



Office of Inspector General

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Office of Audits

February 2018

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# **Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan**

## **MIDDLE EAST REGION OPERATIONS**

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# OIG HIGHLIGHTS

AUD-MERO-18-30

UNCLASSIFIED

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OFFICE OF AUDITS

Middle East Region Operations

## Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan

### What OIG Audited

Since 2003, the Bureau of International Narcotics and Law Enforcement Affairs (INL) has worked with the Government of Afghanistan to reform law enforcement in an effort to build and sustain legal institutions and increase the government's ability to enforce the rule of law. INL uses a number of contracts to support this effort. As of December 2016, INL had nine active contracts supporting Afghanistan with a combined value of approximately \$202 million.

The Office of Inspector General (OIG) conducted this audit to determine whether (1) INL was following Federal regulations, Department of State (Department) guidance, and its own Standard Operating Procedures (SOP) when reviewing Afghanistan contract invoices; (2) INL assigned a sufficient number of Contracting Officer's Representatives (COR) to oversee the contracts; and (3) contractor performance was documented in accordance with requirements.

### What OIG Recommends

OIG made six recommendations that are meant to improve the invoice review process, including ensuring that INL has a sufficient number of CORs to oversee its Afghanistan contracts and is properly documenting contract oversight activities. INL agreed with all six recommendations offered. A synopsis of INL's response to each recommendation and OIG's reply is presented in the Audit Results section of this report. INL's response to a draft of this report is reprinted in Appendix B.

### What OIG Found

INL followed Federal regulations, Department guidance, and its own SOP when reviewing contract invoices supporting operations in Afghanistan. Specifically, OIG reviewed 81 invoices processed by INL between May and November 2016 and found that INL followed processes that complied with invoice review requirements and that the assigned COR had appropriately rejected invoices when they contained unallowable costs.

OIG also found that during the same time period, INL had a sufficient number of CORs in Afghanistan. According to INL, a minimum of three CORs are needed to review contract invoices and provide contract oversight. However, the number of CORs in Afghanistan available to support INL decreased through much of 2017 and INL faced challenges filling these positions. According to INL, this decrease in CORs has, in turn, created oversight challenges for the Afghanistan contracts. To compensate, INL temporarily assigned CORs from other locations to Afghanistan but recognizes that this is not a long-term solution. Without dedicated and experienced CORs in Afghanistan, the risk that contract oversight will suffer and inadequate contractor performance could go undetected increases.

In addition, OIG found that COR documentation of contractor performance was not completed in accordance with requirements. Specifically, inspection reports prepared by INL were often incomplete, with no indication that the CORs had reviewed contractor-prepared reports to verify that the contractor was performing in accordance with contract terms and conditions. For example, quality assurance inspection reports maintained by the CORs did not identify the contracts inspected or the inspection period; nor did they contain evidence showing that identified deficiencies had been resolved. In addition, evidence was limited that the CORs had independently verified contractor-reported information to ensure it was accurate and complete. Without ensuring that contractor performance is fully documented, INL will not have a complete depiction of performance on its contracts and may be unable to hold its contractors accountable when performance is questioned.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether (1) the Bureau of International Narcotics and Law Enforcement Affairs (INL) was following Federal regulations, Department of State (Department) guidance, and its own standard operating procedures (SOP) when reviewing invoices submitted under its Afghanistan contracts; (2) INL assigned a sufficient number of Contracting Officer's Representatives (COR) to oversee the contracts; and (3) contractor performance was documented in accordance with requirements. (See Appendix A for the purpose, scope, and methodology of this audit).

This is the third in a series of audit reports assessing the invoice review process used to support Overseas Contingency Operations. In March 2017, OIG issued a report on the Bureau of Near Eastern Affairs invoice review policies and procedures for its contracts in Iraq.<sup>1</sup> In June 2017, OIG issued a report on the Bureau of South and Central Asian Affairs invoice review policies and procedures for its Afghanistan Life Support Services contract.<sup>2</sup> A subsequent report will address the invoice review process used by the Bureau of Diplomatic Security for its contracts in Iraq and Afghanistan.

## BACKGROUND

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Since 2003, INL has worked with the Government of Afghanistan to reform law enforcement in an effort to build and sustain legal institutions and increase the government's ability to enforce the rule of law. INL's office at U.S. Embassy Kabul, Afghanistan, uses a number of contracts to support this effort.

### INL Contracts Supporting Operations in Afghanistan

INL/Kabul had nine active contracts with a combined value of approximately \$202 million in December 2016. Those contracts are listed in Table 1.

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<sup>1</sup> OIG, *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs To Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33, March 2017).

<sup>2</sup> OIG, *Audit of the Bureau of South and Central Affairs Invoice Review Process for the Afghanistan Life Support Services Contract* (AUD-MERO-17-47, June 2017).

Table 1: INL Contracts Supporting Operations in Afghanistan in December 2016

Contract Name	Performance Period	Description of Purpose	Dollar Value
Corrections Systems Support Program Bridge-II <sup>a</sup>	3/2016 to 8/2017	Provide mentoring, training, infrastructure support, and professional assistance to the Ministries of Justice and Interior and the General Directorate of Prisons and Detention Centers to modernize and develop the Afghan corrections system.	\$28,694,374
Justice Sector Support Program Bridge-II <sup>b</sup>	3/2016 to 8/2017	Provide mentoring, training, infrastructure support, and professional assistance to the Ministry of Justice to modernize and develop the Afghan judiciary system.	\$41,857,306
Flexible Implementation and Assessment Team	6/2015 to 6/2020	Provide third-party monitoring of INL's Afghanistan contracts, cooperative agreements, grants, interagency and international organization agreements, and host government programs	\$2,533,244
Interdiction and Support Services	1/2015 to 9/2017	Provide support services to Afghanistan's National Interdiction Unit, Sensitive Investigation Unit, and Counter Narcotics Justice Center; provide support to Drug Enforcement Agency-leased properties and other INL facilities in the International Zone.	\$53,033,867
Relocation Management and Support Services-I	9/2015 to 3/2017	Relocate INL contract/program offices to the International Zone <sup>c</sup> or other INL-approved locations.	\$23,248,895
Relocation Management and Support Services-II	11/2015 to 3/2017	Relocate INL's local Afghan Nationals' work location to the International Zone or other INL-approved locations.	\$5,434,191
Bridge Afghanistan Security	1/2015 to 9/2017	Provide security for INL personnel residing at work locations in the International Zone.	\$39,154,275
Explosive Detection Dogs	1/2016 to 1/2021	Provide canine explosives detection teams to support INL's programs.	\$5,991,758
Drug Enforcement Administration Villa Renovation Contract	12/2015 to 12/2016	Provide relocation and minor renovation services to the Drug Enforcement Administration in Afghanistan.	\$1,794,195

<sup>a</sup> A follow-on Corrections System Support Program contract (No. SAQMMA17F0502) was awarded in June 2017. It has a value of \$75.3 million and a 5-year period of performance.

<sup>b</sup> A follow-on Justice Sector Support Program contract (No. SAQMMA17F1220) was awarded in May 2017. It has a value of \$116.5 million and a 5-year period of performance.

<sup>c</sup> The International Zone is an area within Kabul, Afghanistan, where many foreign embassies and Afghan Government ministries are located.

**Source:** OIG-generated from analyses of contract information provided by INL involving Afghanistan operations.

As of October 2017, seven of the nine contracts listed in Table 1 had expired and were replaced by four new contracts, reducing to six the number of INL contracts. The seven expired contracts were (1) the Relocation Management and Support Services-I contract, (2) the Relocation Management and Support Services-II contract, (3) the Bridge Afghanistan Security contract, (4) the Interdiction and Support Services contract, (5) the Corrections System Support Program (CSSP) contract, (6) the Justice Sector Support Program (JSSP) contract, and (7) the Drug Enforcement Agency Villa Renovation contract. The Relocation Management and Support Services-III contract is a follow-on to the Relocation Management and Support Services-I and -II contracts. The Bridge Afghanistan Security and the Interdiction and Support Services contracts were combined into a new Security and Support Services contract. New JSSP and CSSP contracts were awarded in May and June 2017, respectively. The Drug Enforcement Agency Villa Renovation contract has no follow-on contract.

