Afghan television and radio stations to promote principles of respect, human rights, ethnic and religious tolerance, democratic behavior, and national cohesion. The international or U.S.-based nonprofit organizations sought to use award funds to strengthen communication by providing access to internet services at universities, assist Afghan Parliament in establishing an on-site media pool, and



promote cooperation through a series of seminars. The awards to the Afghan government-type entity focused on developing Afghan ministerial and provincial government media skills and structure.

About half of the value of the awards we selected funded the purchase of equipment or construction. The funding for operations of Afghan news agencies and development of the Afghan government media capacity accounted for one-fourth of the total value of the awards in our selection. The balance supported TV/radio programming and provided funding for informational jirgas and seminars.<sup>4</sup> Table 2 displays the distribution of selected awards by type of project.

**Table 2: Distribution of Selected Awards by Project Type**

Type of Project	Number of Awards	Value of Awards
Construction and equipment	5	\$20,210,865
Equipment	3	7,290,583
News media operations	4	7,816,413
Afghan government capacity development	2	7,005,524
TV & radio content	3	9,360,171
Jirgas and seminars	3	4,919,340
<b>Totals</b>	<b>20</b>	<b>\$56,602,896</b>

Source: SIGAR analysis of U.S. Department of State data.

<sup>4</sup>Jirga is a traditional community council used to resolve local, tribal, and national conflicts in Afghanistan.

## **DOCUMENTATION WAS INADEQUATE TO DETERMINE THE EXTENT OF PRE-AWARD ASSESSMENTS AND COMPETITION, AND PAS HAD NOT ENSURED THAT EXPIRED AWARDS WERE CLOSED OUT OR FINANCIAL AUDITS CONDUCTED**

According to internal control standards as set forth by the Government Accountability Office, significant events performed by federal agencies need to be clearly documented, and the documentation should be readily available for examination.<sup>5</sup> Further, State has issued policy directives, including Grants Policy Directive 23, that outline the level of documentation required in award files.<sup>6</sup> According to Embassy Kabul and State officials, the lack of documentation of pre-award assessments and competition for the 20 awards that we reviewed was primarily due to the understaffing of PAS positions at the embassy when the quantity and value of public diplomacy awards rapidly increased in 2010.<sup>7</sup> Although State increased PAS staffing levels in Afghanistan as the quantity and value of public diplomacy awards grew, initial project development for many of the awards we reviewed took place while PAS had a limited number of permanent staff. Because of the lack of documentation, we could not determine the extent to which the awards we reviewed were subjected to pre-award assessments or competition.

### Risk and Capacity Assessments

State's policy on assessing the risk of award applicants requires responsible officers to make every reasonable effort to guard against risk and ensure that awards are made in the best interests of the U.S. government. Grants Policy Directive 43 specifically requires program officers to conduct an initial risk assessment to determine whether a grants officer should take additional measures to mitigate identified risks.<sup>8</sup> The Federal Assistance Policy Manual includes a pre-award template that may be used to document the results of the assessment.<sup>9</sup> Pre-award risk assessments are necessary to determine whether additional provisions should be incorporated into an award and to assist in selecting the appropriate type of award instrument. Adequately assessing risks before making an award helps enable a grantor to minimize the misuse or loss of federal funds by identifying and mitigating "high risk" elements in federal assistance programs. For the 20 awards we reviewed, PAS officials did not include sufficient documentation in the award files to support whether they had assessed an award applicant's risk prior to making the award. The lack of documentation of risk assessments in the award files prevented us from determining the existence and quality of pre-award risk assessments by PAS.

Assessing a potential recipient's capacity to perform assistance activities is intended to determine the likelihood that award activities will be performed successfully and in accordance with applicable terms and conditions. Capability assessments also identify significant weaknesses in a potential recipient's internal controls. Grants Policy Directive 43 and the Federal Assistance Policy Manual require grant officers to assess a potential recipient's capacity to adequately perform proposed federal assistance activities in accordance with guidelines established by State and the Office of Management and Budget. This includes a review of the applicant's accounting, record keeping, and overall financial management

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<sup>5</sup>*Standards for Internal Control in the Federal Government*- GAO/AIMD-00-21.3.1, United States Government Accountability Office (Washington, D.C.: November 1999), p.15.

<sup>6</sup>*Grants Policy Directive 23, Federal Assistance File Folder*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (undated).

<sup>7</sup>According to Department of State officials, Embassy Kabul postponed using some of the public diplomacy funding until PAS was fully staffed.

<sup>8</sup>Grants Policy Directive 43, *Pre-Award Responsibility Determination*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (June 21, 2010).

<sup>9</sup>Federal Assistance Policy Manual: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (03-2008, Section 3.2.1).

and internal control systems.<sup>10</sup> None of the 20 award files we reviewed included evidence that PAS conducted assessments of the recipients' capacity to perform, or of their financial management and internal control systems, prior to making the awards.

### Use of Sub-Awards

In 8 of the 20 assistance awards we reviewed, the applicants included in the proposed budget a line for contractual expenses which indicated that they planned to use subrecipients to accomplish the grant or cooperative agreement objectives. The Federal Assistance Policy Manual requires grant officers to approve the primary recipient's potential use of sub-awards.<sup>11</sup> The primary recipient is required to submit to the grant officer a copy of the proposed budget and detailed plans of sub-award activities to substantiate the budget expense line item in the primary award. However, we found that PAS files for the 8 awards that included a line item for contracting did not contain evidence that recipients had submitted the required proposed budget and detailed plans for the sub-award. Similarly, the award files contained no information on whether recipients had checked potential sub-awardees against the Excluded Parties List, which State requires to ensure that award money is being used in the best interest of the U.S. government.<sup>12</sup>

### Cost Assessments

PAS awarded 7 of the 20 awards to commercial firms. Grants to commercial firms are subject to the Federal Acquisition Regulation, which recommends that a cost analysis be used to establish reasonableness of the proposed prices. Although State does not specifically require independent estimates of project costs for assistance awards, its policy directives require that a grants officer review pre-award costs for reasonableness. According to PAS officials and a review of the award files, PAS did not develop independent cost estimates or evaluate reasonableness of cost estimates for the 20 awards that we reviewed. PAS records showed discussion of cost proposals for some of the awards in ad hoc email discussions that we examined; however, these discussions lacked evidence that reasonableness of costs was methodically evaluated. For example, PAS awarded approximately \$5.5 million to support the construction of three transmission towers and a production facility. The recipient submitted a detailed price estimate for the cost associated with the equipment needed to upgrade the proposed facilities. This budget included very specific line items reflecting the cost of each piece of equipment; however, PAS did not independently assess these costs or determine if less expensive suppliers were available.

### Competition

Grants Policy Directive 5 encourages full and open competition to promote fairness, transparency, and equity in selecting and awarding federal assistance.<sup>13</sup> According to this directive, full and open competition requires (1) public notice of intended funding priorities for assistance programs and (2) an impartial review and evaluation of applications received in response to the public announcement.

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<sup>10</sup>Grants Policy Directive 43, *Excluded Parties List System, Pre-Award Due-Diligence Requirements*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (6.21.2010).; Federal Assistance Policy Manual: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (March 2008).

<sup>11</sup>Federal Assistance Policy Manual: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (March 2008, Section 3.4.9)

<sup>12</sup>Grants Policy Directive 19, *Excluded Parties List System, Pre-Award Due-Diligence Requirements*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (Jan.29, 2007) and Grants Policy Directive 37, *Risk Assessment for Terrorisms Finance Federal Assistance Award*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (June.25,2009).

<sup>13</sup>Grants Policy Directive 5, *Competition Requirements for Assistance Grants*: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (4.25.2011).

Of the 20 awards in our selection, 6 included documentation that they were competed in accordance with this directive. Of the remaining 14 awards, 10 were sole-sourced and 4 lacked documentary support of their selection methodology.

The six awards that were awarded in accordance with State's guidance for free and open competition, including the use of requests for proposals and selection panels with documented results, were valued at approximately \$19 million. The largest of these awards was to construct and equip media operations centers on four university campuses; others supported the development of television content and the construction of a media pool facility at the Afghan Parliament.

