

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 17-56 Audit Report

Salary Support: State and USAID Need to Address SIGAR's Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors

DRAFT PRODUCT

This is a draft report prepared by SIGAR. It is made available for review and comment to the organization(s) responsible for the matters addressed. This draft should be safeguarded to prevent unauthorized use or premature release of what may be incomplete or sensitive information. Questions should be referred to the SIGAR Assistant Inspector General for Audits and Inspections.



JULY
2017

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

SIGAR first reported on salary support paid by the Department of State (State) and the U.S. Agency for International Development (USAID) to the Afghan government in October 2010. At that time, SIGAR concluded that weaknesses in hiring, promoting, and paying Afghan recipients of salary support had put the U.S. government's and other donors' salary support funding at risk of waste, misuse, or corruption.

Based on that conclusion, SIGAR made 10 recommendations to the U.S. Ambassador to Afghanistan—with implementing actions to be conducted by State and USAID—to ensure that the necessary internal controls were put in place to safeguard U.S. funding for salary support, and to improve the long-term sustainability and capacity of the Afghan government. The ambassador initially concurred with all the recommendations and agreed to take actions.

The objective of this follow-up audit was to determine the extent to which State and USAID addressed SIGAR's prior recommendations, and, if not, whether additional actions should be taken. SIGAR considered a recommendation to be fully addressed if State and USAID took appropriate action to implement it for their respective agency.

For the purposes of this report, SIGAR defined salary support as payments made for the salaries or benefits of Afghan government employees and technical advisors embedded within the Afghan ministries. To maintain continuity with the scope of the prior audit, SIGAR limited its review to salary support State and USAID provided through bilateral assistance to Afghan government employees and embedded technical advisors in nonsecurity ministries.

July 2017

Salary Support: State and USAID Need to Address SIGAR's Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors

SIGAR 17-56 AUDIT REPORT

WHAT SIGAR FOUND

After nearly 7 years, most of the recommendations SIGAR made in its October 2010 report on salary support have not been fully addressed by State and USAID. SIGAR reviewed the 10 recommendations from its 2010 report, and determined that State did not fully address 8 recommendations and USAID did not fully address 5. By not fully addressing these recommendations, State and USAID continue to provide salary support to Afghan government employees and embedded technical advisors, respectively, without implementing safeguards designed to ensure that the funds are used as intended.

State fully addressed two recommendations: (1) to use a standardized salary scale for its salary support, and (2) to require that U.S.-funded positions within the Afghan government are on its official list of approved staff positions. USAID also fully addressed two recommendations: (1) to use a standardized salary scale for its salary support, and (2) to identify its existing and planned salary support and determine whether it aligns with the agency's guidance and strategic goals.

State has not fully addressed SIGAR's eight prior recommendations to:

1. Establish principles and reporting requirements for salary support that facilitate a transition to Afghan responsibility.
2. Define key salary support-related terms to facilitate information sharing and transparency.
3. Designate a representative to serve as a focal point for U.S. agencies for salary support requests and monitoring.
4. Issue salary support guidance that includes priorities, coordination mechanisms, and standardized salary ranges.
5. Identify the extent of existing and planned salary support and whether it is in line with issued guidance and strategic goals.
6. Conduct a risk assessment of Afghan government payroll and human resources systems used for salary support, and institute requirements to mitigate identified weaknesses.
7. Develop a mechanism to detect when employees receive multiple salary payments.
8. Require that recipients of salary support be paid electronically, if appropriate financial controls exist.

For example, State provided funds for salary support through Afghan government payroll systems, but did not conduct any risk assessments of those systems to ensure that they were able to account for those funds. Additionally, although State acknowledges that using electronic

payments is a best practice, it does not have a policy in place requiring their use for salary support when feasible.

USAID has not fully addressed SIGAR's five prior recommendations to:

1. Establish principles and reporting requirements for salary support that facilitate a transition to Afghan responsibility.
2. Define key salary support-related terms to facilitate information sharing and transparency.
3. Designate a representative to serve as a focal point for U.S. agencies for salary support requests and monitoring.
4. Issue salary support guidance that includes priorities, coordination mechanisms, and standardized salary ranges.
5. Require that recipients of salary support be paid electronically, if appropriate financial controls exist.

For example, although USAID guidance discusses its technical assistance priorities and includes standardized salary ranges, it does not have guidance that would help facilitate coordination with State. In addition, like State, USAID does not include requirements for electronic payments in all of its active awards through which it provides salary support for embedded technical advisors.

Without these safeguards, State and USAID increase the risk that these funds may be used inefficiently, misused, or wasted.

WHAT SIGAR RECOMMENDS

SIGAR is repeating prior recommendations that have not been not fully addressed, with modifications to account for actions taken by State and USAID since the 2010 report.

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

- 1. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.**
- 2. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as "salary support," "salary supplement," "technical advisor," and other related terms, to facilitate information sharing and improve transparency over donor salary support.**

To ensure State's and USAID's salary support is strategically targeted toward prioritized needs and goals, and is consistently applied across the agencies, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

- 3. Designate a representative to serve as a focal point to respond to requests for salary support and reconcile salary support provided by the agencies.**

To ensure USAID's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, SIGAR recommends that the USAID Mission Director for Afghanistan:

- 4. Issue guidance that includes interagency salary support coordination mechanisms.**

To ensure State's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

- 5. Issue guidance that includes salary support priorities, interagency coordination mechanisms, and standardized salary ranges.**

6. Identify the full extent of planned salary support, and determine whether that support aligns with this guidance and U.S. strategic goals and objectives.

To enhance safeguards and improve accountability over State funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

- 7. Conduct a risk assessment of the Afghan government's payroll and human resources systems and procedures used to disburse State-funded salary support to identify weaknesses in the systems, and institute conditions or requirements to address those weaknesses.**
- 8. Work with the Ministry of Finance, in coordination with other donors, to develop a mechanism to detect when Afghan government employees receive multiple salary payments.**

To enhance safeguards and improve accountability over State and USAID funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

9. Require salary support recipients to be paid electronically when appropriate financial controls exist.

SIGAR received written comments on a draft of this report from State's Bureau of International Narcotics and Law Enforcement Affairs and the USAID Mission for Afghanistan. State neither agreed nor disagreed with the eight recommendations directed to it. According to State, it stopped providing salary support to certain Afghan government employees under a project implemented by the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific in December 2016, and will reconsider the recommendations if it chooses to provide support again through future projects. The department did not indicate whether it will provide salary support again in the future, but stated that it would reevaluate SIGAR's recommendations should it consider doing so for any of its future projects. Because State may provide salary support again, SIGAR maintains that the recommendations should be addressed to ensure that mechanisms to coordinate and account for salary support are in place when they are needed. Accordingly, all eight recommendations will remain open.

USAID concurred with four of the five recommendations directed to it, but did not concur with the recommendation to designate a representative to serve as a focal point to respond to requests for salary support and monitor salary support provided by the agencies. In its response, USAID stated that it was not feasible for a representative to serve as a focal point to respond to requests for support and monitor other agencies' salary support, or for a focal point to approve salary support requests across multiple projects. However, SIGAR is neither recommending that USAID monitor other agencies' salary support, nor that the designated focal point serve as the approving authority for salary support requests. Instead, SIGAR is recommending only that USAID and State designate a focal point to ensure that both agencies are aware of the salary support they provide and to respond to any requests for salary support they receive. SIGAR continues to believe this recommendation is reasonable and needed. Therefore, the recommendation was revised to clarify SIGAR's intention and will remain open until USAID provides evidence that a focal point has been identified, or some other action has been taken to correct the problem and appropriate coordination mechanisms are in place.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 25, 2017

The Honorable Rex W. Tillerson
Secretary of State

The Honorable William R. Brownfield
Assistant Secretary for International Narcotics and
Law Enforcement Affairs

Mr. Wade Warren
Acting Administrator, U.S. Agency for International Development

The Honorable Hugo Llorens
Special Chargé d'Affaires to Afghanistan

Mr. Herbert B. Smith
USAID Mission Director for Afghanistan

This report discusses the results of SIGAR's follow-up audit of the Department of State's (State) and the U.S. Agency for International Development's (USAID) salary support for Afghan government employees and technical advisors embedded within the government. We focused on the agencies' salary support efforts since our October 2010 audit report on the subject and assessed the extent to which they addressed the 10 recommendations included in that report.