## Contract Administration and Oversight Responsibilities

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), is responsible for the award and administration of most of INL's contracts in Afghanistan.<sup>3</sup> According to the Federal Acquisition Regulation (FAR), Contracting Officers are responsible for awarding, negotiating, administering, modifying, terminating, and making related contract determinations and findings on behalf of the U.S. Government.<sup>4</sup> The Contracting Officer has the authority to designate and authorize, in writing and in accordance with agency procedures, CORs to assist in fulfilling these responsibilities.<sup>5</sup>

INL is responsible for providing support services, including determining contract requirements, providing funding, and overseeing contracted services. The oversight is provided by INL-nominated CORs, who assist the Contracting Officers. CORs ensure that the Department receives supplies and services on time, at the agreed-upon price, and in accordance with all contract requirements. CORs are required to have Federal Acquisition Certification and to possess sufficient technical expertise on the contract subject matter to perform effective oversight.<sup>6</sup> COR oversight duties include inspecting delivered goods and services to ensure they are in accordance with contract requirements, reviewing invoices, informing the Contracting Officer of contractor performance issues, and maintaining "traceability" of oversight through properly documented files that are compliant with agency standards and regulations.<sup>7</sup>

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<sup>3</sup> Most of INL's contracts were awarded and administered by A/LM/AQM. However, both the Drug Enforcement Agency Villa Renovation and Relocation Management and Support Services-I contracts were awarded and administered by INL.

<sup>4</sup> FAR 1.602, "Contracting Officers."

<sup>5</sup> FAR 1.602-2(d), "Responsibilities;" Department of State Acquisition Regulation 642.270, "Contracting Officer's Representative."

<sup>6</sup> FAR 1.602-2(d)(2); 14 FAH-2 H-113, "Qualifying as a COR: Federal Acquisition Certification: Contracting Officers Representative."

<sup>7</sup> 14 FAH-2 H-114, "COR Work Commitments."

In Afghanistan, the CORs are assisted by four voucher examiners. The examiners perform initial reviews of the invoices to ensure they are complete and note any discrepancies for the CORs. Voucher examiners are local nationals hired by the Department, many of whom have previous voucher examination experience.

COR contract oversight is supported by INL's Flexible Implementation and Assistance Team (FIAT) contract. That contract provides a team of third-party independent U.S. contractors and technically trained Afghan local nationals to assist INL by performing assessments at INL's direction for INL cooperative agreements, grants, interagency and international organization agreements, host government programs, contracts, and contract task orders. FIAT personnel work throughout Afghanistan, sometimes in locations where U.S. Government personnel cannot easily travel, and report the results to INL. Although the contractor assists INL by monitoring and assessing its corrections, justice, and counter narcotics programs, FIAT personnel are not authorized to perform COR functions. The FIAT contract is overseen by an INL COR.

## **Federal Regulations and Department Guidance Regarding Invoice Reviews**

The FAR, the Department's Foreign Affairs Manual (FAM) and Foreign Affairs Handbook (FAH), and INL-issued SOPs establish guidance on reviewing invoices and determining whether an invoiced cost is allowable.

### ***Federal Acquisition Regulation***

FAR Subpart 32.905 states that payment will be based on receipt of a proper invoice and satisfactory contract performance. Specifically, a proper invoice must include the following elements:

- Name and address of the contractor.
- Invoice date and invoice number. (Contractors should date invoices as close as possible to the date of mailing or transmission.)
- Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).
- Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.
- Shipping and payment terms (for example, shipment number, date of shipment, and discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.
- Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).
- Name, title, telephone number, and mailing address of person to notify in the event of a defective invoice.
- Contractor's taxpayer identification number (only if required by agency procedures).
- Electronic funds transfer banking information.
- Any other information or documentation required by the contract.



Unless the contract specifies otherwise, FAR 32.904 also requires agencies to pay invoices within 30 days after the receipt of a proper invoice or Government acceptance of supplies or performance.<sup>8</sup>

### ***Foreign Affairs Manual***

The Department's policy for processing vouchers—including the processes for receiving, sorting, approving, and examining vouchers—is contained in the FAM. Specifically, 4 FAM 425, "Prepayment Voucher Examination," states, "[P]repayment examination consists of checking for proper, legal, and correct payment and for proper supporting documentation." Language in 4 FAM 424, "Voucher Approval," also states that a certifying officer may make payment only after having obtained approval of the voucher from an officer having knowledge of the receipt of the goods or services covered by the voucher. This approval "shall be in the form of a signature on either the voucher, the invoice, or the documents attached to the voucher."<sup>9</sup>

### ***Foreign Affairs Handbook***

Language in 4 FAH-3 H-423.5, "Supporting Documentation," requires documentation to ensure that all payments are authorized, accurate, legal, and correct and that the goods were actually received or services actually performed. According to the FAH, supporting documentation for voucher processing includes purchase orders and contracts, invoices and vouchers, receiving reports, and approvals.

### ***INL Standard Operating Procedures***

In September 2014, INL issued its invoice review SOP, "INL Standard Operating Policy/Procedure on Certification of Invoice, Number 4040." The SOP establishes the standards and rules to guide pre-payment voucher examination.<sup>10</sup> It describes the invoice review procedures and the responsibilities of the various participants who review invoices, including the COR. The SOP covers the time from initial receipt of the invoice to final payment. It is intended to ensure that invoices are processed in accordance with Prompt Payment Act requirements and that contractor expenses reimbursed by the Government are reasonable, allowable, and allocable. The SOP states that invoice review may be shared by a COR and a financial management analyst (FMA). However, the COR is ultimately responsible for approving an invoice. The SOP also contains appendices, including a COR checklist for reviewing invoices.

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<sup>8</sup> This provision implements the Prompt Payment Act's requirements. Under this statute, the Government must pay all invoices within 30 days of receipt. If it does not, interest begins to accrue at that time.

<sup>9</sup> 4 FAM 424, "Voucher Approval."

<sup>10</sup> Although the SOP describes somewhat different processes depending on the type of cost, this report collectively refers to "the process" because those process differences are not relevant to OIG's findings.



## INL's Invoice Review Process in Support of Afghanistan Contingency Operations

The invoice review and approval process begins when the contractor submits an invoice to the Bureau of the Comptroller and Global Financial Services Office of Claims in Charleston, SC. The vendor submits all associated supporting documentation, which sometimes ranges from 50 to 1,000 pages. The Office of Claims sends the invoice package to the INL electronic mailbox. Invoices are reviewed by designated FMAs at the INL/Resource Management Budget Execution Office in Washington, DC. INL enters the invoices into a searchable web-based system called "Metastorm."<sup>11</sup>

The FMA receives the invoice and reviews it to ensure it meets FAR requirements. The FMA then sends the invoice to the designated contract COR and the INL/Kabul voucher examiner. The voucher examiner checks the invoice for completeness and verifies that it has proper supporting documentation. The voucher examiner then forwards to the COR a summary sheet that identifies any discrepancies found, an approval or rejection recommendation, and any necessary supporting documentation.