Seven of the ten sole-sourced awards—representing nearly \$20 million of the approximately \$57 million in awards we reviewed—funded TV towers, media equipment, an Afghan government-type office, and media programming for the underserved demographics of Pashto language speakers. The sole-source justifications for these projects cited the ability of the recipient to operate in specific regions of the country or that they were deemed to be the only viable entities in a limited media market. The justification for assistance to the Afghan government-type entity cited its unique structure and exclusive capability as support for the sole-source award. However, the other three sole-sourced awards, valued at \$6 million, lacked adequate justification for non-competition for construction of two university media centers and providing seminar assistance to an Afghan government ministry. The justification narratives cited the need for immediate programs in general terms, rather than outlining the specific requirements and why the proposed recipient was uniquely qualified to merit a sole-source award. We were unable to determine the conditions under which an additional four awards, totaling approximately \$10 million, were awarded due to the lack of documentation in the award files.<sup>14</sup>

According to a U.S. Embassy official, PAS did not have awards committees or other formal procedures for awarding grants during the first half of fiscal year 2010. In the absence of such procedures, the Embassy Public Affairs Officer decided which organizations would receive public diplomacy awards. Toward the end of fiscal year 2010, State supplemented PAS's limited permanent staff with grant officers who were temporarily assigned to Kabul to help obligate funds before the end of the fiscal year. By this time, PAS had established a formal grants awarding system that included establishment of a grants award committee and formal processes for requesting proposals and dealing with unsolicited proposals. This improved the ability of PAS to develop and manage public diplomacy awards.

### **Close-out of Two Awards and Financial Audits Had Not Been Completed**

PAS did not close out two expired awards in a timely manner and one expired award included \$253,432 in unexpended funds that PAS had not recovered or de-obligated at the time of our review. Also, PAS did not ensure that financial audits were conducted of expenditures by award recipients.

#### Lack of Timely Closeout of Award Contributed to Delay in Recovery of Unused Funds

State's Federal Assistance Policy Manual indicates that closeout procedures for expired grants should provide, among other things, for the immediate refund of any unexpended funds. According to the manual, recipients must submit all financial, performance and other reports as required by the terms and conditions of the award within 90 calendar days after the end of an award. After the final reports have been received, the recipient is to promptly refund any excess balances of unexpended funds. The grant officer is responsible for processing any requests for reimbursement of funds or payment of amounts due to State. After all required documentation has been received, the un-liquidated balance of funds from State's accounting records must be de-obligated.

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<sup>14</sup>State's Office of the Procurement Executive cited the lack of competition of grants at Embassy Kabul as a weakness in May 2010: "Grants Management Oversight Review," United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (4.29.2010)

As of June 2012, 2 of the 20 awards we reviewed had been expired for at least 6 months without PAS completing the required closeout actions. One award was for equipment and all funds provided by PAS under the award had been expended by the award recipient. However, the other award was terminated in July 2011 and had a balance of \$253,432 in unexpended funds that PAS had advanced to the recipient prior to terminating the award.<sup>15</sup> The grant officer sent a termination notice to the recipient in July 2011 requesting that the recipient return the unexpended funds. In commenting on our draft report, the embassy stated that the recipient returned a total of \$253,432 via electronic funds transfer in June 2012, which was subsequently de-obligated.

### Financial Audits of Recipient Expenditures Had Not Been Conducted

As of June 2012, \$12 million had been expended under the 20 awards we reviewed, but none of those expenditures had been audited as recommended by State guidance and in accordance with best practices within the federal government.<sup>16</sup> The standard terms and conditions incorporated into each of the awards require award recipients to maintain financial records and supporting documents for up to 3 years after their final expenditure report was submitted, and to make those records available to U.S. government representatives. However, the standard terms and conditions do not specifically require that a financial audit of award expenditures be conducted<sup>17</sup> because State had not established standard requirements or procedures for conducting financial audits of its overseas recipients.

According to Grants Policy Directive 42, audit reports can be an effective and valuable method for monitoring a recipient's financial performance, particularly with regard to the adequacy of recipient internal controls and compliance with applicable laws and regulations. Other U.S. federal agencies that award funds to foreign organizations have established audit requirements to ensure accountability for award funds. For example, the U.S. Department of Health and Human Services requires foreign organizations to have a financial audit if they expend more than \$500,000 of federal funds during their fiscal year. Also, the U.S. Agency for International Development requires a financial audit of foreign award recipients that expend over \$300,000 in funding per year.

The lack of financial audits of these awards reduces the assurance that the public diplomacy funds provided by PAS are properly accounted for and used for their intended purposes. Financial audits of recipients often result in savings to the U.S. government by identifying costs that may be disallowed and recovered because they do not comply with the terms of an award, lack adequate supporting documentation, are not allocable to a specific program, or are deemed to be unreasonable.

Recognizing that the lack of financial audits is a significant weakness, PAS officials solicited proposals from public accounting firms in September 2011 to perform financial audits on its public diplomacy awards; however, no firms bid on the solicitation. Other organizations, however, have successfully contracted for audit services in Afghanistan. For example, the U.S. Agency for International Development has contracted for financial audits of some of its contractors and grantees in Afghanistan from a list of twelve pre-approved firms.

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<sup>15</sup>The terminated grant's total award value was about \$1.09 million of which PAS had advanced \$850,000 to the recipient. Of that amount, the recipient expended \$596,568, leaving \$253,432 for recovery and de-obligation.

<sup>16</sup>Federal Assistance Handbook: United States Department of State, Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division (03-2011, Section 4.3); U.S. Government Accountability Office: *Government Auditing Standards*, Section 1.01 and 1.02, GAO-07-731G November 2011.

<sup>17</sup>One award had unique language that required that the recipient have an internationally recognized, certified accounting firm complete an audit, but the resulting report was of a comprehensive assessment of the grantee's financial, procurement, administration, and personnel systems, rather than a financial audit of U.S.-funded expenditures.

## **MOST AWARDS REVIEWED WERE LIKELY TO ACHIEVE INTENDED RESULTS BUT SEVERAL AWARDS FACED DELAYS AND OTHER CHALLENGES**

PAS awarded public diplomacy grants and cooperative agreements that were consistent with the overarching U.S. strategic communication objectives specified in the Integrated Civilian-Military Communications Plan.<sup>18</sup> Embassy Kabul's communication plan included four strategic objectives— (1) Counter Extremist Voices, (2) Strengthen People-to-People Ties, (3) Build Afghan Communications Capacity, and (4) Expand Media Outreach. The 20 grants and cooperative agreements that we reviewed were consistent with these strategic objectives as described below.<sup>19</sup>

- **Counter Extremist Voices:** Guided by the communication plan, PAS aimed to counter insurgent messages by funding projects that decrease the influence of insurgent communication and provide alternative source of information for Afghans in provinces most affected by the insurgency. Public diplomacy projects that aim to counter extremist voices included projects that provide news services, encourage national unity through radio programming, and promote discussions about the daily social challenges for the Afghan youth on TV.
- **Strengthen People-to-People Ties:** To promote a shared vision of Afghanistan's future and to strengthen people-to-people ties, PAS funded a series of jirgas, seminars, and conferences to expose the Afghan people to different regional and international Islamic ideologies. Through these projects PAS aimed to develop a global network of Islamic scholars and peace-building activities to support Afghan clerics and religious leaders in furthering peace, prosperity, and moderate messaging.
- **Build Afghan Communications Capacity:** To increase the effectiveness of communication by the Afghan government, the independent media, and the Afghan public, PAS funded projects that built communication facilities, provided modern equipment, and provided training and advisory services. These projects include building media centers at six Afghan universities, developing Government and Media Information Center, and building onsite professional broadcasting infrastructure of the Afghan Parliament.
- **Expand Media Outreach:** To inform and persuade the populations in the rural areas of Afghanistan, PAS funded the expansion of TV and radio production facilities and transmission capabilities. Other examples of public diplomacy funded media outreach projects include funding increased news coverage and expanding high-speed internet access to students and teachers in seven provinces in Afghanistan.

The Embassy's Annual Program Statement solicited proposals aimed at furthering these objectives. According to the communication plan, achieving these objectives would help the Afghan government and community leadership communicate a common vision of hope and progress to the Afghan people, decrease violence, and increase resistance to insurgent influences.

### **Fifteen of Twenty Awards Are Likely to Achieve Intended Results, but Five Grants Have Experienced Delays and Other Challenges**

Fifteen awards, valued at approximately \$37 million, funded the production and broadcast of TV and radio programs, covered operating costs of radio and print news agencies, upgraded equipment for local media stations, developed media infrastructure, and facilitated public events. The TV production awards

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<sup>18</sup>The communications plan was created by the U.S. Embassy in Kabul, the International Security Assistance Force, and the U.S. Forces-Afghanistan in 2010.