We are repeating prior recommendations that State and USAID have not fully addressed, with modifications to account for actions they have taken since our 2010 report.

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, we recommend that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

1. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.
2. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as "salary support," "salary supplement," "technical advisor," and other related terms, to facilitate information sharing and improve transparency over donor salary support.

To ensure State's and USAID's salary support is strategically targeted toward prioritized needs and goals and is consistently applied across the agencies, we recommend that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

3. Designate a focal point to respond to requests for salary support and reconcile salary support provided by the agencies.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

To ensure USAID's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, we recommend that the USAID Mission Director for Afghanistan:

4. Issue guidance that includes interagency salary support coordination mechanisms.

To ensure State's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, we recommend that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

5. Issue guidance that includes salary support priorities, interagency coordination mechanisms, and standardized salary ranges.
6. Identify the full extent of planned salary support, and determine whether that support aligns with this guidance and U.S. strategic goals and objectives.

To enhance safeguards and improve accountability over State funding for salary support, we recommend that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

7. Conduct a risk assessment of the Afghan government's payroll and human resources systems and procedures used to disburse State-funded salary support to identify weaknesses in the systems, and institute conditions or requirements to address those weaknesses.
8. Work with the Ministry of Finance, in coordination with other donors, to develop a mechanism to detect when Afghan government employees receive multiple salary payments.

To enhance safeguards and improve accountability over State and USAID funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

9. Require salary support recipients to be paid electronically when appropriate financial controls exist.

We received written comments on a draft of this report from State's Bureau of International Narcotics and Law Enforcement Affairs, and the USAID Mission for Afghanistan, which are reproduced in appendices V and VI, respectively. State neither agreed nor disagreed with the eight recommendations directed to it. USAID concurred with four of the recommendations directed to it and did not concur with one. Additionally, State and USAID provided technical comments, which we incorporated into this report as appropriate.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended, and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

TABLE OF CONTENTS

Background	2
State Did Not Fully Address Eight Prior SIGAR Recommendations, and USAID Did Not Fully Address Five Recommendations	4
Conclusion.....	11
Recommendations	11
Agency Comments	13
Appendix I - Scope and Methodology	15
Appendix II - Department of State Projects Providing Salary Support Since 2010.....	16
Appendix III - U.S. Agency for International Development Active Awards Providing Salary Support	18
Appendix IV - Recommendations from Prior SIGAR Audit of U.S. Salary Support	23
Appendix V - Comments from Department of State.....	26
Appendix VI - Comments from U.S. Agency for International Development	29
Appendix VII - Acknowledgments	36

TABLES

Table 1 - Status of SIGAR's 2010 Audit Recommendations by Agency	5
Table 2 - State Projects Providing Salary Support Since 2010.....	16
Table 3 - USAID Active Awards Providing Salary Support, as of September 2016	18
Table 4 - Overview of Recommendations from SIGAR's Prior Audit of U.S. Salary Support	23

ABBREVIATIONS

ARTF	Afghanistan Reconstruction Trust Fund
CBR	Capacity Building for Results Facility
Colombo Plan	Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific
INL	Bureau of International Narcotics and Law Enforcement Affairs
MOF	Ministry of Finance
MOPH	Ministry of Public Health
NTA	National Technical Assistance
PAS	Public Affairs Section
State	U.S. Department of State
USAID	U.S. Agency for International Development

The Afghan government relies on financial assistance from the United States and other international donors. In some cases, this assistance helps pay salaries and benefits for government employees. Referred to as “salary support,” these payments are designed to help the Afghan government attract and retain skilled workers by offering compensation competitive with salaries international donors offer their employees. In addition, donors may pay the salaries of technical advisors who, for some assistance projects, are embedded within the Afghan ministries to build capacity by training and mentoring their employees.¹ For the purposes of this report, we also refer to these payments as salary support. Since 2010, the Department of State (State) and the U.S. Agency for International Development (USAID) have spent at least \$27.8 million on salary support for Afghan government employees and embedded technical advisors for Afghan ministries and offices not in the security sector.

We issued our first audit report on U.S. agencies’ oversight of salary support payments in October 2010.² We concluded that the weaknesses identified in hiring, promoting, and paying Afghan recipients of salary support put the U.S. government’s and other donors’ funding for salary support at risk of waste, misuse, and corruption. We also noted that U.S. and Afghan officials attributed a greater risk of corruption within the Afghan government, in part, to a lack of oversight of donor salary support funds. To address these concerns, we made 10 recommendations to the U.S. Ambassador to Afghanistan, who directs and coordinates State and USAID offices and personnel at the U.S. Embassy in Kabul. These recommendations were designed to help ensure that the necessary internal controls were put in place to safeguard U.S. funding for salary support and improve the long-term sustainability and capacity of the Afghan government.

In its comments on a draft of that report, the embassy—on State’s and USAID’s behalf—concurred with all 10 recommendations. We closed one recommendation as implemented in September 2012 and in June 2013 closed the remaining nine as unimplemented due to State’s and USAID’s lack of action. We also intended to reexamine these issues in future audit work, given our ongoing concerns about the vulnerability of providing U.S. salary support without adequate safeguards in place.

The objective of this follow-up audit was to determine the extent to which State and USAID addressed our prior recommendations, and, if not, whether additional actions should be taken. We reviewed all 10 of the previous recommendations regardless of whether they were closed as implemented or unimplemented. To maintain continuity with the scope of our prior audit, we limited our review to salary support State and USAID provided through bilateral assistance to Afghan government employees and embedded technical advisors in nonsecurity ministries.³

To accomplish this objective, we reviewed State and USAID award documents, agreements, and written responses concerning their salary support activities, as well as additional data they provided.⁴ We also reviewed responses from the embassy in response to our recommendation follow-up for the 2010 audit. We

¹ We also examined salary support to technical advisors in our 2010 report. Although we referred to these individuals as “technical advisors” in that report, we refer to them as “embedded technical advisors” in this report.

² SIGAR, *Actions Needed to Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors*, SIGAR Audit 11-5, October 29, 2010.

³ USAID also provides direct assistance for salary support through the Afghanistan Reconstruction Trust Fund, which also receives funding from other international donors. The World Bank administers this fund and is responsible for managing and overseeing it on the donors’ behalf. We are currently conducting an audit of U.S. contributions to the ARTF and have previously reported on this topic (see SIGAR, *The World Bank and the Afghan Government Have Established Mechanisms to Monitor and Account for Funds Contributed to the Afghan Reconstruction Trust Fund, but Some Limitations and Challenges Should Be Addressed*, SIGAR Audit 11-14, July 22, 2011). We examined salary support to the Afghan National Defense and Security Forces in prior audits (see SIGAR, *Afghan National Army: Millions of Dollars at Risk Due to Minimal Oversight of Personnel and Payroll Data*, SIGAR 15-54-AR, April 23, 2015; and SIGAR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, SIGAR 15-26-AR, January 7, 2015).

⁴ According to USAID’s Automated Directives System, Chapter 201, “Program Cycle Operational Policy,” an award is a “form of implementing mechanism through which USAID transfers funds to an implementing partner, generally selected through a competitive process resulting in a contract, grant, or cooperative agreement.”

interviewed officials from State's Bureau of International Narcotics and Law Enforcement Affairs (INL), the USAID Mission for Afghanistan, and the Afghan government's Independent Administrative Reform and Civil Service Commission regarding salary support provided by the U.S. government and international donors. We conducted our work in Washington, D.C., and Kabul, Afghanistan, from May 2015 to July 2017, in accordance with generally accepted government auditing standards. Appendix I has a more detailed discussion of our scope and methodology.

BACKGROUND

To help the Afghan government retain personnel, international donors provide salary support payments to various ministries. These payments may be included as part of a larger assistance project and can include salary supplements, through which a donor augments an individual employee's base pay. In addition to providing salary support for Afghan government employees, some donor projects pay the salaries of embedded technical advisors. In some instances, these advisors not only trained and mentored government employees, but also performed governmental functions.