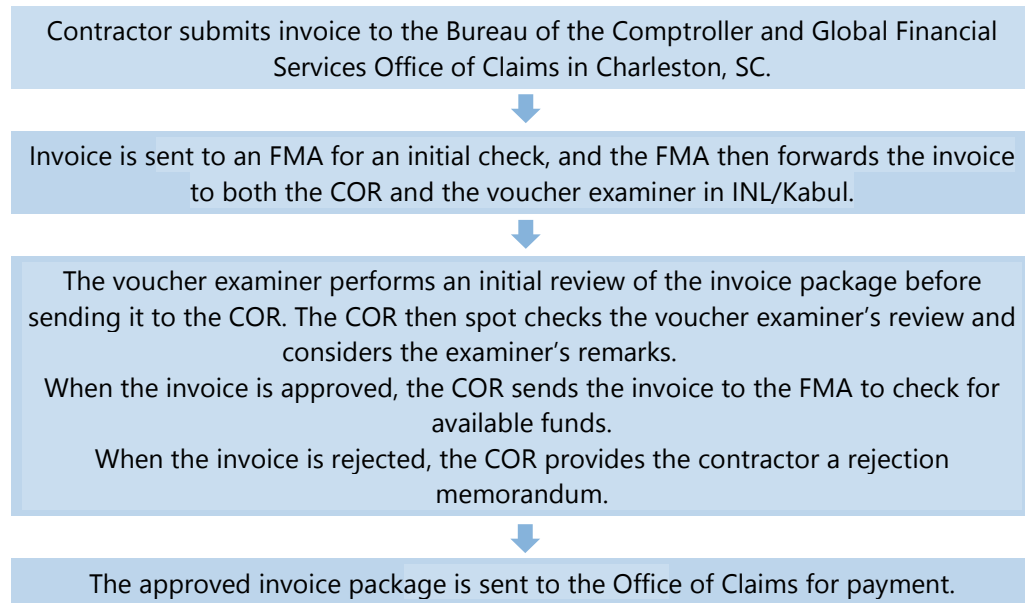
Under INL/Kabul's internal procedure, the COR performs a second review of the invoice package and looks over the voucher examiner's comments. Both the COR and the voucher examiner are required to review 100 percent of invoice line items.<sup>12</sup> If a COR identifies unallowable costs, the invoice is sent back to the contractor with a request to remove the unallowable costs and resubmit the corrected invoice. A resubmitted invoice is marked with an "R," which helps to ensure that it is not paid twice. If an invoice is rejected, the COR must provide the contractor with an explanation.

When the COR completes the review, the invoice package is returned to the FMA in Washington, DC, and the FMA certifies available funds for an approved invoice. The FMA documents the correct lines of accounting that will pay the invoice and notifies the COR of the status of funding for the contract. The invoice package is then sent to the Office of Claims for payment. Figure 1 depicts the process.

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<sup>11</sup> Metastorm is a searchable web-based system used to track and process invoices. It allows CORs and FMAs to review invoices, track progress, and provide comments. INL began using the system in 2012.

<sup>12</sup> INL requires that invoices either be paid in full or be rejected in their entirety.

**Figure 1: INL's Invoice Review Process for Contracts in Afghanistan**

Source: OIG generated from the review process outlined in INL's SOP.

## AUDIT RESULTS

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### Finding A: INL Reviewed Invoices in Accordance With Federal Regulations, Department Guidance, and INL's Standard Operating Procedures

OIG found that INL followed Federal regulations, Department guidance, and its own SOP in reviewing invoices that were submitted under INL's Afghanistan contracts. Specifically, OIG selected 81 invoices, valued at approximately \$34.5 million from a total of 383 invoices reviewed between May and November 2016.<sup>13</sup> OIG confirmed that the INL COR ensured that the invoice contained all required elements, that contractor services conformed with contract requirements, and that the invoice included supporting documentation prior to approval for payment.

#### *Federal Regulations, Department Guidance and INL Standard Operation Procedure Were Followed for Sample of Invoices*

The 81 invoices selected for analysis had been reviewed by INL/Kabul CORs between May and November 2016. OIG reviewed the file that accompanied each invoice and confirmed the following:

- The invoice contained elements of a proper invoice, as outlined in FAR Subpart 32.905.
- The invoice file included acknowledgment that the services conformed with applicable contract requirements, in accordance with FAR Subpart 46.5.

<sup>13</sup> The Scope and Methodology section in Appendix A provides detailed sampling methodology.

- The invoice file included supporting documentation such as copies of vouchers for purchases, time sheets, boarding passes, and receipts for purchases of airline tickets, in accordance with 4 FAH-3 H-423.5 and 4 FAM 420.
- The file contained a Metastorm-generated invoice approval form that contained an audit trail and a COR-signed payment authorization.
- Rejected invoices were accompanied by a formal rejection memorandum, in accordance with the INL SOP.

Furthermore, INL had entered all 81 invoice files into its Metastorm database. As described previously, the Metastorm database tracks a variety of information, including the voucher examiner's or COR's handling of an invoice, how long the invoice had been with the voucher examiner or COR, whether the invoice had been approved or rejected, and the date the invoice was sent to the Office of Claims for payment. OIG reviewed the Metastorm-generated invoice approval forms for each of the 81 invoices reviewed. The approval forms provided this information and were included in each invoice file. In addition, OIG found that INL CORs generally processed invoices within the 30-day deadline established by the Prompt Payment Act, thereby limiting interest penalties. Between May and November 2016, INL had processed more than 300 invoices, with a value greater than \$69 million, and had paid \$631 in interest penalties.

Following regulations, guidance, and the SOP, the CORs appropriately rejected 5 of the 81 invoices reviewed. The invoices were rejected because the costs submitted for payment were appropriately identified as unallowable. For example, one invoice totaling more than \$1 million was rejected because the danger pay was incorrectly calculated, and an invoice totaling more than \$90,000 was rejected because the wrong currency conversion rate was used, which resulted in incorrect lodging and per diem calculations.<sup>14</sup>

In addition to the invoices reviewed, monthly COR reports for the JSSP, CSSP, and FIAT contracts provided further information on rejected invoices. Table 2 shows that between May 2016 and May 2017, CORs rejected 60 of 285 invoices reviewed for the 3 contracts.

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<sup>14</sup> The invoiced costs were in United Arab Emirate currency (the dirham) and had to be converted to U.S. dollars for payment.

**Table 2: Invoices Reviewed for the JSSP, CSSP, and FIAT Contracts, May 2016–May 2017**

Month/Year	Total Invoices Received	Total Approved	Total Rejected
May 2016	47	36	11
June 2016 <sup>a</sup>			
July 2016	36	30	6
August 2016	46	42	4
September 2016	30	28	2
October 2016	19	18	1
November 2016	1	1	0
December 2016 <sup>b</sup>			
January 2017	13	10	3
February 2017	12	7	5
March 2017	32	20	12
April 2017	34	22	12
May 2017	15	11	4
<b>Total</b>	<b>285</b>	<b>225</b>	<b>60</b>

<sup>a</sup>The report for this month did not include information on invoices received and approved. The COR assigned to these contracts was out of country, and the COR backfilling did not enter this information.

<sup>b</sup>INL was unable to locate the December 2016 report.

**Source:** OIG-generated on the basis of analysis of invoice review data provided by INL.

Although OIG's review of the 81 invoices processed by INL between May and November 2016 found no exceptions, it is important to note that in a recent, but separate, audit engagement<sup>15</sup> performed by OIG covering a scope period between March 2007 and February 2016, OIG identified 7 invoices that INL paid in support of its CSSP and JSSP contracts that contained unallowable and unsupported costs. Specifically, OIG identified approximately \$5 million in questioned costs associated with student training expenses for its CSSP and JSSP programs. The payment of these unallowable and unsupported costs occurred for three primary reasons: (1) paying student training expenses was a routine practice and INL had not focused on whether paying the expenses was contractually authorized, (2) the contracts did not provide specific instructions on invoicing such expenses, and (3) INL's invoice review SOP did not address the appropriate manner of reviewing student training expenses.