<sup>19</sup>To make this determination, we reviewed PAS files pertaining to the awards and were able to categorize each award under one or more of the four strategic objectives under the communication plan.

have produced and broadcasted several short films, television dramas, feature-length films, and documentaries to promote the importance of an independent justice system and role of women in society. Other successful awards developed the Afghan media capacity through building, equipping, and training Afghan journalists and facilitating the expansion of TV, radio, and print news sources to various provinces of Afghanistan. In addition, some of the awards assisted Afghan ministries and non-governmental organizations to organize and conduct local, national, and international jirgas, seminars, and conferences.

At the time of our fieldwork, a majority of the awards we reviewed were still ongoing, either under the awards' original timeframe or due to an extension of the period of performance granted by PAS. However, we were able to determine that 5 of the 20 awards had not achieved, or were not likely to achieve, their intended results, including one award that was terminated early and two others terminated in June 2012. We made this determination based on our site visits for all 20 awards, interviews with PAS officials and grant recipients, and reviews of progress reports for each award. The five awards are shown in table 3.

**Table 3: Awards Not Likely to Achieve Intended Results**

Award Number	Award Number in Appendix II	Intended Result	Award Amount
SAF20010GR217	16	Fund GMIC operations and construct 5 provincial offices	\$3,944,500
SAF20010GR201	17	Provide internet access for 9000 students and their teachers	3,255,213
SAF20011GR172	18	Fund the construction of 3 additional GMIC provincial offices and develop press halls for 8 selected ministries	3,061,024
SAF20010GR245	19	Build and equip university media centers in four provinces	8,374,239
SAF20010GR143	20	Organize public events with Afghan ministry	1,093,820
<b>Total</b>			<b>\$19,728,796</b>

Source: SIGAR analysis of Department of State data.

Although two awards called for the establishment of eight new GMIC provincial offices, at the time of our audit only the provincial office in Kandahar had been completed, with another office in Jalalabad under construction. While the awards helped GMIC increase the ability of the Afghan government to effectively disseminate information, they were not likely to result in the construction of the remaining provincial offices during the timeframe of the communication plan. Embassy officials stated that the initial provincial offices took longer to establish than planned due to the added coordination and training required with provincial centers and the lack of strong ties between the provincial and national government organizations. The current PAS leadership is reevaluating whether all the provincial offices will be constructed.<sup>20</sup>

Similarly, an award that intended to build and equip four university media centers around the country is not likely to accomplish its intended results. In September 2010, 1 month after the awards for similar projects for universities in Kabul and Herat were signed, PAS awarded the same recipient an additional \$8.4 million grant to build and outfit media operation centers at four other Afghan universities in Balkh, Kandahar, Khost, and Nangarhar. In November 2011, we visited the sites in Balkh and Nangarhar and observed limited progress beyond site selection and geological testing for those media centers. Review of the award documents and interviews with PAS staff and the recipient indicated that the status of the

<sup>20</sup>Subsequent to our audit fieldwork, PAS officials informed us that the U.S. Embassy had decided to end funding for GMIC and use any remaining funds for a replacement grant to complete the originally intended activities of building media capacity in the provinces.

media centers at the other two universities in Kandahar and Khost was the same. According to grant documents, the recipient considers the media centers in Kabul and Herat as phase one of the project and the remaining four media centers as phase two. Discussions with the grant recipient and grant officer representative for this award revealed that the recipient would not begin substantive work on these four media centers until the projects in Kabul and Herat were completed. However, the Kabul and Herat projects were experiencing delays that resulted in time extensions and cost increases.<sup>21</sup> PAS agreed to delay the start of the work at the other four universities due to the recipient's inability to perform at six construction sites concurrently. Delays for the four projects funded by this award will likely result in increased construction costs. With minimal progress on the four university projects 16 months after the grant was awarded, and using the same rate of cost increase experienced with the first two university projects, this grant is likely to incur approximately \$3.4 million (40 percent) in additional costs in construction materials and labor.<sup>22</sup>

Another award not likely to achieve results as intended is the internet access project, which supplied computer hardware without the required internet administrator to maintain the hardware and software provided by the award. The award intended to provide high-speed internet access for 9,000 students and their teachers in seven provincial Afghan universities and to enhance the existing bandwidth provided by the project for 28,000 students and teachers at five major Afghan universities. Review of the grant documents and interviews with university officials indicated that no provisions were made by the recipient or the universities to establish an internet administrator position, leaving the project vulnerable to failure if technical changes are required after the initial setup. We observed that one university used computer science professors to administer the network on an ad hoc basis, but university officials expressed serious concerns about the sustainability of this plan. Furthermore, during our fieldwork we were informed by the students and officials at three other universities that students only had access to the internet during computer lab classes. Embassy officials stated they recognized the vulnerability in this situation, as several other donor initiatives also depended on the successful expansion of the internet to provide services to students and faculty. PAS plans to establish an intergovernmental working group with broad membership of all parties reliant on university internet expansion to strategically address this issue.

In addition, a grant valued at about \$1 million and awarded to organize public events with a government ministry was terminated early due to lack of cooperation between ministry officials and the grant recipient. The initial period of performance for this award was June 2010 to June 2011, and required organization of 70 events. In December 2010, the grant was amended to extend the period of performance to September 30, 2011, to accommodate project delays and a change in personnel at the ministry, and the scope of the project was reduced from 70 to 38 events. PAS terminated the grant in July 2011, when the recipient had delivered only 21 events. Interviews with the recipient and ministry officials and review of the grant documents indicated that lack of cooperation between the ministry and recipient led to the project's failure. The ministry insisted on handling all logistics for these public events, diminishing the need for the recipient to take primary responsibility for fulfilling the terms of the award and control the award funds. PAS terminated the grant to avoid potential misuse of U.S. government funds. This action, although justifiable, limited the number of events held, thereby reducing the ministry's outreach and partnership with Afghan citizens.

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<sup>21</sup>The media center in Herat was awarded \$806,995 in additional funds and was extended to June 2012. Similarly, the media center in Kabul was awarded \$867,520 in additional funds and was extended to June 2012.

<sup>22</sup>Calculation of increased funding requirement is based on application of the rate of cost overruns in the Kabul and Herat media centers. SIGAR determined the average of the overruns (\$806,995 for Herat and \$867,520 for Kabul) and multiplied it by the four projects. Average of Kabul and Herat projects is \$837,257 X 4 unfinished projects = \$3,349,028 in forecasted requirement for additional funds.



## **SUSTAINABILITY PLANS WERE NOT REQUIRED FOR INITIAL AWARDS, BUT PAS HAS TAKEN STEPS TO ADDRESS SUSTAINABILITY ISSUES**

None of the awards we reviewed had plans for sustainment in the award records because PAS did not require sustainability plans as a selection factor when awarding grants from 2007 to 2011. The inclusion of sustainability plans is an essential element of international capacity development and a key lesson learned from the U.S. government's experience in Iraq. The Special Inspector General for Iraq Reconstruction<sup>23</sup> and the United States Commission on Wartime Contracting in Iraq and Afghanistan cited sustainability as a necessary requirement to avoid waste of the initial foreign assistance investment.<sup>24</sup> Of the 20 public diplomacy awards that we reviewed, 14 grants totaling \$32 million require some degree of sustainability funding for staffing, operations, or maintenance after the award period to avoid the waste of the U.S. investment in these projects. Recipients for 11 of the 14 awards requiring sustainability funding told us they intended to ask for continued donor funding as their first choice to cover ongoing operations and maintenance costs after their current PAS award funding ended. Of the 14 awards requiring operations and maintenance of fixed assets, 7 directly or indirectly benefited Afghan government entities, and 7 went to commercial firms.