In our 2010 report on our audit of State's and USAID's use of salary support in Afghanistan, our key findings were that:

- The full extent of U.S. and donor salary support to Afghan government employees and embedded technical advisors was unknown, and donors perpetuated a lack of transparency by underreporting salary support.
- State and USAID inconsistently identified and applied salary support due to a lack of unified interagency guidance, including a process for centrally managing salary support data.
- Donors' practices of paying higher salaries than the Afghan government, funding positions outside the government's planning and budgeting process, and lack of coordination undermined the long-term development of the government's capacity and ability to attract and retain skilled employees.
- Weaknesses in the Afghan government's ability to track and pay salaries electronically increased the risk that U.S. salary support funds could be mismanaged or abused.

Since 2010, State and USAID together have spent at least \$27.8 million on salary support for Afghan government employees and embedded technical advisors in nonsecurity ministries. According to State, of this amount, it spent almost \$5.8 million on salary support through two projects funded by INL, two projects funded by the U.S. Embassy in Kabul's Public Affairs Section (PAS) through the Economic Support Fund, and an undetermined number of projects PAS managed and paid for with public diplomacy funds through State's Diplomatic and Consular Programs budget.⁵ Appendix II provides details about these State projects.

According to INL officials, State only provided salary support to Afghan government employees through a project implemented by the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (Colombo Plan), a regional intergovernmental organization.⁶ State began providing salary support through this project in January 2015. As part of the project, INL paid a portion of the salaries for certain drug treatment center employees in Afghanistan because the Ministry of Public Health (MOPH) could not afford to pay them. According to State's responses to our requests for information, the department had no other

⁵ The Economic Support Fund is dedicated to promoting economic or political stability in regions where the United States has special security interests. Public diplomacy funds are used to support U.S. foreign policy and national interests by influencing foreign populations and strengthening the relationship between them and the U.S. public and government. One method State uses to spend public diplomacy funds is its Diplomatic and Consular Programs budget, which pays for groundwork and support activities conducted by diplomatic posts abroad. PAS refused to provide information beyond the total amount spent, about its projects that provide salary support to Afghan government employees and are paid for with public diplomacy funds. PAS stated erroneously that these projects were not within our oversight mandate.

⁶ The project aims to strengthen the operation and service delivery of drug treatment and rehabilitation centers in Afghanistan.

projects funding salary support for Afghan government employees or embedded technical advisors.⁷ In its June 2017 comments on a draft of this report, INL stated that it ended salary support to the project in December 2016 because the MOPH received sufficient funding from the Afghan government to cover the salaries of all drug treatment center clinical staff.⁸ However, in its comments, State has not said whether it will provide salary support again in the future.

In its responses to our request for information, USAID stated that it no longer directly provides salary support, including salary supplements, to Afghan government employees. Instead, USAID said that it supports employees through its contributions to the Afghanistan Reconstruction Trust Fund (ARTF), which funds salary support to Afghan government employees through its Capacity Building for Results Facility (CBR) project.

However, USAID continues to provide salary support for embedded technical advisors. According to agency data, it spent more than \$22 million on this support through 21 awards that were active as of September 2016.⁹ Appendix III provides details about these awards. We could not determine the full extent of salary support the agency has provided since 2010 because USAID officials could not readily provide data regarding funds spent on salary support for its closed awards. The officials told us the agency's agreements with public international organizations prevent it from requiring them to report certain information upon request, such as data about the embedded technical advisors these organizations may fund.

Summary of SIGAR's Prior Recommendations to Improve the Salary Support Process

In our 2010 report, we made 10 recommendations to the U.S. Ambassador to Afghanistan, to be implemented by State and USAID. To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, we recommended that the ambassador coordinate with other international donors and the Afghan government through formal coordination mechanisms to collectively:

1. Establish principles, including reporting requirements, to guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.
2. Define key terms, such as salary support, salary supplement, technical advisor, and other related terms, to facilitate information sharing and improve transparency over donor salary support.
3. Develop and utilize a standardized salary scale that is more closely aligned with Afghan government-approved scales for salaries and salary supplements.

To ensure that U.S. salary support was strategically targeted toward prioritized needs and goals, and is consistently applied across U.S. agencies, we recommended that the ambassador:

4. Designate a representative to serve as a focal point for requests for salary support and monitor salary support provided by U.S. agencies.
5. Issue guidance that includes priorities, coordination mechanisms, and standardized salary ranges.
6. Identify the full extent of existing and planned U.S. salary support, and determine whether that support is in line with this guidance and U.S. strategic goals and objectives.

To enhance safeguards and improve accountability over U.S. funding for salary support, we recommended that the ambassador:

⁷ INL also provides salary support to recipients in the security sector, but this was outside our scope.

⁸ INL's comments are reproduced in appendix V.

⁹ These 21 active awards are expected to end between November 2016 and June 2020.

7. Require verification that positions funded by U.S. agencies are on the *tashkil* or are planned to be transferred on to the *tashkil*.¹⁰
8. Conduct a risk assessment of the Afghan government payroll and human resources systems and procedures used to disburse salary support in order to determine weaknesses in the systems, and institute conditions or requirements to mitigate those risks.
9. Work with the Ministry of Finance (MOF), in conjunction with other donors, to develop a mechanism to detect when employees receive multiple salary payments.
10. Require that recipients of U.S. salary support be paid electronically, if appropriate financial controls exist.

Appendix IV lists all 10 recommendations, whether the ambassador concurred, their status, and our findings regarding their current applicability.

STATE DID NOT FULLY ADDRESS EIGHT PRIOR SIGAR RECOMMENDATIONS, AND USAID DID NOT FULLY ADDRESS FIVE RECOMMENDATIONS

In comments on a draft of our October 2010 report, the U.S. Ambassador to Afghanistan concurred with all 10 of our prior recommendations. However, in December 2012, the embassy's Coordinating Director for Development and Economic Assistance told us the embassy no longer agreed with recommendations 3, 5, 6, and 10, stating that they were no longer applicable or feasible to implement.¹¹

We reviewed each recommendation to determine whether it is still applicable and actionable. We determined that all 10 recommendations are applicable to State because the department has not eliminated the possibility of resuming salary support in the future. Because USAID only funds salary support for embedded technical advisors, we determined that 7 of the 10 recommendations are applicable to the agency, while recommendations 7, 8, and 9 are no longer applicable.

We considered a recommendation to be fully addressed if State and USAID took appropriate action to implement it for their respective agency. Based on our assessment, we found that State had not fully addressed 8 of the 10 applicable recommendations and USAID had not fully addressed 5 of the 7 applicable recommendations. Table 1 shows the status of the 2010 recommendations for State and USAID.

¹⁰ The *tashkil* is the Afghan government's official list of authorized staff positions.

¹¹ The embassy's Coordinating Directorate for Development and Economic Affairs provided the response to our 2010 report on behalf of the ambassador and served as SIGAR's point of contact for recommendation follow-up. The directorate provided oversight and direction for all civilian assistance from the U.S. government to Afghanistan, including the USAID mission.

Table 1 - Status of SIGAR's 2010 Audit Recommendations by Agency

Recommendation (Abridged)	Status for State	Status for USAID
1 Establish principles and reporting requirements for salary support that facilitate a transition to Afghan responsibility.		
2 Define key salary support-related terms to facilitate information-sharing and transparency.		
3 Develop and utilize a standardized salary scale more closely aligned with Afghan government-approved salary scales.		
4 Designate a representative to serve as a focal point for U.S. agencies for salary support requests and monitoring.		
5 Issue salary support guidance that includes priorities, coordination mechanisms, and standardized salary ranges.		
6 Identify the extent of existing and planned salary support, and whether it is in line with issued guidance and strategic goals.		
7 Require verification that U.S.-funded positions are on or are planned to be transferred on to the Afghan government's tashkil.		
8 Conduct a risk assessment of Afghan government payroll and human resources systems used for salary support, and institute requirements to mitigate identified weaknesses.		
9 Develop a mechanism to detect when employees receive multiple salary payments.		
10 Require that recipients of salary support be paid electronically, if appropriate financial controls exist.		

 Recommendation remains applicable and is addressed.

 Recommendation remains applicable but is not addressed.

 Recommendation is no longer applicable.

Source: SIGAR analysis of information provided by State and USAID

Recommendation 1: Establish Principles and Reporting Requirements for Salary Support that Facilitate a Transition to Afghan Responsibility

Neither State nor USAID has fully addressed recommendation 1. In its response to our request for information concerning how it has addressed the recommendation, State said embassy officials participate in discussions with international donors about the ARTF-funded CBR project, which provides salary support for Afghan government employees. According to State's response, the CBR project is the main mechanism for donors to coordinate salary support principles and reporting requirements. However, the salary support State funded does not flow through the CBR project. The department's response did not explain how the CBR-related discussions and any decisions made regarding that project affect salary support provided through other projects and funding mechanisms in Afghanistan, such as State's previous funding through the Colombo Plan of salary support for drug treatment center employees.