In October 2017, OIG issued a Management Assistance Report regarding INL's payment of these expenses and made six recommendations to correct the deficiencies identified.<sup>16</sup> INL and A/LM/AQM agreed to take actions to address the deficiencies. As of October 2017, OIG closed two recommendations on the basis of actions taken by A/LM/AQM. The other four recommendations were resolved pending further action. These actions included modifying the CSSP and JSSP contracts to provide direction specifying requirements for documenting student

<sup>15</sup> OIG, *Management Assistance Report: Contract Terms and Guidance for Approving Student Training Expenses Relating to the Justice and Corrections Programs in Afghanistan Require Attention* (AUD-MERO-18-14, October 2017).

<sup>16</sup> Ibid.

training expenses, reviewing and—as appropriate—taking action to recover that part of the \$5 million in student travel and venue rental expense payments determined to be unallowable, and developing a Kabul-specific SOP that would detail additional invoice review steps. OIG mentions these issues to emphasize that, although following overall invoice review procedures is important, it is also necessary to systemically assess the accuracy of individual invoice reviews.

## **Finding B: INL Did Not Have Sufficient Numbers of Trained CORs to Oversee its Contracts in Afghanistan**

OIG found that between May and November 2016, INL had enough trained CORs in Afghanistan. According to INL, a minimum of three CORs is needed to review contract invoices and provide contract oversight. INL had four CORs to oversee its contracts in Afghanistan until one COR left in September. However, the number of INL CORs in Afghanistan decreased through much of 2017, and INL faced challenges associated with filling these positions. According to INL, this in turn, created oversight challenges for the Afghanistan contracts. To compensate, INL temporarily assigned CORs from other locations to Afghanistan but recognizes that this is not a long-term solution. Without dedicated and experienced CORs in Afghanistan, the risk that contract oversight will suffer and that inadequate contractor performance could go undetected increases.

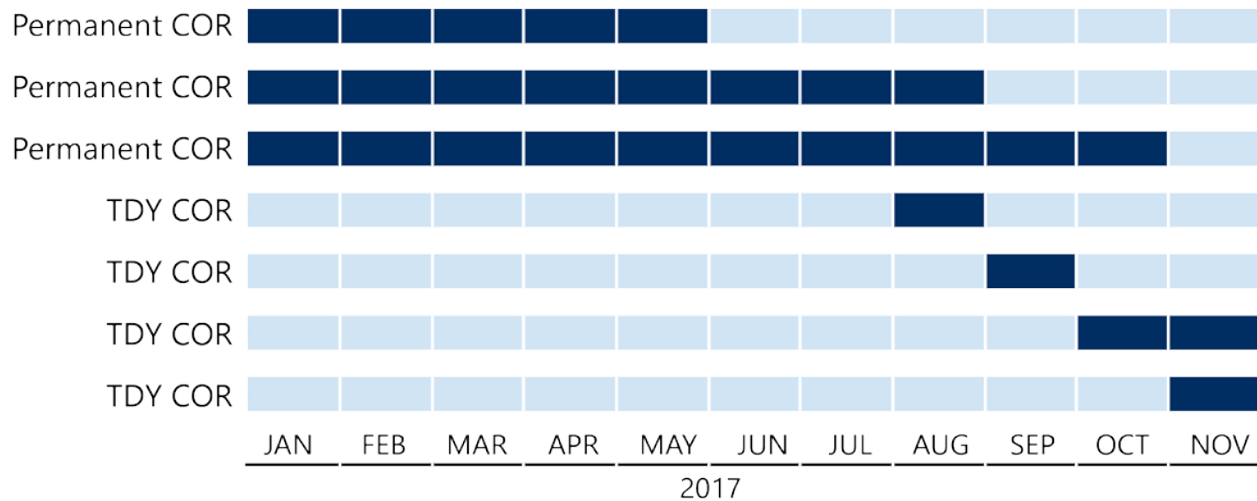
### ***Number of CORs Needed To Support INL Contracts in Afghanistan***

According to an INL-produced contract oversight needs analysis, INL requires a minimum of three CORs to oversee its Afghanistan contracts.<sup>17</sup> INL considers this COR staffing level to be manageable but nonetheless challenging in terms of being able to sufficiently provide adequate oversight while allowing for rest and recuperation leave, preparing reports, attending meetings, and completing other tasks. With consideration of these additional factors, particularly rest and recuperation that can occur up to three times annually for each COR, INL considers four CORs in Afghanistan to be optimum.

Between May and November 2016 (the period of OIG's invoice review), INL/Kabul was staffed with at least three CORs—all of whom INL officials described as having the necessary experience to be effective. During FY 2017, however, INL/Kabul experienced steady attrition in its workforce. One COR was asked to depart in May 2017 and a second resigned in August 2017, leaving only one permanent COR in September 2017 until a temporary duty (TDY) COR arrived. From September through October 2017, INL had one permanent COR and one TDY COR. In October 2017, the third permanent COR resigned. As of November 2017, INL/Kabul had no permanent CORs and has relied on rotating TDY CORs from Washington, DC, and other INL programs worldwide. Figure 2 depicts COR staffing at INL/Kabul from January through November 2017.<sup>18</sup>

<sup>17</sup> The contract oversight needs analysis was conducted by INL as a result of an October 2016 visit by INL Headquarters officials to Kabul at INL/Kabul's request. The purpose of the visit was to review the office's handling of its contracts, to assess whether any changes were needed for INL/Kabul to operate efficiently and in accordance with INL policy, and to determine whether INL/Kabul had the appropriate number of CORs to support the Afghanistan contracts.

<sup>18</sup> Some CORs on TDY were in Kabul for only part of a month. The TDY CORs had proper COR certification.

**Figure 2: COR Staffing at INL/Kabul From January Through November 2017**

**Note:** The dark color shows when a COR was on staff at INL/Kabul, and the light color shows when a COR was not on staff at INL/Kabul.

**Source:** OIG-generated from staffing data provided by INL.

INL officials said that they were hindered in hiring additional permanent CORs because of the Department-wide hiring freeze that went into effect in April 2017. In August 2017, INL requested an exemption from the freeze and, in October 2017, it obtained a waiver to hire two permanent CORs to fill the vacant positions.<sup>19</sup> The waiver was requested before the third COR departed in October 2017; accordingly, INL did not request the third permanent COR position at that time. INL officials originally stated that they believed that they could fill the two permanent COR positions and have the CORs in Afghanistan in January 2018.<sup>20</sup> In November 2017, INL requested another exemption to the hiring freeze in order to hire two additional permanent CORs, which would allow it to replace the COR who had departed in October 2017 and bring its Kabul COR staffing to its optimum level of four CORs to oversee its Afghanistan contracts. Until the additional waiver is approved and these positions filled, INL will continue to rely on TDY CORs to meet its contract oversight needs.

In addition to the decrease in the number of CORs to support the INL contracts in Afghanistan, the TDY CORs lacked specific invoice review training for the contracts they were overseeing.<sup>21</sup> INL relies on Foreign Service Institute and Bureau of the Comptroller and Global Financial Services invoice review training, but this training provides only a broad overview of invoice processing procedures. OIG has previously noted the benefits of contract-specific training. For example, OIG reported that the Bureau of Near Eastern Affairs had developed training on its Iraq contracts that included material specific to those contracts and that the Bureau of South and Central Asian Affairs could benefit from similar training on its Afghanistan Life Support Services contract.<sup>22</sup>

<sup>19</sup> The waiver request was signed by INL's Assistant Secretary and submitted to the Bureau of Human Resources.

<sup>20</sup> On January 24, 2018, in its response to a draft of this report, INL stated that it now anticipates the CORs will arrive in Afghanistan in February 2018 (see Appendix B).

<sup>21</sup> Until the last permanent COR departed in October 2017, TDY CORs received on-the-job training from the permanent COR.