The sustainability challenges facing governmental entities such as universities, GMIC, and the Parliament Press Center, are similar to those of public sector agencies. These recipients lack authorizations for the government personnel that will run these organizations after donor funding expires. We confirmed that the initial steps to add personnel to the GMIC had occurred; however, at the time of our audit only positions for senior management had been approved. Additionally, staff levels in the GMIC were based on the current level of donor funding, rather than the number needed to support the GMIC mission or the number that could be supported by Afghan government funding. Further, no maintenance budgets had been approved.<sup>25</sup>

According to PAS, the office began requiring detailed sustainability plans with the fiscal year 2012 Annual Program Statement and for specific requests for proposals prior to awarding grants or cooperative agreements. In addition, U.S. Embassy Kabul contributes to the support and long term sustainability of the public diplomacy program through follow on programs and complementary awards, as well as leveraging its influence within the host government and civil society. For example, a sustainability component of the university media centers will be partnership grants for each Afghan journalism school with a U.S.-based university for a 3-year period. This project aims to update journalism curriculum and develop teaching capacity of the faculties at the Afghan universities. However, the university media centers and journalism partnership initiatives depend heavily on the success of the NATO internet connectivity grant, which is at risk of failing due to the lack of funding for trained computer network support staff at the universities. PAS identified this vulnerability and has formed an interagency group of NATO internet project contributors to mitigate the human capital risks.

The commercial firm recipients that we interviewed indicated they planned to sell advertisement and programming as a means of funding future operations. However, embassy officials said that commercial advertising is limited in Afghanistan. Senior PAS officials cite the influx of donor programming grants as short term and unsustainable. They also anticipate a significant contraction of the public media sector once international funding ends, making it unlikely that all broadcasting grantees will be able to continue

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<sup>23</sup>Special Inspector General for Iraq Reconstruction, *Hard Lesson: The Iraq Reconstruction Experience*, (Washington D.C. Special Inspector General for Iraq Reconstruction, February 2, 2009).

<sup>24</sup>United States Commission on Wartime Contracting in Iraq and Afghanistan, *Sustainability: Hidden Costs Risk New Waste* (Washington D.C., Commission on Wartime Contracting in Iraq and Afghanistan Special Report 5, June 3, 2011) 1.

<sup>25</sup>Subsequent to our audit fieldwork, PAS officials informed us that, pursuant to the termination of U.S. Embassy funding of GMIC, GMIC activities were incorporated into the Afghan government's Office of the Spokesperson and that those activities would be sustained by the Afghan government.

operations. To normalize the programming market and reduce cost, PAS does not fund broadcast expenses.

## CONCLUSIONS

State's public diplomacy program for Afghanistan received a significant funding increase in 2010 and 2011, making it the largest public diplomacy program administered by a U.S. embassy. However, State did not initially have the necessary staffing in place as funding and grant workload ramped up. Consequently, PAS faced challenges in documenting required pre-award procedures, including the documentation of required risk and cost assessments and the use of fair and open competition. Therefore, we were unable to determine the extent to which PAS ensured that risks were identified and mitigated, recipients were capable of managing grant funds, subrecipients did not include excluded parties, costs were reasonable, and awards were competed. As half of the awards we reviewed were sole-sourced, and some of those sole-sourced awards lacked adequate justification, PAS may not have received the highest value for the funds awarded.

At the time of our review, a terminated but not closed grant resulted in unused cash advances totaling \$253,432 that PAS needed to recover and de-obligate. Also, none of the \$12 million expended under the 20 awards we reviewed had been audited. The lack of financial audits reduces the assurance that the funds provided by PAS were properly accounted for and used for their intended purposes.

Although not required, without sustainment plans the U.S. government runs a risk of wasting the initial public diplomacy grant investment. Continued investment by the donor community is needed to avoid the waste of approximately \$32 million invested in the public diplomacy awards in our selection. Although PAS changed its grant selection criteria in fiscal year 2012 to require sustainability planning and is now encouraging grantees to develop sustainable business plans at the inception of grants, those corrective actions will not help ensure the sustainability of the awards issued prior to fiscal year 2012.

## RECOMMENDATIONS

To provide better oversight of funds provided to award recipients for public diplomacy programs in Afghanistan and to provide for greater assurance of achieving award results, we recommend that the U.S. Ambassador to Afghanistan:

- 1. Take steps to ensure that PAS documents pre-award assessments and selection procedures for public diplomacy grants in accordance with State's Grants Policy Directives.**
- 2. Take steps to ensure timely close-out of completed public diplomacy awards.**
- 3. Recover and de-obligate \$253,432 in cash advances made under a public diplomacy grant that was subsequently terminated.**
- 4. Re-solicit the contract for financial audits of public diplomacy awards and, if necessary, coordinate with other organizations that have awarded audit contracts in Afghanistan.**
- 5. Review the progress of two awards (university media centers and university internet access) facing difficulties in achieving intended results to determine whether to continue, modify, or terminate the awards.**
- 6. Determine sustainability requirements and develop sustainability plans for 14 grants awarded in fiscal years 2010 and 2011 totaling \$32 million and requiring resources for staffing, operations, or maintenance after the award period ends.**

## COMMENTS

In commenting on a draft of this report, the PAS made some general and specific comments, which we considered and incorporated as appropriate into this final report. With regard to the recommendations in the draft report, PAS concurred with five and did not concur with two. (Based on information about the grantee in the embassy's comments, we removed one recommendation from the draft report prior to finalizing this report.) PAS reported recovering the \$253,432 in June 2012 included in recommendation 3 and de-obligating that same amount. The embassy's comments and our point-by-point responses are included in appendix IV.

## **APPENDIX I: SCOPE AND METHODOLOGY**

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The Special Inspector General for Afghanistan Reconstruction (SIGAR) initiated this audit of U.S. Department of State (State) awards administered by U.S. Embassy Kabul's Public Affairs Section (PAS) in support of State's public diplomacy program in Afghanistan. Our audit focused on costs, activities, oversight, and sustainability for public diplomacy awards issued by State relating to Afghanistan reconstruction during fiscal years 2010-2011. This work was part of SIGAR's comprehensive audit plan to assess the manner in which agreement requirements were developed, awarded, and implemented.

The objectives of this audit were to determine the extent to which (1) PAS followed award selection and management procedures, (2) awards were consistent with U.S. strategic objectives and achieving intended results, and (3) PAS addressed the sustainability of grant-funded equipment and facilities.

To determine the funding and staffing provided for the public diplomacy grants program in Afghanistan, we reviewed the universe of public diplomacy awards for Afghanistan in State's Grants Database Management System issued during fiscal years 2007-2011. We identified 764 grants valued at a total of \$148 million. We analyzed the quantity and value of awards by fiscal year and then calculated and compared average quantities and values during fiscal years 2007-2009 and 2010-2011. We relied on State's computer-processed data for award value information, independently tracing and verifying the data to ensure its accuracy. We obtained staffing data from the Embassy and verified its consistency by interviewing State officials who were present during 2010-2011.

To determine the extent to which PAS followed award selection and management procedures, we first identified a sample of awards to test individually. We did this by sorting the universe of State awards by value, revealing 38 awards totaling \$101,207,139 with an award value over one million dollars. We then separated the 38 awards into two categories: (1) reconstruction awards focusing on construction, equipment, and capacity development; and 2) traditional grants under the legacy (base) Fulbright Hayes authorization.<sup>26</sup> We judgmentally selected the 20 largest reconstruction awards valued at \$56,602,896 as the audit sample for review and fieldwork. The selected awards were all issued during fiscal years 2010-2011 and represented approximately 38 percent of the total value of all public diplomacy awards by PAS during fiscal years 2007-2011.

To determine the process that PAS used to award public diplomacy grants, we requested the pre-award documents for all the sample grants from the Department of State's Bureau of South and Central Asian Affairs. We reviewed State's Grants Policy Directives, which provide guidelines for federal assistance award processes and analyzed the pre-award documentation and award process for the 20 selected awards against those guidelines. During our fieldwork, we also interviewed PAS officials and grantees regarding the current and past pre-award selection processes.

To determine whether the awards were consistent with U.S. strategic objectives, we obtained and reviewed the objectives of the award documents in the sample; reviewed the PAS annual program statement; and interviewed embassy officials. We identified the U.S. strategic objectives as outlined in the four pillars of the strategic communication sections of the United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan (campaign plan). We then compared the award objectives as presented in the award documents to the objectives in the campaign plan.