USAID has not coordinated with international donors to establish salary support principles. In a written response to us, the mission said it discusses salary support with international donors through regular aid coordination meetings. It also cited efforts to align salaries among international donors that culminated, in part, with the Afghan government approving salary scale and implementation guidelines for national technical assistance (NTA). The NTA guidelines are intended to (1) align Afghan technical assistance salary scales among donors, (2) ensure that the scales are transparent and fiscally sustainable, and (3) strengthen the government's hiring ability. Additionally, the guidelines established a framework for coordination, data reporting, and oversight mechanisms that the Afghan government can use to monitor donors' use of technical assistance, the salary scales they use, and their compliance with the guidelines. For example, the guidelines include provisions to establish a supervisory committee that would include representatives of international donors and the Afghan government, receive regular data on technical assistance, establish a technical assistance contract database, and revise the salary scale if needed.

USAID Mission for Afghanistan officials told us the agency is implementing only the salary scale portion of the NTA guidelines, and in July 2016, the mission directed its implementing partners to use the NTA salary scale when hiring or renewing contracts for local staff working on agency-funded projects. One USAID official told us the Afghan government had not yet formed the supervisory committee that would allow for implementation of the coordination, data reporting, and oversight mechanisms in the guidelines. Although the mission officials said USAID implemented the NTA salary scale, they could not provide any supporting documentation of USAID discussing its salary support efforts with other international donors.

Beyond USAID's July 2016 directive, neither USAID nor State has comprehensive policies that specifically govern all aspects of their salary support for Afghan government employees or embedded technical advisors. USAID does have a policy discouraging the use of salary supplements for foreign government employees.¹² Issued in 1988 and codified in the agency's acquisition regulations, the policy allows exceptions when paying supplements is deemed necessary for achieving program objectives. As previously noted, the agency no longer provides salary supplements to Afghan government employees.

In 2010, we found that unclear reporting instructions contributed to confusion among U.S. and other international donor officials about the type of information they were expected to report to the Afghan government when it asked for an overview of salary support data. By not establishing common salary support principles and reporting requirements, State and USAID continue to risk inadvertently reporting inaccurate or unwanted data when coordinating salary support with other donors or the Afghan government. Furthermore, this makes it difficult to plan to transfer responsibility for salary payments to the Afghan government.

Recommendation 2: Define Key Salary Support-Related Terms to Facilitate Information Sharing and Transparency

Neither State nor USAID has fully addressed recommendation 2. In its written response to our request for information on how it had addressed the recommendation, State referred to embassy officials participating in discussions about the CBR project. According to State, the project is also the main forum for defining terms related to salary support in Afghanistan. However, as with its response to recommendation 1, State did not explain how CBR-related discussions and any resulting definitions regarding that project's activities affect State's salary support provided outside of the CBR.

USAID stated that it discussed salary support-related definitions with international donors, and mission officials told us they have an informal understanding of what those definitions are. Although the agency's 1988 salary supplement policy includes a definition of "salary supplement," USAID could not produce any evidence of its representatives discussing this or other salary support-related definitions with international donors, or any documentation of agreed-upon definitions that resulted from those discussions.

¹² USAID Acquisition Regulation 731.205-71, "Salary Supplements for Host Government Employees."

We previously reported that use of varying definitions contributed to confusion among U.S. and international officials when reporting salary support information to the Afghan government. Although USAID mission officials said they have an informal understanding of salary support definitions, the high annual turnover of staff at the mission could result in any informal consensus about salary support definitions not lasting beyond the tenure of current officials.¹³ By not using common definitions of salary support-related terms, State and USAID continue to risk inadvertently reporting inaccurate or unwanted data.

Recommendation 3: Develop and Utilize a Standardized Salary Scale More Closely Aligned with Afghan Government-Approved Salary Scales

Since our 2010 report, State and USAID have fully addressed recommendation 3. We found that both State and USAID took action to fully address the recommendation, even though in December 2012 the embassy informed us that it no longer agreed with this recommendation. Its reasoning was that aligning U.S.-funded pay scales with the Afghan government's scales could derail prior project successes by local staff taking jobs with international donors that pay more.

Despite this, State provided salary support through the Colombo Plan to the Afghan government, which then paid the salaries of individuals on the tashkil. According to State, all of these salaries are paid in accordance with the Afghan government's NTA salary scale. Similarly, as previously discussed, USAID instructed its implementing partners in July 2016 to use a standardized salary scale that aligns with the NTA salary scale when hiring or renewing the contracts of local staff working on USAID-funded projects.

We noted in our 2010 report that donors' use of salary scales above the Afghan government-approved rates could weaken government institutions by limiting the government's ability to recruit qualified personnel. By taking action to mitigate this negative effect of donor salary support, State and USAID may help the Afghan government decrease its turnover rate, which was high when we released our prior report due to employees leaving for more lucrative jobs with international donors.

Recommendation 4: Designate a Representative to Serve as a Focal Point for U.S. Agencies for Salary Support Requests and Monitoring

State and USAID have not fully addressed recommendation 4. We closed this recommendation as implemented in September 2012 because the embassy told us it had formed a working group—comprised of senior officials, including representatives from USAID, INL, and PAS—that focused on salary support-related issues. In May 2016, USAID said this working group still existed, but State said a month later that the group no longer met. In March 2017, State said INL and USAID hold regular meetings to coordinate their program activities, but did not provide any documentation to show that participants discussed salary support. By not coordinating their salary support with each other, there is a risk State and USAID salary support funds are not provided consistently or fully monitored.

Recommendation 5: Issue Salary Support Guidance that Includes Priorities, Coordination Mechanisms, and Standardized Salary Ranges

USAID has addressed two of the three parts of recommendation 5, while State has not addressed any parts of the recommendation. After initially agreeing with the recommendation, in December 2012 the embassy

¹³ In December 2015, the Government Accountability Office reported that most U.S. employees at the embassy are assigned there for just 1 year, causing substantial turnover each year. Because of this turnover, the office found that institutional knowledge among staff regarding their roles could be limited. See Government Accountability Office, *Afghanistan: State and USAID Should Evaluate Actions Taken to Mitigate Effects of Attrition among Local Staff*, GAO-16-100, December 3, 2015.

informed us that it no longer agreed, stating that a single policy for all U.S. salary support would not be appropriate because each agency faced different challenges and goals.

We asked State what actions it took to address the recommendation since our prior report. In its June 2016 response, State wrote that the department looks to USAID's 1988 salary supplement guidance as a model for its own salary support activities. In its March 2017 response, State clarified that it does not officially require its staff to follow USAID's guidance because the department is withdrawing from most of its salary support efforts. However, we determined that USAID's salary supplement guidance is not relevant for this recommendation because it does not discuss priorities, coordination mechanisms, or standardized salary scales. In addition, State's most recent salary support funded portions of Afghan government employees' base salaries and were not salary supplements, which the USAID policy defines as payments that increase an employee's base salary.

We found that USAID, unlike State, took action that addressed parts of the recommendation: to issue salary support guidance that includes priorities and standardized salary ranges. USAID identified the mission's priorities for providing technical assistance in *The USAID/Afghanistan Plan for Transition 2015–2018*.¹⁴ Additionally, the agency instructed its implementing partners, through its July 2016 directive, to use a standardized salary scale that aligns with the Afghan government's NTA scale. USAID's actions did not fully address the second part of the recommendation to issue guidance about interagency coordination mechanisms because the working group that would have achieved this—the one established in response to recommendation 4—no longer meets.

By providing salary support without guidance that defines priorities, coordination mechanisms, and standardized salary ranges, State risks providing any future salary support inconsistently and without clear goals for that assistance. Similarly, without guidance for an interagency coordination mechanism, USAID may be providing salary support in ways that are inconsistent with, or even duplicative of, salary support projects provided by other agencies.