<sup>22</sup> AUD-MERO-17-33, March 2017, and AUD-MERO-17-47, June 2017.

Although INL officials previously stated that they had experienced CORs in Afghanistan, the TDY CORs, as well as the permanent CORs when placed, could nonetheless benefit from specific training on INL's Afghanistan contracts because of those contracts' complexity and size. This is particularly true given the lack of continuity caused by the departure of all the permanent CORs and the subsequent gap in institutional knowledge. Failure to fully understand the contracts could result in unallowable costs being approved, as was evidenced in the previously cited Management Assistance Report regarding approval of unallowable student training expenses under INL's JSSP and CSSP contracts. Accordingly, developing and implementing Afghanistan-specific training to fully prepare and familiarize newly assigned CORs would be beneficial.

**Recommendation 1:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs fill the permanent Contracting Officer's Representative vacancies in Kabul, Afghanistan, to ensure adequate oversight of its Afghanistan contracts.

**Management Response:** INL agreed with the recommendation, stating that four Contracting Officer's Representatives are needed to meet the Department's responsibilities. INL has received approval to fill two of these positions and anticipates their arrival in February 2018. INL has requested an exemption from the hiring freeze to fill two additional positions to bring the total number of Contracting Officer's Representatives to four. "The exemption request memo is with the Secretary for decision."

**OIG Reply:** On the basis of INL's agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has filled all the permanent Contracting Officer's Representative positions in Kabul, Afghanistan.

**Recommendation 2:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement invoice review training for its oversight staff with a focus on its Afghanistan contracts to ensure that newly assigned Contracting Officer's Representatives charged with reviewing invoices are fully prepared and familiar with the specific features of these contracts.

**Management Response:** INL agreed with the recommendation, stating that it is updating appropriate portions of its Standard Operation Policy and Procedures for Invoice Review and Validation. The revision will include additional guidance and checklists for Contracting Officer's Representatives and voucher examiners to use when reviewing invoices. Once the updated policies and procedures are approved and implemented, INL will provide training assistance to INL/Kabul Contracting Officer's Representatives and voucher examiners, tailored to their contracts. INL expects the policies and procedures to be completed no later than the end of March 2018.

**OIG Reply:** On the basis of INL's agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation



demonstrating that INL (a) has completed its update of the policies and procedures to include additional guidance and checklists for Contracting Officer's Representatives and voucher examiners to use when reviewing invoices and (b) is providing training assistance to INL/Kabul Contracting Officer's Representatives and voucher examiners, tailored to their contracts.

### **Finding C: Documentation of Contractor Performance Must Be Improved**

OIG found that COR documentation of contractor performance was not completed in accordance with relevant requirements. Specifically, OIG found that COR inspection reports were often incomplete, and there was no indication that the CORs had reviewed contractor-prepared reports to assess and verify compliance with the contract. For example, quality assurance inspection reports maintained by the CORs did not identify the contracts inspected, the inspection period, or evidence that identified deficiencies had been resolved. In addition, evidence was limited that the COR had independently verified contractor-reported information to ensure the information was accurate and complete. Without doing so, INL will not have a complete depiction of performance on its contracts and may be unable to hold its contractors accountable when performance is questioned.

#### ***Documentation Requirements for Inspection Reports***

FAR 46.401(f), "Government Contract Quality Assurance," states that government inspection "shall be documented on an inspection or receiving report form." Language in 14 FAH-2 H-523, "Quality Assurance," states among other things, that the COR is responsible for maintaining quality assurance records. Language in 14 FAH-2 H-114, "COR Work Commitments," states that a COR "maintains traceability of oversight through properly documented files that are compliant with agency standards and regulations in order to provide the Contracting Officer and succeeding CORs an accurate history of contract implementation."

#### ***Incomplete QASP Inspection Reports***

OIG reviewed 36 Quality Assurance Surveillance Plan (QASP) inspection reports prepared between February 2016 and May 2017 that assessed power generation, electrical equipment, food services, purchasing processes, equipment accountability, and property books, among other things. QASP inspections are tailored to each INL contract and measure performance against standards established by the contractor and agreed to by INL.<sup>23</sup> As discussed previously, in accordance with 14 FAH-2 H-523, the COR is responsible for maintaining QASP records.

OIG found that 21 of 36 QASP inspection reports were prepared by "contract assistants," 11 were prepared by individuals whose positions were not specified, and 4 were appropriately prepared by the COR. The FAR, the FAM, the FAH, the Department of State Acquisition

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<sup>23</sup> The Government may either prepare the QASP or require the offerors to submit a proposed QASP for the Government's consideration in development of the Government's plan. FAR 37.604, "Quality Assurance Surveillance Plans."

Regulation, and the COR delegation letters<sup>24</sup> do not identify the role of a “contract assistant” or designate any authority to a contract assistant to inspect services. OIG advised INL of its analysis and was told that “contract assistants” in Kabul are Afghan nationals hired to support and assist the CORs in monitoring INL’s contracts.<sup>25</sup> INL officials explained that, because of security concerns, Embassy Kabul’s travel policy limits both the number and the duration of trips CORs can make to conduct inspections. Accordingly, INL/Kabul relies on the Afghan national contract assistants to gather data and record the information on the QASP inspection reports. After OIG informed INL of this audit finding, INL officials stated that they would update the QASP inspection reports to make it clear that the COR is responsible for completing them. INL officials also stated that the updated report process will ensure that contract assistants or other individuals contributing to the QASP inspection reports will be appropriately identified.

OIG also found several other flaws, including that 14 of 36 QASP inspection reports did not identify the contract being assessed. In addition, 32 of 36 QASP reports did not identify the period of performance, and 31 of 36 did not identify the date of the previous inspection. Moreover, 25 of 36 QASP inspection reports found at least 1 inspection standard that was not being met, with no information as to whether the deficiency was corrected by the contractor. For example, an October 2016 inspection report identified potentially hazardous ungrounded electrical equipment. When OIG brought this matter to INL’s attention, INL informed OIG that the contractor, PAE Government Services, Inc. (PAE), had certified on October 7, 2017, that the potentially hazardous ungrounded electrical equipment had been remediated. However, there was no indication in the QASP inspection report itself as to when PAE took corrective action. The report PAE prepared on October 7, 2017, the same date it certified that the electrical equipment hazard had been remediated, simply stated, “In accordance with PAE standard practices, corrective actions would have been addressed and corrected on the spot or immediately thereafter.” Consequently, neither OIG nor INL can affirm that corrective actions were taken to remediate the electrical equipment hazard. Lack of basic information in the QASP inspection reports, such as what was inspected, when the inspection occurred, and whether prior deficiencies were corrected, limits INL management’s ability to hold contractors accountable when performance is questioned.

### *INL Did Not Routinely Document the Receipt and Review of Contract Reports*

INL’s Afghanistan contracts require the contractor to provide recurring reports, such as monthly, quarterly, and annual reports, on contract activities.<sup>26</sup> Moreover, the FAH states that contracts

<sup>24</sup> Pursuant to FAR 1.602-2(d), Contracting Officers are responsible for designating and authorizing, in writing, a COR on all contracts and orders other than those that are firm-fixed-price, and for firm-fixed-price contracts and orders as appropriate. COR delegation letters document these designation and authorization requirements, provide the CORs with an overview of their responsibilities, and are signed and dated by the COR as receipt of acknowledgment.

<sup>25</sup> As noted, although INL explained the role of contract assistants, INL did not address the individuals whose positions were not specified on the inspection reports. Consequently, their employment status is unknown to OIG.