To determine the extent to which the sampled awards achieved, or were likely to achieve, their intended results, we interviewed representatives for each recipient and visited construction and operation sites in

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<sup>26</sup>Programs funded through the Fulbright-Hayes authorization are intended to promote mutual understanding between citizens of the United States and foreign countries primarily through educational exchange programs. We did not consider such programs to be reconstruction and therefore eliminated them from the scope of our audit.

five provinces (Kabul, Balkh, Herat, Nangarhar, and Helmand) in Afghanistan. We also spoke with Afghan government and university officials who were third-party beneficiaries of some of the awards. Due to security concerns and limited transportation resources, we were not able to travel to all the award sites, including Spin Bolduk and Torkham in southern and eastern Afghanistan. In those cases, we sought to acquire verification of grant deliverables in those locations through satellite imagery. In order to evaluate performance with regard to the cost and schedule of the awards, we reviewed obligation and disbursement data from State's financial management system.

To evaluate the extent to which PAS has addressed the sustainability of grant-funded equipment and facilities, we analyzed each award in our sample to determine whether it had a sustainability plan and whether it required some degree of sustainment funding to continue providing staffing, operations, or maintenance after the award period. We searched for criteria that would require State to develop sustainment plans for its awards and reviewed the criteria for transfer of assets by awardees to the intended recipient, including Afghan government organizations.

In conducting the audit, we assessed internal controls regarding the administration of funds disbursed under the grant and achievement of intended results. Specifically, we identified and reviewed internal control procedures required by the Federal Acquisition Regulation and State's Federal Assistance Policy Handbook and sought to determine whether those procedures were adequately design and administered. We relied on available documents in the award files, reviewed policy and procedures manuals, and interviewed stakeholders of the awards process.

We conducted our work in Washington, D.C., and Kabul, Afghanistan, from August 2011 to June 2012 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR conducted this audit under the authority of Public Law No. 110-181, Section 842(h), as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008.

## APPENDIX II: AWARD DETAILS

Award Number	Award name	Original cost	Additional cost	Original end date	Amended end date	Likely to achieve intended results	
1	SAF20010CA014	TV content manager	4,931,600	-	01-Oct.-2011	30-Jun-2012	Yes
2	SAF20010GR141	Radio programming	2,029,156	\$500,000	31-May-2011	31-May-2012	Yes
3	SAF20010GR140	Newspaper	1,035,400	1,000,963	31-May-2011	31-May-2012	Yes
4	SAF20010GR083	Studio equipment	1,075,000	-	23-Jun-2010		Yes
5	SAF20011GR054	Afghan Parliament media pool	2,960,370	-	31-Jan-2012	31-May-2012	Yes
6	SAF20011GR137	Islamic cooperation	2,687,321	-	14-Feb-2013		Yes
7	SAF20010GR181	Construction of TV towers	5,414,625	-	31-Aug-2010		Yes
8	SAF20010CA013	Radio programming	1,577,599	353,772	06-Nov-2011		Yes <sup>a</sup>
9	SAF20010GR238	Youth drama serial	2,497,200	-	15-Oct-2011	15-May-2012	Yes
10	SAF20010GR250	News service	1,879,947	-	30-Sep-2011	31-Mar-2012	Yes
11	SAF20010GR193	Radio programming	1,471,156	-	01-Sep-2011	31-Dec-2011	Yes
12	SAF20010GR208	News service	1,370,947	-	31-Aug-2011	30-Jan-2012	Yes
13	SAF20011GR090	Ministry seminars	1,138,199	-	29-Dec-2011	30-Jun-2012	Yes
14	SAF20010GR146	Herat media center	1,703,750	806,995	31-Aug-2011	30-Jun-2012	Yes
15	SAF20010GR147	Kabul media center	1,572,580	867,520	31-Aug-2011	30-Jun-2012	Yes
16	SAF20010GR217	GMIC operations	3,944,500	-	31-Aug-2011	31-Dec-2011	No
17	SAF20010GR201	Internet project	3,109,850	145,363	16-Sep-2013		No
18	SAF20011GR172	GMIC- ministry makeover	3,061,024	-	31-May-2012		No
19	SAF20010GR245	4 university media centers	8,374,239	-	29-Sep-2011	31-Jul-2012	No
20	SAF20010GR143	Ministry seminars	1,000,000	93,820	30-Jun-2011	Terminated	No
<b>Total</b>			<b>\$52,834,463</b>	<b>\$3,768,433</b>			

Source: SIGAR analysis of U.S. Department of State data.

Note: <sup>a</sup>The project was completed in November 2011 during SIGAR field work for this audit.

## **APPENDIX III: SUMMARIES OF PUBLIC DIPLOMACY AWARDS REVIEWED**

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**1. Grant: SAF20010CA014 Afghan TV Content Manager**

*Award Amount: \$4,931,600*

The purpose of this grant is for the grantee to act as an Afghan TV Content Production Manager.

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**2. Grant: SAF20010GR141 Radio Programming**

*Award Amount: \$2,529,156*

The purpose of this grant is to establish the introduction of new radio programming in Afghanistan.

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**3. Grant: SAF20010GR140 Newspaper**

*Award Amount: \$2,036,363*

The purpose of this grant was to support a newspaper project which was launched by a previous U.S. Embassy Grant. The aim of this grant was to fund the organization to cover the costs of the newspaper for the year. The recipient produces and distributes 12,000 newspapers with delivery to 14 provinces: Kabul, Kandahar, Nangahar, Khost, Konar, Helmand, Uruzgan, Paktiya, Paktika, Zabul, Laghman, Baghlan, Balk and Kunduz.

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**4. Grant: SAF20010GR083 Studio Equipment Upgrade**

*Award Amount: \$1,075,000*

The purpose of this grant was to provide necessary equipment upgrade and capabilities to a Pushto-speaking broadcast news. The expansion would enable the subsequent program greatly expanding Afghanistan independent media capacity and broadcast ability to the area of the country least connected to the central government and international community. Its programming and shows have been found to be acceptable to the conservative Pashtun regions of Afghanistan that are critical to the success of Afghan nation building.

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**5. Grant: SAF20011GR054 Afghan Parliament Media Pool**

*Award Amount: \$2, 960,370*

The aim of this project is to provide professional broadcast quality video and audio infrastructure at the Afghan Parliament within budget and time and within BBC's International quality standards. The project will aim to set up a system to enhance and improve the current business and media pool workflow at the Afghan Lower House. The three main objectives are: 1) construct an Afghan Parliament Media Pool, 2) equip media pool with modern press equipment, and 3) train Afghan Media to utilize the parliament media pool.

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**6. Grant: SAF20011GR137 Islamic Cooperation**

*Award Amount: \$2,687,321*

The purpose of the grant is to promote Islamic cooperation for a peaceful future in Afghanistan.

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**7. Grant: SAF20010GR181 Construction of TV towers**

*Award Amount: \$5,414,625*

The purpose of this grant is to support the expansion of television through the construction of a main production facility in Kabul, two mobile studios in Kandahar and Nangarhar, and construction and installation of three transmission towers. The towers will be strategically placed in areas deemed critical to the war effort. Project activities will include operations, maintenance, and training of professionals. The project also aimed to equip studios with professional video equipments such as cameras, audio, van for live transmissions, system converters, play box system for satellite transmissions, and antenna towers.

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**8. Grant: SAF20010CA013 Radio Programming**

*Award Amount: \$1,931,371*

The purpose of this grant is to support new radio programming.

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**9. Grant: SAF20010GR238 Radio Youth Drama Serial**

*Award Amount: \$2,497,200*

The recipient will produce and broadcast a drama serial program.

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**10. Grant: SAF20010GR250 Afghan News Service**

*Award Amount: \$1,879,947*

The purpose of this grant is to support the core operations of an Afghan news service. The objective of this project, according to the grant application, is to replace equipment, replenish the agency's capital base, and provide core funding for the station's operations. Furthermore, the grant would enable the news agency to enhance its coverage by expanding to new topical and geographic areas and platforms, implement new technologies to syndicate content to Afghan and international audiences; and embrace new marketing initiatives to increase the news agency's subscriber base and contribute to sustainability.

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**11. Grant: SAF20010GR193 Expand FM Radio**

*Award Amount: \$1,471,156*



The purpose of this grant is to expand FM radio to cities outside of Kabul such as Kandahar, Ghazni, Jalalabad and Kunduz. Through this grant the radio station aims to expand its call-in program, which provides Afghans to call in to live radio program and make their voices heard about all issues that matter to them. The project also intended to purchase equipment required for seven local radio stations. The project activities included establishment of offices, studios, and broadcasting sites; construction of broadcasting towers; recruitment and training of local staff; and broadcast programming.