Recommendation 6: Identify the Extent of Existing and Planned Salary Support, and Whether It Is in Line with Issued Guidance and Strategic Goals

State has addressed one of the two parts of recommendation 6, while USAID has fully addressed it. After initially agreeing with the recommendation, in December 2012 the embassy informed us it no longer agreed. It stated that because the unified guidance referenced in recommendation 5 would not be appropriate, it would not be possible to determine whether agencies provided salary support in accordance with that guidance. Despite this, in February 2017, State did identify its existing salary support. Additionally, it noted a month later that it was in the process of finalizing a document that would discuss the salary support it planned to provide in the future.

We determined that USAID took action to address recommendation 6 by identifying the extent of its existing salary support for embedded technical advisors in response to our inquiries, and its planned areas of future support in *The USAID/Afghanistan Plan for Transition 2015–2018*, which also discusses how that support fits into the mission's overall assistance strategy for this period.

By not developing guidance as part of recommendation 5 and determining whether its planned use of salary support aligns with that guidance, State risks making future salary support payments without the benefit of clear priorities and standard policies. This creates a broader risk that its future salary support may not align with U.S. strategic goals and objectives. In contrast, USAID's actions may ensure that its future salary support helps achieve these goals.

¹⁴ The 2015–2018 transition plan discusses how the USAID Mission for Afghanistan plans to address three development objectives: (1) expanding sustainable, agriculture-led economic growth; (2) maintaining and enhancing gains in health, education, and empowering women; and (3) improving the performance and legitimacy of the Afghan government. See USAID, *The USAID/Afghanistan Plan for Transition 2015–2018*, August 2, 2016.

Recommendation 7: Require Verification that U.S.-Funded Positions Are On or Planned to Be Transferred On to the Afghan Government's Tashkil

State has fully addressed recommendation 7, and it is no longer applicable to USAID. In its June 2016 response to our request for information about how it addressed the recommendation, State told us that it requires the Afghan government positions it funds to be either on the tashkil or planned to be transferred on to the tashkil. However, the department did not provide us with any documentation to support its assertion. Despite this lack of documentation, State addressed the recommendation in December 2016 when it determined that the positions for all of its current salary support recipients were on the tashkil.

USAID only provides salary support for embedded technical advisors and no longer directly funds Afghan government employees' salaries. As a result, there is no longer a need for USAID to verify that any positions are on or planned to be on the tashkil.

We previously reported that by funding positions not authorized on the tashkil, agencies might be paying for positions the government does not need and cannot afford to pay for on its own. By taking action to address the recommendation, State may help mitigate this potential negative effect of its salary support.

Recommendation 8: Conduct a Risk Assessment of Afghan Government Payroll and Human Resources Systems Used for Salary Support, and Institute Requirements to Mitigate Identified Weaknesses

State has not fully addressed recommendation 8, and it is no longer applicable to USAID. In a February 2017 response to us, State said its salary support efforts channeled funds from INL to the MOF and MOPH via its implementing partner. The ministries then distributed the funds to individuals with positions on the tashkil. However, in April 2017 INL told us it has not conducted a risk assessment of the Afghan government's payroll and human resources systems.

According to USAID, all of its salary support for embedded technical advisors is provided through off-budget projects, which are not managed or paid for through Afghan government systems. The salary support USAID provides to Afghan government employees through the ARTF is managed by the World Bank. As a result, as it specifically relates to salary support, there is no longer a need for USAID to conduct risk assessments of Afghan government payroll and human resources systems because they are not being used to provide USAID-funded salary support.¹⁵

In January 2014, we reported that USAID's contracted assessments of the MOF and MOPH led the agency to conclude that the ministries' systems and internal controls could not safeguard U.S. or other donor funds.¹⁶ In addition, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee reported in June 2016 that the MOPH continues to lack the capacity to manage donor funds.¹⁷ As a result, by not conducting a risk assessment of the Afghan government systems used to disburse its salary support funds, State continues to place those funds at risk of waste, fraud, and abuse.

¹⁵ USAID may still need to assess these systems for other purposes, as noted in our 2014 audit of the agency's assessments of various Afghan ministries (see SIGAR, *Direct Assistance: USAID Has taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, SIGAR 14-32-AR, January 30, 2014).

¹⁶ SIGAR, *Direct Assistance*, SIGAR 14-32-AR.

¹⁷ The Independent Joint Anti-Corruption Monitoring and Evaluation Committee is an independent agency comprised of anticorruption experts selected by the Afghan government and the international community to develop anticorruption recommendations, and monitor and evaluate anticorruption efforts in Afghanistan. For its assessment of the MOPH, see Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Vulnerability to Corruption Assessment in the Afghan Ministry of Public Health*, June 4, 2016.

Recommendation 9: Develop a Mechanism to Detect When Employees Receive Multiple Salary Payments

State has not fully addressed recommendation 9, and it is no longer applicable to USAID. When we asked State how it addressed the recommendation, the department referred us again to the CBR project as the main forum for developing a mechanism to detect Afghan government employees receiving multiple salary payments. However, similar to its responses to recommendations 1 and 2, State did not provide documentation regarding how the CBR mechanism would work for salary support that is not provided through the project, like the department's previous support provided through the Colombo Plan. Because USAID no longer provides salary support directly to Afghan government employees, the agency would not benefit from a mechanism to detect when those employees receive multiple salary payments.

We previously reported that the MOF did not compare donor salary support data, meaning that the Afghan government could not detect when recipients received multiple salary payments. Without a mechanism to detect payments from multiple sources to an employee for the same job, State continues to risk providing duplicative salary payments, resulting in a waste of funds.

Recommendation 10: Require that Recipients of Salary Support Be Paid Electronically if Appropriate Financial Controls Exist

Neither State nor USAID has fully addressed recommendation 10. Although it initially concurred with the recommendation, the embassy in Kabul informed us in December 2012 that it no longer agreed with it, stating that electronic payment technology was not feasible throughout Afghanistan and not all Afghans had the skills and knowledge needed to fully use such systems. Instead, the embassy said it would continue to advocate for implementing and expanding electronic payment technology.

However, the embassy's objection to this recommendation was unwarranted because we recommended the use of electronic payments "if appropriate financial controls exist." We did not recommend that the embassy require mandatory use of electronic payments in all regions of Afghanistan or for all salary support recipients. When we asked State for its current policy on the use of electronic payment systems, the department told us that it decides on a contract-by-contract basis whether to provide payments electronically, but noted that using such systems "is generally considered to be a best practice."

During our fieldwork for this audit, we asked USAID about its use of electronic payments. The agency stated that it is now working with the Afghan government to develop "mobile money" systems, in which a user transfers funds via a text-message-based system on a mobile phone. In addition, in August 2014 USAID issued guidance to its acquisition staff—including its contracting officers, agreement officers, and activity managers—that "electronic payment systems are a sound and preferred business practice" and should be the default method of payment for all awards.¹⁸ The guidance included language for contracting and agreement officers to insert into contracts and cooperative agreements. However, according to the agency, this is not a formal policy.

In April 2017, the mission told us it includes the electronic payment guidance as a special provision in its acquisition awards. To verify this and determine the extent to which the agency is applying its 2014 electronic payment guidance, we reviewed files for the 21 awards through which USAID funds salary support for embedded technical advisors.¹⁹ We found that:

¹⁸ USAID Procurement Executive Bulletin 2014-06, *Guidance for Electronic Payments under USAID Awards*, August 6, 2014.

¹⁹ We reviewed all USAID awards with salary support components that were active as of September 2016. These awards began between July 2009 and July 2016, and are expected to end between November 2016 and June 2020. We did not review awards closed before then because, as previously discussed, USAID told us it could not readily provide data related to them because it does not track salary support funds as a distinct component of its projects. In addition, we did not review awards to public international organizations that may have included salary support components because, according

- Thirteen awards required or encouraged paying individuals through electronic payment systems. Eight of these 13 also included clauses that require implementers to pay individuals in accordance with their established policies.
- Three awards did not require or encourage the use of electronic payments but did require implementers to pay individuals in accordance with their established policies.
- The five remaining awards did not specify any payment delivery requirements.

As we have previously reported, not using electronic salary payments can lead to opportunities for fraud and corruption, as well as a lack of accountability.²⁰ By not requiring electronic salary support payments when feasible, both State and USAID continue to risk salary support payments being stolen and misused.