<sup>26</sup> PAE provides monthly progress reports for the Relocation Management and Support Services-I and -II contracts; project management and quarterly reports for the Interdiction contract; and weekly, monthly, and quarterly progress

may require the submission of progress or status reports to assist the COR in gauging progress. The FAH further states, "CORs should document review of the progress and status reports with an email or memo to the contracting officer and retention of the report in the contract file."<sup>27</sup> In addition, INL has an SOP for COR working file maintenance.<sup>28</sup> The SOP requires that COR files include copies of all data, reports, and other documentation furnished by the contractor as well as the COR's analysis of that information, action taken, and the date of such action.

OIG, however, found little documentation to demonstrate that the COR had reviewed the recurring progress reports and validated the information. OIG reviewed a sample of 35 of 236 contractor reports submitted to INL between February 2016 and June 2017<sup>29</sup> and found that the COR had documented receipt and review of the reports on a "by exception" basis. Specifically, according to INL, unless the COR identified an "exception" in the contractor report, the COR would not typically document the review. This practice does not follow Department requirements that the COR should document the review of the progress and status reports with an email or memorandum to the Contracting Officer and retain that communication in the contract file. It is important that this deficiency be addressed to ensure that contractor performance is appropriately reviewed and validated by the COR. In addition, addressing this flaw will also ensure that contractor performance is documented in a way that allows INL to maintain a chronological record of contractor performance.

### *INL Was Not Verifying that Contractor Deliverables Were Acceptable*

Language in 14 FAH-2 H-523, "Quality Assurance," states that the COR is responsible for monitoring contract performance to ensure that the Department receives goods and services of the quality required by the contract. This provision also explains that the COR is responsible for developing quality assurance procedures, verifying whether the supplies or services conform to contract quality requirements, and maintaining quality assurance records. As previously noted, INL also has an SOP for COR working file maintenance that requires that CORs maintain contractor-furnished documentation.

OIG found that INL/Kabul lacked a robust process for receiving, reviewing, verifying, and documenting that contractor deliverables met contract terms and conditions. For example, PAE prepares a monthly spreadsheet for the JSSP contract entitled "deliverable trackers" that includes the statement of work citation, status of the contract's deliverables, and any challenges or issues with the contract's execution. OIG reviewed the PAE submitted spreadsheet for each month between January 2015 and May 2017. OIG found no evidence that the INL CORs for this contract had verified that PAE undertook the reported activities or had verified that the goods and services received were in conformance with quality requirements.

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reports for the JSSP and CSSP contracts. For the FIAT contract, the contractor provides INL with site visit reports, weekly reports, monthly reports, quarterly reports, and annual reports.

<sup>27</sup> 14 FAH-2 H-520, "Monitoring Contractor Performance," and 14 FAH-2 H-522.1 a, "Progress or Status Reports."

<sup>28</sup> INL Standard Operating Policy/Procedures for Contracting Officer's Representative Working File Maintenance, Number 4020, effective April 26, 2013.

<sup>29</sup> The 35 contractor reports were submitted for the Bridge Afghanistan Security, CSSP, and JSSP contracts.

INL officials stated that INL/Kabul CORs were aware that they must confirm both the receipt of all deliverables and their acceptability. They cited as an example of this awareness one COR's requirement that the contractor provide a monthly computer-generated report on deliverables, which the COR then uses to confirm receipt. However, OIG did not find evidence that other CORs in Kabul were using a similar process. OIG concluded that, notwithstanding the practices of one COR, an internal control deficiency occurred for at least two reasons. First, INL did not have a contract oversight SOP that included appropriate steps to ensure that all CORs maintain quality assurance records that verify all goods and services conform to contract quality requirements. Second, CORs were not following INL's SOP for maintaining working files.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement procedures to verify that the Quality Assurance Surveillance Plan inspection reports for its Afghanistan contracts are completed in accordance with Department requirements, including specifying the period covered by the report and identifying the actions taken by the contractor to correct previously identified deficiencies to afford the Contracting Officer and succeeding Contracting Officer's Representatives a complete history of contract implementation.

**Management Response:** INL agreed with the recommendation, stating that it is updating the QASP template to ensure that the QASP properly captures who completes each part of the form and, if not fully prepared by the COR, that it has been reviewed and approved by the COR. The QASP "will also have a new section that will be used in the event that any deficiencies were noted to ensure follow-up and resolution, which will also be reviewed and approved by the COR."

**OIG Reply:** On the basis of INL's agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has revised the QASP to include information specifying the period it covers and identifying the actions taken by the contractor to correct previously identified deficiencies.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs include, in the Kabul-specific Standard Operating Procedures it is developing, clarification of the role of contract assistants in contributing to the Quality Assurance Surveillance Plan inspections reports for its Afghanistan contracts and procedures for the Contracting Officer's Representatives to review, verify, and document the inspection reports.

**Management Response:** INL agreed with the recommendation, stating that CORs are responsible for reviewing, verifying, and approving all QASP inspection reports under the contracts they manage. The COR contract assistant positions (which INL describes as "COR/Government Technical Monitor (GTM) Assistant positions") in Kabul are "administrative support positions that assist in the gathering of data and initial drafting of many of the

QASP inspection reports.” The administrative role will be made clear in the SOP INL is developing, which is referenced in INL’s response to Recommendation 2. INL will provide OIG with the SOP once the document is complete.

**OIG Reply:** On the basis of INL’s agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has clarified the role of the COR contract assistant positions in its revised Kabul-specific SOP.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement procedures requiring Contracting Officer’s Representatives for its Afghanistan contracts to formally document their review and acceptance of contractor progress and status reports in compliance with the Foreign Affairs Handbook and INL’s Standard Operating Policy/Procedures for Contracting Officer’s Representative Working File Maintenance.

**Management Response:** INL agreed with the recommendation, stating that INL/Kabul is “in the process of developing an SOP that will outline the mandated recordkeeping and folder structure for the Kabul shared drives” that each COR will be expected to use for proper contract file documentation. INL will work with the Office of Acquisition Management “to identify if there are any tracking or filing methods needed to make it easier for the [Contracting Officers] to confirm that all required documentation has been prepared and properly processed. If one or more workable process improvements are identified, these will be implemented.” INL will provide OIG with the SOP once the document is complete.

**OIG Reply:** On the basis of INL’s agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the updated SOP includes the mandated recordkeeping and folder structure for the Kabul shared drives.

**Recommendation 6:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs incorporate, in the Kabul-specific Standard Operating Procedures it is developing, control steps (a) for the Contracting Officer’s Representatives to maintain quality assurance records in accordance with Department requirements and (b) verify that Contracting Officer’s Representatives follow INL’s Standard Operating Policy/Procedures for Contracting Officer’s Representative Working File Maintenance.

**Management Response:** INL agreed with the recommendation, stating that INL/Kabul is “in the process of developing an SOP that will outline the mandated recordkeeping and folder structure for the Kabul shared drives” that each COR will be expected to use for filing documents. There will also be a tracking spreadsheet to allow the COR’s supervisor to monitor QASP completion and to follow up as needed. INL will provide OIG with the SOP once the document is complete.

**OIG Reply:** On the basis of INL's agreement with the recommendation and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has completed the SOP that (a) outlines the mandated recordkeeping and folder structure for the Kabul shared drives that each COR will be expected to use for filing documents and (b) includes a tracking spreadsheet to allow the COR's supervisor to monitor QASP completion.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs fill the permanent Contracting Officer's Representative vacancies in Kabul, Afghanistan, to ensure adequate oversight of its Afghanistan contracts.