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**12. Grant: SAF20010GR208 Pashto News Agency**

*Award Amount: \$1,370,947.41*

The purpose of this grant is to support the project for Afghan Pashto Radio News Agency Service. The agency would use staff in Kabul and the provinces to produce up to seven Pashto-language news stories every day for circulation to Pashto radio stations throughout Afghanistan and pilot cell phones to deliver news stories direct to subscribers. The agency would train staff and also use staff seconded from other Afghan radio stations. The proposed goal of the project is to produce five audio reports, seven days per week, that package narrative with audio clips from people in the news. Although not specified in the grant document or the grant application, the grant also assisted the news agency in the construction of recording studios and purchase of equipment required for its operations. Furthermore, the grant also aimed to assist the news agency in payments to cell phone companies for pilot projects in order for the news to be distributed free to subscribers through cell phones.

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**13. Grant: SAF20011GR090 Seminars with Afghan Ministry**

*Award Amount: \$1,138,199*

The purpose of this grant was to assist an Afghan nongovernmental organization to partner with the Ministry of the Hajj and Religious Affairs for a face-to-face education program for traditional leaders and communicators. This grant is intended to fund 10 seminars over a 12-month period. The nongovernmental organization supports the ministry with event planning, financial management and reporting. Topics of the seminars include communication skills, public speaking, leadership, and civic education. The seminars are spaced approximately one month apart and hosted in different locations within Afghanistan. The ministry selects the location of training, plans the event, coordinates logistical support as well as with the Ministry of Interior for event security. The nongovernmental organization coordinates with the ministry to adjust the seminar length and number of attendees based on location cost.

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**14. SAF20010GR146 University Media Herat**

*Award Amount: \$2,510,745*

This project will provide Herat University with the necessary training, facilities, and equipment for students and faculty to be able to develop and distribute print, radio, and television content. It will provide the university journalism department with the ability to do print, radio, and television production in both Dari and Pashto and will allow future journalist, to conduct radio and TV talk shows with local leaders on key issues. It will also significantly expand radio services throughout Afghanistan, while providing the student community with their own media voice. This project has been approved by the Afghanistan Ministry of Higher Education. The university and its faculty shall

be responsible for the maintenance of its media center ensuring faculty and student involvement and for the inclusion of training materials related to the centers journalism curriculum.

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**15. SAF20010GR147 University Media Kabul**

*Award Amount: \$2,440,100*

This project will provide Kabul University with the necessary training, facilities, and equipment for students and faculty to be able to develop and distribute print, radio, and television content. It will provide this university journalism departments with the ability to do print, radio, and television production in both Dari and Pashto and will allow future journalist to conduct radio and TV talk shows with local leaders on key issues in these areas. It will also significantly expand radio services throughout Afghanistan, while providing the student community with their own media voice. This project has been approved by the Afghanistan Ministry of Higher Education. The university and its faculty shall be responsible for the maintenance of its media center ensuring faculty and student involvement and for the inclusion of training materials related to the centers journalism curriculum.

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**16. Grant: SAF20010GR217 GMIC Operations**

*Award Amount: \$3,944,500*

The purpose of this grant is to allow GMIC to complete unfinished office and conference spaces and install proper heating and ventilation systems. Additional elements include installment of a modern production studio, establishing news desks for security and development issues, expanded training, funding staff salaries, funding necessary equipment and program expenses for a period of twelve months, and support for GMIC efforts to improve ministerial and provincial communication capacity and performance. Phase two of this project aims to permanently establish the GMIC as the Afghan government's nerve center for communication improvements and to lay a strong foundation for the build out of the Afghan Government Information Service which will formally begin toward the end of 2010 and continue through 2013. The project aims to (1) increase staff to 110, (2) establish 5 provincial Offices (Jalalabad, Herat, Khost, LashKargah, Mazar-i-Sharif), (3) set up news desks for security and development issues, (4) establish training programs, and (5) produce rapid response radio and TV products.

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**17. Grant: SAF20010GR201 Internet Project**

*Award Amount: \$3,255,213*

The purpose of this grant is to provide access to the internet by joining the newly launched "SILK-Afghanistan" program and this expansion project will provide high-speed internet access for 9,000 students and their teaching staff in seven provincial Afghan universities (Baghlan, Faryab, Ghazni, Helmand, Kunduz, Paktia, and Parvan). It will enhance the existing bandwidth provided by the NATO project for 28,000 students and lecturers at five major Afghan universities (Balkh, Herat, Kabul Educational and Polytechnic, and Nangarhar) during a period of three years for a daily cost of 7.7 cents per student.

**18. Grant: SAF20011GR172 GMIC Ministerial Makeover Program**

*Award Amount: \$3,061,024*

This grant was awarded to the Government Media & Information Center (GMIC) for improving Afghan Ministerial and Provincial Communication Performance. The activities under this grant will include organizing effective media engagements, specialized training and on-site mentoring by Afghan experts, improvements to facilities, assistance with strategic planning and message development, rapid response and public service announcement media products, and improve Afghan ownership of message development and delivery. Additionally, GMIC staff will explain and seek support for the establishment of an integrated Afghan Government Information Service (AGIS), to be fully operational by the end of 2013.

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**19. Grant: SAF20010GR245 University Media Operations Center**

*Award Amount: \$8,374,239*

The purpose of this grant is to support the project titled Afghanistan University Media Operations Center Project, which aims to improve educational and learning resources, technical capacities, and enhance the expertise of journalism faculty and student outcomes, through the establishment of a “New Multi-purpose Media Center”. The four universities selected for this specific project were in Nangahar, Mazar, Kandahar, and Khost. Each university will receive the same standard structure model, three story building, and equipment. The building will provide a printing facility which will be able to print books, magazines, and other print material; a fully functional radio station; and a TV production studio and editing room. Another component of this project is for the grantee to ensure that the faculty is on par with instructing and operating the proper use of the equipment. The grant documents indicate when the period of performance expires, the title to the property specified in this award transfers to the respective universities chosen for this project.

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**20. Grant: SAF20010GR143 Ministry Seminars**

*Award Amount: \$1,093,820*

The purpose of this grant was to enhance people-to-people ties through face-to-face communication programs.

## APPENDIX IV: COMMENTS FROM U.S. EMBASSY KABUL



*Embassy of the United States of America  
Kabul, Afghanistan*

July 12, 2012

TO: Mr. Steven J. Trent, Acting Inspector General, Special Inspector General for Afghanistan Reconstruction

FROM: Masha Hamilton, Director of Communications and Public Diplomacy  
*mh*

SUBJECT: Draft SIGAR Report entitled "Outcomes of Department of State's Public Diplomacy Grants in Support of Reconstruction in Afghanistan" (SIGAR 050A)

The US Embassy – Kabul Public Affairs Section would like to thank the Special Inspector General for Afghanistan Reconstruction (SIGAR) for providing the opportunity to review and comment on the Draft Audit Report. The following is our response to the Draft Audit Report:

### **US Embassy – Kabul Public Affairs Section's General Comments on the Draft Report**

The Public Affairs Section of the United States Embassy in Kabul, Afghanistan (PAS) welcomes the recommendations from SIGAR to improve the overall process by which we award and monitor Public Diplomacy programs in Afghanistan - many of which have already been implemented over the past 18 months. We would also like to use this medium to address some inaccurate conclusions and characterizations in the draft for your consideration.

Afghanistan is the United States' number one foreign policy priority. Public Diplomacy programs are designed to advance and promote our goals in Afghanistan and in the region, and we have established a five-pillar strategy of grant priorities. Some Public Diplomacy programs are, by their very nature, different in scope and objectives from development programs, and have been defined, in part, by the Department of State as "government-sponsored programs intended to inform or influence public opinion in other countries; its chief instruments are publications, motion pictures, cultural exchanges, radio and television." Therefore, while PAS has currently required sustainability plans for most capacity-building grants, they were not and are not required for all grants, as some are intended as short-term, individual programs, designed to relay a certain message or American value. Still, the focus of PAS has always been and remains maximizing the investment of tax-payer dollars by choosing cost-effective programs that most greatly benefit our foreign policy objectives.

PAS also is unique in that over 80% of our grants are to Afghan entities, who work with our grants officers throughout the programs to ensure programmatic elements and expenses are closely aligned with that approved in the original proposal, and if proposed activities become impossible in the kinetic environment that exists in Afghanistan, they are adjusted accordingly. In this way, overhead costs are kept at a minimum, oversight continues throughout the grant, and the effectiveness of programs is maximized. For that reason, delays in activities or no-cost extensions of grants do not mean the grant is less effective or goals are not met. On the contrary, it usually means adjustments were made so that the program would fully achieve intended results.