CONCLUSION

Since we issued our 2010 report, State and USAID have continued to provide salary support. By not fully addressing most of the recommendations in that report, which were designed to mitigate some of the potential negative effects of donor salary support, the agencies risk providing it, for example, without first establishing principles and reporting requirements to guide how and under what conditions international donors should provide salary support. This could lead to miscommunication and a lack of transparency among donors and the Afghan government. Similarly, by not taking the recommended actions to ensure that their salary support efforts are targeted and consistently applied, State and USAID risk funding salary support in program areas that do not align with U.S. strategic goals and objectives. Additionally, by not fully addressing our recommendations aimed at enhancing safeguards and accountability over U.S. salary support funds, State and USAID increase the risk that weaknesses within the U.S. and Afghan systems that handle those funds could lead to abuse.

Although our 2010 recommendations were directed to the U.S. Ambassador to Afghanistan—the individual charged with directing and coordinating personnel and activities at the U.S. Embassy in Afghanistan—the implementing agencies are State and USAID. Timely actions in response to audit recommendations can improve the efficiency of agency operations and ensure that there is better accountability for U.S. reconstruction funds. Delays in addressing recommendations may limit their effectiveness and increase the risk of waste, fraud, and abuse of these funds. However, despite a delay of almost 7 years, State and USAID have the opportunity to fully address these recommendations, which could improve the effectiveness and accountability of salary support to Afghan government employees and embedded technical advisors.

RECOMMENDATIONS

To improve the effectiveness and accountability of State's and USAID's salary support funds, and to ensure that the agencies address the weaknesses we previously identified in their use of these funds, we are repeating our prior recommendations that State and USAID have not fully addressed, with modifications to account for actions they have taken since we issued our 2010 report.

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

to USAID officials, the agency's agreements with these organizations prevent it from requiring them to report certain data upon request, such as data about the embedded technical advisors they may fund.

²⁰ See, for example, SIGAR, *Afghan Local Police: A Critical Rural Security Initiative Lacks Adequate Logistics Support, Oversight, and Direction*, SIGAR 16-3-AR, October 16, 2015; and SIGAR, *Afghan National Police*, SIGAR 15-26-AR, January 7, 2015.

1. **Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.**
2. **Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as “salary support,” “salary supplement,” “technical advisor,” and other related terms, to facilitate information sharing and improve transparency over donor salary support.**

To ensure State’s and USAID’s salary support is strategically targeted toward prioritized needs and goals, and is consistently applied across the agencies, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

3. **Designate a representative to serve as a focal point to respond to requests for salary support and reconcile salary support provided by the agencies.**

To ensure USAID’s salary support is strategically targeted toward prioritized needs and goals, and is consistently applied, SIGAR recommends that the USAID Mission Director for Afghanistan:

4. **Issue guidance that includes interagency salary support coordination mechanisms.**

To ensure State’s salary support is strategically targeted toward prioritized needs and goals, and is consistently applied, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

5. **Issue guidance that includes salary support priorities, interagency coordination mechanisms, and standardized salary ranges.**
6. **Identify the full extent of planned salary support, and determine whether that support aligns with this guidance and U.S. strategic goals and objectives.**

To enhance safeguards and improve accountability over State funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs:

7. **Conduct a risk assessment of the Afghan government’s payroll and human resources systems and procedures used to disburse State-funded salary support to identify weaknesses in the systems, and institute conditions or requirements to address those weaknesses.**
8. **Work with the MOF, in coordination with other donors, to develop a mechanism to detect when Afghan government employees receive multiple salary payments.**

To enhance safeguards and improve accountability over State and USAID funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

9. **Require salary support recipients to be paid electronically when appropriate financial controls exist.**

AGENCY COMMENTS

We provided a draft of this report to State and USAID for review and comment. We received written comments from INL and the USAID Mission for Afghanistan, which are reproduced in appendices V and VI, respectively. State and USAID also provided technical comments, which we incorporated into this report, as appropriate.

State Comments

State neither agreed nor disagreed with the eight recommendations directed to it. According to State, it terminated its salary support to certain Afghan government employees provided under a project implemented by the Colombo Plan in December 2016 when the Afghan government was able to cover all relevant salary costs. The department did not indicate whether it will provide salary support again in the future, but stated that it would reevaluate our recommendations should it consider doing so for any of its future projects. Because State may provide salary support again, we maintain that our recommendations should be addressed so that mechanisms to coordinate and account for salary support are in place when they are needed. Accordingly, all eight recommendations will remain open.

USAID Comments

USAID concurred with four of the recommendations directed to it and did not concur with one. USAID concurred with our first, second, fourth, and ninth recommendations and asked that all be closed based on actions it has already taken. While we are encouraged by USAID's concurrences, we disagree with the agency's requests to close these recommendations because it has not yet provided us with sufficient evidence to demonstrate that it has fully addressed them.

Regarding our first recommendation, the agency stated that it already coordinates closely with the international donor community through meetings associated with the management of the ARTF, which USAID stated is the single largest activity in Afghanistan providing salary support for Afghan government employees. However, as we note in our report, USAID has not provided us with any documentation demonstrating that it has worked with international donors—within or outside the ARTF structure—to collectively establish principles and reporting requirements to guide the provision of salary support for Afghan government employees or embedded technical advisors. Accordingly, the recommendation will remain open.

For our second recommendation, the agency stated that it does not and is not planning to provide salary support or supplements at this time. However, USAID has not ruled out providing salary support to government employees again in the future, and its comments do not discuss the fact that it continues to provide salary support for embedded technical advisors. Similar to our first recommendation, USAID has not provided us with any documentation demonstrating that it has addressed the recommendation.

Regarding our fourth recommendation, the agency described its efforts to coordinate with its implementing partners and the international donor community, but it did not discuss its efforts to implement interagency coordination mechanisms, which, as we state in our report, is the reason why we still consider this issue from our 2010 report to be not addressed. Therefore, we revised our recommendation to specify that the guidance include interagency coordination mechanisms. This recommendation will remain open until USAID provides documentation that it has issued guidance for interagency coordination of salary support.

Finally, USAID concurred with our ninth recommendation and stated that all USAID acquisition instruments require electronic payments where applicable. However, as we note in our report, the agency does not consider this a formal policy, and several of its ongoing projects with salary support components do not include these provisions in their award documents. We continue to believe that formally requiring—and using—electronic payments when feasible could help prevent fraud and corruption. Therefore, the recommendation will remain open.

USAID did not concur with our third recommendation. The agency stated that it participates in coordination meetings with other U.S. agencies and referred to its response to recommendation 2 for details. However, that response only discusses its meetings with the international donor community and the Afghan government, and does not describe how USAID coordinates with other U.S. agencies. USAID's comments also stated that it does not currently provide salary support. Although the agency no longer provides salary support for Afghan government employees, it continues to fund ongoing support for technical advisors embedded within the government. In addition, USAID stated that it believes having a focal point to approve salary support requests does not make sense because it limits oversight and creates confusion. Additionally, USAID stated that it is beyond its mandate to monitor salary support provided by other agencies.

However, our recommendation does not suggest that the designated focal point serve as the approving authority for salary support requests. Instead, to facilitate interagency coordination and transparency, and to prevent potential duplication of salary support efforts, we are recommending only that USAID and State designate a focal point to ensure that they are aware of the salary support they provide and to respond to any requests for salary support they receive. We continue to believe this recommendation is reasonable and needed. Therefore, the recommendation was revised to clarify SIGAR's intention and will remain open until USAID provides evidence that a focal point has been identified or some other action has been taken to correct the problem, and appropriate coordination mechanisms are in place.

Appendix I - SCOPE AND METHODOLOGY

This follow-up audit examined Department of State (State) and U.S. Agency for International Development (USAID) salary support provided from October 2010 through September 2016. The objective of this audit was to determine the extent to which State and USAID addressed the 10 recommendations we made in our October 2010 report on salary support, and if not, whether additional actions should be taken.²¹ To maintain continuity with the scope of our prior audit, we limited our review to salary support State and USAID provided through bilateral assistance to Afghan government employees and embedded technical advisors in nonsecurity ministries. We considered a recommendation to be fully addressed if State and USAID took action to implement it for their respective agency. For the purposes of this report, we defined salary support as payments made for the salaries and benefits of Afghan government employees and technical advisors embedded within the Afghan ministries to build capacity by training and mentoring their employees.