**Recommendation 2:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement invoice review training for its oversight staff with a focus on its Afghanistan contracts to ensure that newly assigned Contracting Officer's Representatives charged with reviewing invoices are fully prepared and familiar with the specific features of these contracts.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement procedures to verify that the Quality Assurance Surveillance Plan inspection reports for its Afghanistan contracts are completed in accordance with Department requirements, including specifying the period covered by the report and identifying the actions taken by the contractor to correct previously identified deficiencies to afford the Contracting Officer and succeeding Contracting Officer's Representatives a complete history of contract implementation.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs include, in the Kabul-specific Standard Operating Procedures it is developing, clarification of the role of contract assistants in contributing to the Quality Assurance Surveillance Plan inspections reports for its Afghanistan contracts and procedures for the Contracting Officer's Representatives to review, verify, and document the inspection reports.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement procedures requiring Contracting Officer's Representatives for its Afghanistan contracts to formally document their review and acceptance of contractor progress and status reports in compliance with the Foreign Affairs Handbook and INL's Standard Operating Policy/Procedures for Contracting Officer's Representative Working File Maintenance.

**Recommendation 6:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs incorporate, in the Kabul-specific Standard Operating Procedures it is developing, control steps (a) for the Contracting Officer's Representatives to maintain quality assurance records in accordance with Department requirements and (b) verify that Contracting Officer's Representatives follow INL's Standard Operating Policy/Procedures for Contracting Officer's Representative Working File Maintenance.



## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Audits, within the Office of Inspector General (OIG) for the Department of State (Department) and Broadcasting Board of Governors, conducted this audit to determine whether (1) the Bureau of International Narcotics and Law Enforcement Affairs (INL) was following Federal regulations, Department guidance, and its own Standard Operating Procedures (SOP) when reviewing invoices submitted under its Afghanistan contracts; (2) INL assigned a sufficient number of Contracting Officer's Representatives (COR) to oversee the contracts; and (3) contractor performance was documented in accordance with requirements.

This is the third in a series of audit reports assessing the invoice review process used to support Overseas Contingency Operations. In June 2017, OIG issued a report on the Bureau of South and Central Asian Affairs invoice review policies and procedures for its Afghanistan Life Support Services contract.<sup>1</sup> In March 2017, OIG issued a report on the Bureau of Near Eastern Affairs invoice review policies and procedures supporting operations in Iraq.<sup>2</sup> A subsequent report will address the invoice review process used by the Bureau of Diplomatic Security.

To determine whether INL followed Federal requirements, Department guidance, and its own SOP when reviewing its Afghanistan contract invoices, OIG reviewed and analyzed the Federal Acquisition Regulation, the Foreign Affairs Manual, the Foreign Affairs Handbook, INL's SOP for invoice review, and 81 cost reimbursable invoices submitted under INL's contracts in Afghanistan. When this audit began, INL had nine contracts in Afghanistan.

To determine whether INL had assigned a sufficient number of CORs to oversee its Afghanistan contracts, OIG discussed the results of the INL assessment of COR staffing needs. OIG also analyzed COR staffing data and discussed with INL the impact of COR shortages on contract oversight.

To determine whether INL documented that contract oversight was in accordance with Department and INL requirements, OIG reviewed the Foreign Affairs Handbook, INL's Standard Operating Policy/Procedures for Contracting Officer's Representative Working File Maintenance, and contractor reporting on their activities. OIG also discussed with INL how it documented contract oversight and addressed deficiencies.

OIG conducted fieldwork for this audit from December 2016 through October 2017 at INL Headquarters in Washington, DC, and INL offices at U.S. Embassy Kabul, Afghanistan. OIG had also previously conducted fieldwork at the Bureau of the Comptroller and Global Financial Services Office of Claims in Charleston, SC, in September 2016 in support of its review of the previous two audits in this series. That fieldwork also supported this audit involving INL.

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<sup>1</sup> OIG, *Audit of the Bureau of South and Central Affairs Invoice Review Process for the Afghanistan Life Support Services Contract* (AUD-MERO-17-47, June 2017).

<sup>2</sup> OIG, *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs To Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33, March 2017).

OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained for this audit provides a reasonable basis for the findings and conclusions.

## Prior Reports

In an October 2017 report titled *Management Assistance Report: Contract Terms and Guidance for Approving Student Training Expenses Relating to the Justice and Corrections Programs in Afghanistan Require Attention* (AUD-MERO-18-14), OIG questioned \$5.0 million in costs related to student training expenses involving the Justice Sector Support Program and Corrections System Support Program contracts. OIG reported that most student training expenses reviewed were not allowable under the terms of the contracts or were inadequately supported.

In a March 2017 audit report titled *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33), OIG reported that the Bureau of Near Eastern Affairs had not addressed a backlog of 138 invoices valued at approximately \$14 million that were approved for payment without a full review and before its invoice review office was appropriately staffed. OIG also reported that the Bureau of Near Eastern Affairs had not developed performance metrics to provide a basis for reducing invoice payments when problems with contractor performance were found.

In an October 2016 report titled *Contract Management-Lessons Learned from the Embassy Kabul, Afghanistan, Operations and Maintenance Contract* (AUD-MERO-17-04), OIG reported that the operations and maintenance contract at Embassy Kabul did not have clearly defined and measurable performance metrics in its statement of work to accurately assess contractor performance. For example, the statement of work only required the contractor to “operate and maintain” the various utility systems on the embassy and did not provide more specific details on what tasks should be performed. As a result, the contractor did not always perform necessary preventive maintenance functions, which in some instances, caused major utility systems to fail or work improperly.

In an April 2016 report titled *Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan* (AUD-MERO-16-35), OIG reported that, from March 2013 to May 2015, the embassy Financial Management Office paid at least \$1.21 million in fuel invoices that did not have supporting documentation.

In a March 2016 report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil* (AUD-MERO-16-30), OIG questioned \$10.8 million in costs. OIG previously reported on three other task orders under this contract: Task Order 5 for Baghdad Embassy movement security services, Task Order 10 for Kabul Embassy security services, and Task Order 3 for Baghdad static security. In those audits,

OIG found that Contracting Officers and their representatives did not thoroughly review supporting documentation when approving invoices, did not ensure that contractors maintained records, and did not adequately monitor the contractor's performance.

In a February 2016 report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force* (AUD-MERO-16-28), OIG questioned approximately \$7.2 million paid on 193 invoices. The questioned costs consisted of \$6.5 million that OIG considered unsupported and \$652,060 that OIG considered unallowable. The COR said that he approved these invoices because, in part, he relied on the desk officers' review of invoices and supporting documentation, although the desk officers reviewed only 10 percent to 20 percent of the supporting documentation.

In a July 2015 report titled *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35), OIG questioned \$932,644 in costs associated with 9 of the 14 invoices it examined. The COR and others allowed the costs to be paid because the contractor, DynCorp International, was not required to provide documentation supporting its invoice unless requested by INL and because the invoice review processes, methodologies, and staffing were insufficient.

In a May 2015 report titled *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25), OIG questioned \$6.8 million in costs included in the contractor's 12 largest invoices totaling approximately \$25 million. These questioned costs occurred, in part, because the Department did not have the appropriate support system in place to adequately manage and monitor invoice review. In addition, the COR's initial invoice reviews focused on labor rates, with cursory reviews of other invoice items. Furthermore, the contractor did not always provide sufficient documentation to support its invoices.

In an October 2014 report titled *Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 - Kabul Embassy Security Force* (AUD-MERO-15-03), OIG questioned \$8.6 million paid on 57 invoices that were possibly unallowable or were not supported with adequate documentation. The report explained that, at the time, no written guidance or SOP existed that clarified the steps needed for in-depth invoice review or the documentation required when the contractor submitted the invoice for payment.

## Use of Computer-Processed Data

INL/Kabul provided OIG with copies of selected invoices covering the period between May and November 2016. OIG selected the invoices from INL/Kabul's monthly invoice trackers, which are spreadsheets that tracked all the invoices processed for the nine contracts that were active in December 2016. OIG verified the completeness and accuracy of the invoice documentation by comparing key documents with the requirements of a proper invoice found in the Federal Acquisition Regulation. OIG reviewed the invoice form, the invoice approval memorandum, the approval authorization form or statement in Metastorm, and the dates the invoices were received by INL/Kabul and the dates they were returned for payment. OIG cross-checked the information obtained with INL's SOP and the invoice requirements found in the Federal

Acquisition Regulation, Subpart 32.905 "Payment Documentation and Process." OIG concluded that the invoice data were sufficiently reliable for the purposes of this audit.