See  
SIGAR  
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Specifically, we would like to point out some discrepancies.

On Page 5 the report notes that during the early part of the funding increase “grants were awarded unilaterally by the Embassy Public Affairs Officer.” This was not and could not be the case. Based on Grants Policy Directive 11 all State Department grants over \$10,000 must be approved by the Regional Bureau. This directive was carried out for all grants discussed in this report. In addition, all grants discussed in this report were signed by a domestic grants officer as officers stationed abroad have a \$250,000 ceiling on their warrants.

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SIGAR  
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Also on Page 5, SIGAR states that 85% of the total value awarded was awarded before there was sufficient staff to handle this quantity of grants, citing January, 2011 as the date when sufficient staffing was available. We would differ. As we pointed out to SIGAR our permanent staffing was adequately augmented by expert temporary duty personnel from July 2010 onward. We note that 76% of the grants audited were awarded after this date.

See  
SIGAR  
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On page 6, SIGAR cites Grants Policy Directive 58 on High Risk Recipients and states that the Public Affairs Section could have designated all 20 awards as high risk. GPD 58, which gave new guidance on high risk designation, was published on April 19, 2011 after 19 of the 20 grants were awarded. Therefore, the Public Affairs Section was following the only guidance then available, the OMB circulars which do not apply to overseas grantees. Since policy directive 58 has been established, the Public Affairs Section has put formal policies into effect to assess the risk environment through specific criteria and designate awards high risk, when appropriate.

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SIGAR  
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On Page 7 the Report states “that in eight of the 20 assistance awards we reviewed, the applicants included in the proposed budget a line for contractual expenses which indicated that they planned to use sub recipients to accomplish the grant or cooperative agreement objectives” but that these sub recipients were never properly vetted. The use of the word contractual in grants does not indicate a plan to use a sub recipient. For example, in grants, contractual can imply the rental of a hall or the purchase of pen and paper.

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Also on page 7 the report states “According to PAS officials and a review of the award files, PAS did not develop independent cost estimates or evaluate reasonableness of cost estimates for the 20 awards that we reviewed”. It should be noted that the State Department does not require independent cost analyses for grants. It is the responsibility of the grants officer to determine if all costs are allocable, allowable and reasonable. These determinations were made by the grants officers for all twenty grants discussed in this report before the grants were issued.

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SIGAR  
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On page 8 the report states that four awards “lacked documentary support of their selection methodology.” But a selection methodology and the documentation on the selection process for each grant did exist... SIGAR was shown the files for these four grants, which had notations that they were competed through the Annual Program Statement process and went through review by a selection panel, which recommended for selection. When SIGAR later requested the individual decision tally

See  
SIGAR  
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sheets of the competition panel members, those documents could not be produced for that time period as they were lost during a move of the Public Affairs Offices from one side of the Embassy compound to the other.

On Page 9 of the draft, it noted that the Public Affairs Section did not recover funding from the recipient of a terminated grant from the original termination in July 2011. As noted previously to SIGAR, this was due to the fact that the Grants Officer was working with the recipient to reconcile reporting to determine the full extent of funding required to be returned versus expenditures in line with the scope of the award. A new termination/close-out letter was issued on May 1, 2012 requesting a return of \$253,432 in advanced funds. The recipient completed two electronic funds transfers on June 6 and 7, 2012 to return said funds which were recorded and de-obligated in a timely manner by the US Embassy Financial Management Office.

See  
SIGAR  
comment  
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On Page 13, SIGAR notes that the early termination of a grant lessened its impact. This grant was terminated due to concern that the lack of cooperation between the Ministry and the grant recipient was leading to an inability to oversee the proper disbursement of funds under the grant. Rather than underlining the lack of completion of this grant, we believe this report should praise PAS for taking prompt corrective action to avoid potential misuse of U.S. government funds.

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**US Embassy – Kabul Public Affairs Section’s RESPONSE TO RECOMMENDATIONS IN THE DRAFT REPORT**

**Recommendation 1:**

Take steps to ensure that PAS documents pre-award assessments and selection procedures for public diplomacy grants in accordance with State’s Grants Policy Directives.

**PAS Response:**

The Public Affairs Section agrees with the recommendation and has taken steps to establish the appropriate policies and procedures over the last 18 months to document pre-award assessments. In June 2010, PAS personnel standardized process maps and standard operating procedures to develop the grant package, which was in accordance with Department of State Grants Policy Directives. In October 2010 and November 2011, the Public Affairs Section published Annual Program Statements as an open, rolling call for proposals under our four strategic priorities. By publishing the Annual Program Statements, the Public Affairs Section was in accordance with Grants Policy Directive 5 which encourages competition in grant awards. In July 2011, the Public Affairs Section moved from individual sub-sections reviewing proposals to include a unified Grants Committee with representatives from each PAS sub-section and other agencies/Embassy sections. Throughout fiscal year 2011 and 2012, procedures were put in place for detailed pre-award assessments through operational surveys (GPD 43), high risk designation surveys (GPD 58), detailed monitoring plans (GPD 42), and the introduction in May/June 2011 of monitoring and evaluation contracts for media, education, and cultural programs. PAS also initiated in December 2011 a market pricing survey to evaluate reasonable cost estimates across Afghanistan.

**Recommendation 2:**

Take steps to ensure timely close-out of completed public diplomacy awards.

**PAS Response:**

The Public Affairs Section, since early 2012 calendar year, implemented a standard operating procedure to address the timely close out of public diplomacy awards. On a monthly basis the grants management team works in coordination with the Grants Officer Representatives and Grants Officer to receive the final reports, reconcile the final reports, and take appropriate action to close out the report, including, but not limited to, de-obligating any unspent funds. If funds are due to the USG, the appropriate steps are taken to recover the funding within 30 days of receipt of the close out letter. The Public Affairs Section is up to date with timely close out of completed PD awards.

**Recommendation 3:**

Recover and de-obligate \$253,432 in cash advances made under a public diplomacy grant that was subsequently terminated.

**PAS Response:**

The Public Affairs Section was working with the recipient of this terminated grant to receive accurate final reporting through April 2012. A final termination letter was issued on May 1, 2012 from the Grants Officer to recover \$253,432 from the recipient. The recipient transferred the funding to the US Embassy – Kabul United States Disbursing Officer account on June 6 and 7, 2012 in two separate payments. Those reimbursements to the USG were processed by the Financial Management Office in Kabul and de-obligated accordingly. This recommendation is completed in total.

**Recommendation 4:**

Re-solicit the contract for financial audits of public diplomacy awards and, in necessary, coordinate with other organizations that have awarded audit contracts in Afghanistan.

**PAS Response:**

PAS accepts this recommendation and has been developing a comprehensive approach to implement this project while minimizing waste, fraud, and mismanagement of USG funds. In July 2011, the Public Affairs Section initiated a process by which its complex and high dollar grants would receive an independent financial audit. After two bids for solicitation, PAS was notified by its contracting officers in RPSO – Frankfurt that contract bids were received at \$200,000 per audit on an average grant of \$1.5 million. In further consideration, it was determined in February 2012 that the process by which Public Diplomacy awards were selected for these audits and the scope of the financial audits needed to be revisited to verify that the most appropriate course of action was clearly defined. PAS will reach out to other agencies, namely USAID, to determine if synergies in audit contracts can be incorporated into PAS' strategy that will be fully implemented in FY 2013. PAS has also initiated audit requirements in grant

awards whereby the award recipient is required to receive an independent audit of programmatic and financial activities during the award period.

**Recommendation 5:**

Review the progress of the four awards (university media centers, university internet access, and two GMIC grants) facing difficulties in achieving intended results to determine whether to continue, modify, or terminate those awards.

**PAS Response:**

The Public Affairs Section agrees with this recommendation and is already actively completing analyses to determine the most effective courses of action to move forward.

University media centers: PAS is working in coordination with the universities and ministries to agree upon appropriate measures of sustainability for Afghan lead ownership and maintenance of said facilities after the period of performance in said grants expire.

NATO Silk Afghanistan Internet Project: The Public Affairs Section has been working with NATO and the Ministry of Higher Education to address concerns in the most appropriate manner. This will include official support from the universities and GIRoA related to maintenance and personnel costs for out years. In fact, delays in obtaining this staffing were partly due to our insistence that GIRoA supply the personnel, as originally agreed.