To determine the extent to which State and USAID addressed the recommendations from our 2010 audit, we reviewed data and documentation the agencies provided on their projects that included salary support for Afghan government employees and embedded technical advisors. State refused to provide us with information beyond total funding amounts for salary support it provided through its public diplomacy efforts, citing its belief that these funds were outside of our mandate to examine. Consequently, although we disagree with this assertion, we could not review several salary support-related activities for which State obligated \$581,855.

USAID informed us that it does not—and is not required to—track salary support funds as a distinct component of its projects and therefore could not readily provide data regarding funds spent on salary support for its closed awards. Due to this limitation, we only reviewed data on salary support funds the agency spent under 21 awards that were active as of September 2016. We did not review salary support the agency may have provided through its agreements with public international organizations because USAID could not provide data about the embedded technical advisors these organizations may fund. As a result, we were unable to determine the full extent of salary support USAID provided since October 2010.

Additionally, we reviewed information and documentation the agencies provided during the course of this audit on their implementation of our prior recommendations, as well as information and documentation the U.S. Embassy in Kabul previously provided during our recommendation follow-up efforts for the 2010 audit. We reviewed State's agreements, awards, and memorandums of understanding through which the department provides salary support. We also reviewed USAID's cooperative agreements, contracts, task orders, and related documentation for the agency's active awards that provide salary support. In addition, we reviewed the USAID Mission for Afghanistan's development strategy and its salary support-related mission orders and directives. Finally, we interviewed officials from State's Bureau of International Narcotics and Law Enforcement Affairs and the USAID Mission for Afghanistan regarding their respective agency's salary support, and officials from the Afghan government's Independent Administrative Reform and Civil Service Commission regarding salary support provided by the U.S. government and other international donors.

We did not use or rely on computer-processed data for purposes of our audit objective. We assessed internal controls to determine whether State and USAID took action to address weaknesses in their salary support funding identified in our 2010 report. The results of our assessment are included in the body of this report.

We conducted our audit work in Washington, D.C., and Kabul, Afghanistan, from May 2015 through July 2017, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. SIGAR conducted this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

²¹ SIGAR, *Salary Support*, SIGAR Audit 11-5.

Appendix II - DEPARTMENT OF STATE PROJECTS PROVIDING SALARY SUPPORT SINCE 2010

Since we issued our prior report on U.S. salary support in October 2010, the Department of State (State) provided salary support through at least four projects funded by the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the U.S. Embassy in Kabul's Public Affairs Section (PAS) (see table 2). Collectively, these projects provided almost \$5.2 million in salary support. PAS obligated an additional \$581,855 for salary support under projects paid for by funds allocated for public diplomacy efforts, but State refused to provide additional details about those projects.

Table 2 - State Projects Providing Salary Support Since 2010

Office	Award Number(s)	Project	Implementing Partner	Purpose of Project	Period of Performance	Total Project Funding (\$) ^a	Funding for Salary Support (\$) ^a
PAS	S-AF-200-10-GR217 S-AF-200-11-GR172 S-AF-200-12-CA002	Government Media Information Center Support Grant	Government Media Information Center	To facilitate the permanent establishment of the Government Media Information Center as the Afghan government's nerve center for communication improvements, and to lay a strong foundation for the buildout of the Afghan Government Information Service, including through allowing the Government Media Information Center to increase its staff and open five new provincial offices.	September 2010 - June 2012 ^b	\$6,197,942	\$1,631,572
PAS	S-AF-200-11-CA002	Capacity Building for the Ministry of Information and Culture	Foundation for Culture and Civil Society	To encourage a better understanding of cultural approaches to develop and contribute to the elaboration of culture policy in Afghanistan, and to build capacity at the Ministry of Information and Culture through the recruitment and employment of three advisors to work within the ministry.	December 2010 - August 2012	294,075	225,823

INL	n/a ^c	Ministry of Counter Narcotics Capacity Building Program	Ministry of Counter Narcotics	To mentor Ministry of Counter Narcotics staff and develop their capacity to assume responsibility for and effectively manage the ministry's programs, particularly INL-funded counter-narcotics projects.	March 2011 – September 2015	2,839,700 ^d	1,957,220
INL	n/a ^e	Assistance to Specialized Treatment Facilities for Drug Dependents in Afghanistan	The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific	To strengthen the operation and service delivery of the residential, home-based, and outpatient treatment and rehabilitation facilities for drug dependents in Afghanistan.	January 2015 – October 2017	8,189,120	1,356,607 ^f
PAS	Not provided ^g	Not provided ^g	Not provided ^g	Not provided ^g	Not provided ^g	Not provided ^g	581,855
Totals						\$17,520,837^h	\$5,753,077

Source: State

Notes:

^a Total project and salary support funding amounts are rounded to the nearest dollar.

^b The U.S. Agency for International Development provided salary support for the center from 2008 through 2010, when the program was transferred to State.

^c State implemented the program through memorandums of understanding between INL and the ministry.

^d The total funding amount is based on the maximum funds made available under the three memorandums of understanding between INL and the ministry.

^e State implemented the program through letters of agreement between INL and the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific.

^f The total funding for salary support amount is as of December 2016.

^g State refused to provide any information other than total public diplomacy funds obligated for salary support, citing its belief that these funds are outside of our mandate. We disagree with this assertion. However, the matter remained unresolved at the time we issued this report.

^h The total funding amount does not include the total for projects funded through public diplomacy efforts because State refused to give us this information.

Appendix III - U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT ACTIVE AWARDS PROVIDING SALARY SUPPORT

As of September 2016, the U.S. Agency for International Development (USAID) provided salary support through at least 21 active awards (see table 3). These projects have collectively provided more than \$22 million in salary support since they began.

Table 3 - USAID Active Awards Providing Salary Support, as of September 2016

Award Number	Project	Implementing Partner	Purpose	Period of Performance	Total Estimated Cost (\$)	Total Funds Disbursed (\$)	Funds Spent for Salary Support (\$)
AID-306-A-00-09-00522	Afghanistan Electoral Reform and Civic Advocacy	Democracy International	To foster innovations in governance and to support reform of the Afghan electoral system by improving transparency and enabling dialogue on political events and the performance of election institutions.	July 2009 – June 2017	\$51,302,682	\$41,195,996	\$0 ^a
AID-306-EDH-I-00-08-00027	Afghan Engineering Support Program	Tetra Tech	To provide resident architectural and engineering services in the transportation, vertical structures, energy, and water and sanitation sectors.	November 2009 – November 2016	97,000,000	89,474,083	166,611
AID-306-A-00-10-00512	Commercial Horticulture and Agriculture Marketing Program	Roots of Peace	To stimulate growth in Afghanistan's agricultural sector, create jobs, improve livelihoods, and boost the economy through increasing the yield and quality of high value crops and increasing Afghan exports to wholesale markets and supermarkets.	February 2010 – December 2019	61,294,444	45,296,184	0 ^b
AID-306-A-00-11-00532	Strengthening Pharmaceutical Systems	Management Sciences for Health	To increase the availability and use of quality medicines and pharmaceutical commodities in Afghanistan by improving the capacity of the Ministry of Public Health, distributing essential	August 2011 – July 2017	34,399,936	30,080,836	374,679

			medicines, and providing technical assistance in pharmaceutical management.				
AID-306-C-12-00007	Afghanistan Workforce Development Program	Creative Associates	To support key growth opportunities in construction, information and communications technology, mining, public-private partnerships, and business management, including through strengthening the labor pool in major economic areas by providing technical and business education, training, job placement, and support services.	April 2012 – June 2018	44,919,458	32,192,844	82,915
AID-306-A-13-00001	Ministry of Women's Affairs Organizational Restructuring and Empowerment	The Asia Foundation	To help the Ministry of Women's Affairs advance its policy mandate, gender equality, and empowerment in Afghanistan by strengthening ties between it and other Afghan ministries to incorporate gender mainstreaming in those ministries' own policy development.	December 2012 – December 2016	14,182,944	10,050,758	317,790
AID-306-TO-13-00003	Mining Investment and Development for Afghanistan Sustainability	ECC Water and Power LLC	To assist in responsibly developing Afghanistan's mining industry by improving the Afghan government's ability to plan, design, and implement mining concessions through transparent tender processes.	March 2013 – March 2017	38,718,320	30,783,644	352,802 ^c
AID-306-A-13-00008	Kandahar Food Zone	International Relief and Development	To help rural farmers in Kandahar earn legitimate incomes by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation, including through building the capacity of the Ministry of Counter Narcotics to	July 2013 – August 2018	45,402,467	27,504,000	136,126