## **Work Related to Internal Controls**

OIG performed steps to assess the adequacy of internal controls related to the areas audited. These steps included assessing whether INL/Kabul ensured the invoiced costs were contractually allowable and reviewed supporting documentation that would verify that invoiced costs met contractual requirements. Internal control deficiencies related to the number of staff providing oversight of INL Afghanistan contracts and documentation of contractor performance are presented in the Audit Results section of this report in Findings B and C, respectively.

## **Detailed Sampling Methodology**

### ***Invoice Review***

OIG selected 81 cost reimbursable invoices submitted under these contracts to assess whether INL CORs in Kabul were following provisions of FAR Subpart 32.905, "Payment Documentation and Process;" 4 FAM 420, "Voucher Examination;" and INL's invoice review SOP. OIG's selection was drawn from a total of 383 invoices with values ranging from \$2,000 to more than \$3 million. The 81 invoices were selected using specified criteria. For each invoice, OIG selected the highest and lowest dollar line items in the invoice from each of the nine contracts for May, June, July, August, September, and October 2016.<sup>3</sup> This selection process enabled visibility into the invoice review process for the range of dollar amounts. The 81 sampled invoices consisted of 13 invoices that had values greater than \$1 million, 22 invoices that had values between \$100,000 and \$1 million, and 46 invoices that had values lower than \$100,000.

### ***Quality Assurance Surveillance Plan (QASP) Inspection Reports***

OIG reviewed 36 QASP inspection reports provided by INL/Kabul that were prepared between July 2016 and May 2017. OIG conducted a 100-percent review of these QASP inspection reports.

### ***Contractor Reports***

OIG reviewed a sample of 35 of 236 contractor reports submitted to INL between May 2016 and September 2017. The sample of 35 was selected using a simple random sampling design. The team created a random number generator in Microsoft Excel and used this tool to select 35 contractor reports.

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<sup>3</sup> Of a total of nine contracts during this time period, not all nine were active or had a sufficient number of invoices submitted during the entire period. This reduced the number of invoices that could be selected using our criteria.

## APPENDIX B: RESPONSE FROM BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

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United States Department of State

Washington, D.C. 20520

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January 24, 2018

### **MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITS NORMAN P. BROWN**

A handwritten signature in dark ink, appearing to read "P. Thomas".

**FROM:** INL – Patricia A. Thomas, Acting Executive Director

**SUBJECT:** INL Response to the Draft Report, “Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan” (AUD-MERO-18-XX, January 2018)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) welcomes the opportunity to comment on this draft OIG report and offers additional information and clarification for your consideration.

#### **INL Responses to the OIG’s Draft Recommendations**

**Recommendation 1:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) fill the permanent Contracting Officer’s Representative vacancies in Kabul, Afghanistan to ensure adequate oversight of INL’s Afghanistan contracts.

**INL Response (January 2018):** INL agrees with this recommendation. Four Contracting Officer Representatives (CORs) are needed to meet the Department’s foreign relations, national security, safety, health, and financial oversight responsibilities. INL has received approval to fill two COR positions and anticipates their arrivals in February 2018. INL has requested an exemption from the hiring freeze to fill two additional COR positions to bring the total number of CORs to four. The exemption request memo is with the Secretary for decision.

**Recommendation 2:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement invoice review training for its oversight staff with a focus on its Afghanistan contracts to ensure that newly assigned Contracting Officer’s Representatives charged with reviewing invoices are fully prepared and familiar with the specific features of these contracts.



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**INL Response (January 2018):** INL agrees with this recommendation. INL is updating appropriate portions of its Standard Operation Policy and Procedures (SOPP) for Invoice Review and Validation. Within this revision are additional guidance and checklists for CORs and voucher examiners to use when reviewing invoices. Once the updated SOPP is approved and implemented, INL will provide training assistance to INL Kabul CORs and voucher examiners, tailored to their contracts. INL expects the SOPP to be completed no later than the end of March 2018.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement procedures to verify that the Quality Assurance Surveillance Plan inspection reports for its Afghanistan contracts are completed in accordance with Department of State requirements, including specifying the period covered by the report and identifying the actions taken by the contractor to correct previously identified deficiencies to afford the contracting officer and succeeding Contracting Officer's Representatives a complete history of contract implementation.

**INL Response (January 2018):** INL agrees with this recommendation. INL is updating the Quality Assurance Surveillance Plan (QASP) template to ensure that the QASPs properly capture who completes each part of the form and if not fully prepared by the COR, that it has been reviewed and approved by the COR. The QASPs will also have a new section that will be used in the event that any deficiencies were noted to ensure that there is follow-up and resolution, which will also be reviewed and approved by the COR.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs include, in the Kabul-specific Standard Operating Procedures it is developing, clarification of the role of contract assistants in contributing to the Quality Assurance Surveillance Plan inspections reports for its Afghanistan contracts and procedures for the Contracting Officer's Representatives to review, verify, and document the inspection reports.

**INL Response (January 2018):** INL agrees with this recommendation. CORs are responsible for reviewing, verifying, and approving all QASP inspection reports required under the contracts they manage. The COR/Government Technical Monitor (GTM) Assistant positions in Kabul are administrative support positions that assist in the gathering of data and initial drafting of many of the QASP inspection reports, among other related administrative duties to support overall

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contracts management and coordination. The COR/GTM assistants allow the CORs to focus on the tasks that only they can or have the authority to do. This administrative role of the COR/GTMs will be made clear in the SOP. INL will provide OIG with the SOP once the document is complete.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) implement procedures requiring Contracting Officer's Representatives for its Afghanistan contracts to formally document their review and acceptance of contractor progress and status reports in compliance with the Foreign Affairs Handbook and INL's Standard Operating Policy/Procedures for Contracting Officer Representative Working File Maintenance.

**INL Response (January 2018):** INL agrees with this recommendation. INL/K is in the process of developing an SOP that will outline the mandated recordkeeping and folder structure for the Kabul shared drives that each of the CORs will be expected to use for maintaining proper contract file documentation. INL will work with AQM to identify if there are any tracking or filing methods that are needed to make it easier for the COs to confirm that all required documentation has been prepared and properly processed. If one or more workable process improvements are identified, these will be implemented. INL will provide OIG with the SOP once the document is complete.

**Recommendation 6:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) incorporate, in the Kabul-specific Standard Operating Procedures it is developing, control steps (a) for the Contracting Officer's Representatives to maintain quality assurance records in accordance with Department requirements and (b) verify that Contracting Officer's Representatives follow INL's Standard Operating Policy/Procedures for Contracting Officer Representative Working File Maintenance.

**INL Response (January 2018):** INL agrees with this recommendation. INL/K is in the process of developing an SOP that will outline the mandated recordkeeping and folder structure for the Kabul shared drives that each of the CORs will be expected to use for filing documents. There will also be a tracking spreadsheet to allow the COR supervisor to monitor QASPs completion and follow up as needed. INL will provide OIG with the SOP once the document is complete.

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## ABBREVIATIONS

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A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CO	Contracting Officer
COR	Contracting Officer's Representative
CSSP	Corrections System Support Program
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FMA	Financial Management Analyst
INL	Bureau of International Narcotics and Law Enforcement Affairs
JSSP	Justice Sector Support Program
PAE	PAE Government Services, Inc.
QASP	Quality Assurance Surveillance Plan
SOP	Standard Operating Procedure
TDY	Temporary Duty

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