GMIC: The U.S. Embassy has decided to end funding for GMIC. GMIC activities will be sustained by and incorporated into GIRoA's Office of the Spokesperson.

SAF20010GR217 GMIC "Operations" grant ended December 31, 2011 and was closed on April 10, 2012, with \$415,723.65 returned and de-obligated.

SAF20011GR172/SAF20012CA002 GMIC "Programming" grant was terminated effective June 27, 2012 with only half of the funds disbursed. PAS intends to use the remaining funds for a replacement grant to complete the originally intended activities of building media capacity in the provinces.

**Recommendation 6:**

Determine sustainability requirements and develop sustainability plans for 14 grants awarded in fiscal year 2010 and 2011 totaling \$32 million and requiring resources for staffing, operations, or maintenance after the award period ends.

**PAS Response:**

Public Affairs Section/Kabul does not agree that all of the 14 grants cited require additional USG resources for staffing, operations or maintenance and recommends that this recommendation not be included in the audit report. Discussions of individual grants follow.

See  
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Two grants were to GMIC. As discussed in response to recommendation 5 above, U.S. funding of GMIC has been ceased, funds have been returned to the U.S. Treasury and the Afghan Government has taken over GMIC activities, transferring their operation to the GiROA Office of the Spokesman.

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SIGAR  
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Three of the grants are for university media centers. As discussed in the response to recommendation number 5 above, the Public Affairs Section is working in coordination with the universities and ministries to agree upon appropriate measures of sustainability for Afghan lead ownership and maintenance of said facilities after the period of performance in said grants expire.

One grant is for the NATO Silk Internet Project. As discussed in the response to recommendation number 5 above, the Public Affairs Section is working with NATO and the Ministry of Higher Education to address concerns in the most appropriate manner. This will include obtaining official staffing support from the universities, which was promised as part of the original understanding with GiROA.

Another grant is for the Parliament Media Center. Sustainability has been achieved. The Parliament has received approval for increased power supply from the electrical grid to maintain the Media Center operations addressed in Embassy site visit reports dated March 18, 2012 and May 16, 2012.

An additional grant was for the construction of TV Towers. Sustainability has been achieved. These towers are being maintained by the grantee.

Sustainability has also been achieved in the Afghan News Service grant. This service now lists among its paid subscribers CNN, BBC, and Al Jazeera, and the Service is actively writing a business and marketing plan for the future.

The Studio Equipment Upgrade grant was given to a TV station that is now completely maintaining the studio and equipment and using it for a full schedule of broadcasts. Sustainability has been achieved.

The remaining 4 grants in the list of 14 were only planned to support short-term, tactical, Public Diplomacy goals, and were never intended to be long-term, sustainable programs.

**Recommendation 7:**

Determine whether the GMIC is an Afghan government entity and, if it is, obtain a required certification before providing future assistance.

**PAS Response:**

The Public Affairs Section does not agree with the recommendation and recommends that this recommendation not be included in the audit report. We have noted in several communications with SIGAR that it was PAS' determination that GMIC was not an Afghan government entity during the award period of performance as they were fully funded through donor funding and for sustainability were moving after donor funding expired to transfer personnel to the GiROA payroll – Tashkel. GMIC was established by international donors and was purposely established to be an “outside” government entity, a characteristic that GiROA accepted by allowing GMIC to receive international funds directly

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from donors and maintain its own bank account and financial operations. The plan was that eventually GMIC would become a GIROA entity. And as planned, when international funding ceased last month, the activities of GMIC were transferred to the GIROA Office of the Spokesperson.

**Conclusion:**

While we respectfully disagree with some of the conclusions and characterizations in the SIGAR report, we share the same goal: To maximize the beneficial use of taxpayer dollars in achieving the United States number one foreign policy goal of establishing a more secure, stable Afghanistan that can no longer be a safe haven for terrorists who would attack U.S. interests. As SIGAR noted, the investments that the Public Affairs Section has made have helped counter violent extremism, increase people-to-people exchanges and understanding of human and legal rights, and improved Afghan media capacity, government transparency, and U.S. outreach.

## SIGAR Responses to U.S. Embassy Kabul's July 12, 2012 Memorandum

1. We did not always consider delays in activities or no-cost extensions to be indications that awards would be less effective or not meet their goals. While 16 of the 20 grants had time or cost extensions (at least 4 of which had both), we found that only 5 awards had not, or were not likely to, achieve their intended results. Of those, the award to build four university media centers had the most egregious delays with only minimal progress made more than 16 months after the grant was awarded.
2. We agree that the Embassy Public Affairs Officer did not actually sign grant awards. The awards were signed by grants officers. We have revised the report's discussion of staffing for clarity. However, we note that, during the period with no award selection committees, the Embassy Public Affairs Officer unilaterally decided which organizations would receive an award.
3. Our report notes that State supplemented PAS' limited permanent staff with temporary duty personnel during 2010, which helped improve PAS' ability to develop and manage public diplomacy awards. However, State and Embassy officials agreed that PAS was not fully staffed to handle the initial funding increase in 2010 and that this understaffing contributed to some of the deficiencies identified in our report.
4. We agree that Grants Policy Directive 58 was issued after most of the grants in our sample had been awarded and noted this in our draft report. Although it includes much useful guidance for future awards, we have removed it from this final report as it was not in effect during the pre-award phase for the majority of the grants we reviewed.
5. We are aware that budgeted contractual expenses do not always indicate the planned use of sub-recipients, and we removed four awards from our original finding for that reason. However, we verified that recipients of the remaining eight awards either used or planned to use grant funds to utilize sub-recipients or subcontractors for purposes such as construction, design, testing, and training.
6. We acknowledge in our report that State policy directives do not specifically require independent estimates of costs for grants. However, they do require grant officers to review pre-award costs for reasonableness. During our fieldwork we found insufficient documentation to prove that these reviews were completed. Further, we note that in its comments addressing recommendation 1, Embassy Kabul indicated PAS had initiated a market pricing survey in December 2011 to evaluate reasonable cost estimates across Afghanistan.
7. The documentary support provided by PAS regarding selection methodology for the four awards mentioned in the report was not sufficient evidence to prove that a proper selection methodology was applied or that it resulted in the objective and competitive selection of award recipients.
8. We acknowledge that the recovery and de-obligation of unused advanced funds for terminated grants requires a reconciliation of expenditures. The reason we included a finding and

recommendation regarding this particular grant was that, at the time we completed our review, over 6 months had elapsed since the grant was terminated and the recovery and de-obligation of unused funds had not yet been resolved. We have updated the final report to reflect Embassy Kabul's reported recovery and de-obligation of \$253,432 in advanced funds and look forward to receiving documentary evidence of those actions in order to close the recommendation.

9. We have revised the report to show that PAS terminated the grant to avoid the potential misuse of U.S. government funds. This action, while commendable, still limited the number of events held, thereby reducing the ministry's outreach and partnership with Afghan citizens.
10. PAS did not agree with recommendation 6 and recommended that it be removed from the report. However, its response misconstrues our recommendation. We did not recommend that the 14 grants receive additional U.S. government funding, but that PAS determine sustainability requirements and develop sustainability plans. To be sustainable, future resources would ideally come from the Afghan government or other donors, rather than the U.S. government. PAS then indicated that, of the 14 awards, 2 were no longer being funded, 4 had already achieved sustainability, and 4 were never intended to be long-term, sustainable programs. PAS indicated that it was working with the recipients of the other 4 grants to address sustainability concerns. Rather than remove this recommendation as requested by PAS, we will follow up with PAS to obtain documentary support of these conditions and actions so that we may better evaluate them in terms of satisfying the sustainability needs identified in this report.
11. We agree that the termination of U.S. funding removes the need to develop sustainability plans for the two GMIC awards. However, as part of the close-out process addressed in recommendation 2 of this report, PAS should follow up with the Afghan government to ensure that the facilities, operations, and equipment funded under the awards are properly transferred and utilized.
12. The termination of U.S. funding to GMIC negates the need to obtain a required certification for direct funding of an Afghan government entity. Therefore, we have removed recommendation 7 and its related finding from the final report.

(This performance audit was conducted under the audit project code SIGAR-050A).

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## **SIGAR's Mission**

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

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

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To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

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## **To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs**

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

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