			manage its own alternative livelihood programs.				
AID-306-C-13-00018	Regional Agriculture Development Program (South)	Chemonics International	To promote inclusive and sustainable economic growth for rural Afghans in Kandahar, Helmand, Zabul, and Uruzgan provinces, including through supporting farmers and small- and medium-scale agribusinesses to improve production, processing, and commodity sales.	October 2013 – October 2018	125,075,172	69,312,140	351,875
AID-306-TO-13-00009	Afghanistan Trade and Revenue Project	Chemonics International	To improve the integration of regional trade by developing cross-border transit agreements and improving economic growth and stability in the region.	November 2013 – November 2017	77,754,267	51,976,297	11,114,160
AID-306-A-14-00010	Capacity Building and Change Management Program II	Volunteers for Economic Growth Alliance	To strengthen managerial and institutional capacity in the Ministry of Agriculture, Irrigation, and Livestock.	July 2014 – July 2017	19,999,989	15,718,958	1,998,358
AID-306-C-14-00011	Technical Assistance Provided to the Ministry of Public Works	Amec Foster Wheeler Environment and Infrastructure	To strengthen the technical knowledge and skills of the Ministry of Public Works regarding transportation infrastructure management	August 2014 – August 2017	25,486,058	17,251,241	212,951
AID-306-TO-14-00031	Women's Leadership Development	Tetra Tech/ARD	To enable Afghanistan's most talented young women to become future leaders in government, business, and civil society through the development of high school and post-secondary curricula, as well as development of mentorship and scholarship programs.	September 2014 – September 2019	41,959,377	13,530,698	0 ^d
AID-306-A-15-00001	Afghanistan Agriculture Extension Project II	University of California, Davis	To improve delivery of effective government services to rural clientele by strengthening cooperation among	October 2014 – September 2017	20,229,771	13,794,094	1,371,313

			government agencies working in the agriculture sector.				
AID-306-C-14-00016	Strong Hubs for Afghan Hope and Resilience	Development Alternatives	To create well-governed and fiscally sustainable municipalities.	November 2014 – November 2017	73,499,999	24,745,436	4,839,851
AID-306-C-15-00005	Initiative to Strengthen Local Administration	Tetra Tech/ARD	To improve Afghan provincial governance in the areas of fiscal and development planning, citizen representation, and enhanced public service delivery.	February 2015 – January 2020	62,364,687	10,822,018	574,675
AID-306-TO-15-00044	Women in Government	Chemonics International	To advance and empower Afghan women by fostering professional development opportunities for female high school and university graduates interested in working for government institutions at the national and subnational levels.	April 2015 – April 2020	37,997,644	5,544,373	0 ^e
AID-306-TO-15-00065	Afghanistan Public Financial Management	Chemonics International	To help achieve fiscal sustainability by providing advisory services and training support to the Ministry of Finance to enhance their capacity to generate more revenue and improve planning, execution, and monitoring of the national budget.	July 2015 – July 2018	22,130,033	5,501,049	62,376
AID-306-T-15-00005	Strengthening Peace Building, Conflict Resolution, and Governance in Afghanistan	U.S. Institute for Peace	To support peacebuilding efforts in Afghanistan through policy research, provision of grants to Afghan civil society organizations, and technical assistance to strengthen the legitimacy of Afghan government institutions.	July 2015 – June 2020	16,353,063	3,742,864	82,487

AID-306-TO-15-00062	Women in Economy	Development Alternatives	To enable Afghan women to increase their leadership in the economy and to help women-owned businesses grow.	July 2015 – June 2020	71,571,543	8,357,231	2,426
AID-306-C-16-00010	Engineering Support Program	Tetra Tech	To provide resident architectural and engineering services to improve infrastructure related to energy, transportation, water and sanitation, health, education, and agriculture, while also training Afghan government staff and national power utility technicians.	July 2016 – July 2019	125,000,000	3,416,461	5,641
Totals					\$1,106,641,854	\$550,291,204	\$22,047,036

Source: USAID

Notes: All amounts are rounded to the nearest dollar. Listed amounts for total estimated costs and total funds disbursed are as of September 30, 2016. Listed amounts for activity funds spent for salary support are as of September 26, 2016, unless otherwise noted. Information about awards to public international organizations is not listed because USAID was unable to provide data about the embedded technical advisors these organizations may fund.

^a According to USAID, the Afghanistan Electoral Reform and Civic Advocacy activity will provide salary support for five technical advisors embedded in Afghan government agencies beginning in October 2016.

^b According to USAID, the Commercial Horticulture and Agriculture Marketing Program will provide salary support for one technical advisor embedded in an Afghan government agency beginning in 2017.

^c Total funds spent for salary support under the Mining Investment and Development for Afghanistan Sustainability activity were as of September 30, 2016.

^d According to USAID, the Women's Leadership Development activity will provide salary support for one technical advisor embedded in an Afghan government agency beginning in 2017.

^e According to USAID, the Women in Government activity will provide salary support for 24 technical advisors embedded in Afghan government agencies beginning at the end of September 2016 and for 48 technical advisors embedded in 2017 and 2018.

Appendix IV - RECOMMENDATIONS FROM PRIOR SIGAR AUDIT OF U.S. SALARY SUPPORT

In our October 2010 audit report, we made 10 recommendations to the U.S. Ambassador to Afghanistan, to be implemented by the Department of State (State) and the U.S. Agency for International Development (USAID). Table 4 lists each recommendation, whether the U.S. Embassy in Kabul concurred, the recommendation's status, our determination of whether the recommendation remains applicable, and, if so, whether it has been fully addressed.

Table 4 - Overview of Recommendations from SIGAR's Prior Audit of U.S. Salary Support

	Recommendation	Response	Closure Status	Recommendation Applicability and Status
1	To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador coordinate with other international donors and the Afghan government through formal coordination mechanisms to collectively establish principles, including reporting requirements, to guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.	Concur	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed Applicable for USAID, but not fully addressed
2	To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador coordinate with other international donors and the Afghan government through formal coordination mechanisms to collectively define key terms such as salary support, salary supplement, technical advisor, and other related terms to facilitate information sharing and improve transparency over donor salary support.	Concur	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed Applicable for USAID, but not fully addressed
3	To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador coordinate with other international donors and the Afghan government through formal coordination mechanisms to collectively develop and utilize a standardized salary scale that is more closely aligned with Afghan government-approved scales for salaries and salary supplements.	Concur ^a	Closed as unimplemented and in anticipation of future audit work	Applicable for State and fully addressed Applicable for USAID and fully addressed

4	To ensure U.S. salary support is strategically targeted toward prioritized needs and goals and is consistently applied across U.S. agencies, SIGAR recommends that the U.S. Ambassador designate a representative to serve as a focal point for requests for salary support and monitor salary support provided by U.S. agencies.	Concur	Closed as implemented ^b	Applicable for State, but not fully addressed Applicable for USAID, but not fully addressed
5	To ensure U.S. salary support is strategically targeted toward prioritized needs and goals and is consistently applied across U.S. agencies, SIGAR recommends that the U.S. Ambassador issue guidance that includes priorities, coordination mechanisms, and standardized salary ranges.	Concur ^c	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed Applicable for USAID, but not fully addressed
6	To ensure U.S. salary support is strategically targeted toward prioritized needs and goals and is consistently applied across U.S. agencies, SIGAR recommends that the U.S. Ambassador identify the full extent of existing and planned U.S. salary support and determine whether that support is in line with this guidance and U.S. strategic goals and objectives.	Concur ^c	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed Applicable for USAID and fully addressed
7	To enhance safeguards and improve accountability over U.S. funding for salary support, SIGAR recommends that the U.S. Ambassador require verification that positions funded by U.S. agencies are on the tashkil or are planned to be transferred on to the tashkil.	Concur	Closed as unimplemented and in anticipation of future audit work	Applicable for State and fully addressed No longer applicable for USAID
8	To enhance safeguards and improve accountability over U.S. funding for salary support, SIGAR recommends that the U.S. Ambassador conduct a risk assessment of the Afghan government payroll and human resources systems and procedures used to disburse salary support in order to determine weaknesses in the systems and institute conditions or requirements to mitigate those risks.	Concur	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed No longer applicable for USAID
9	To enhance safeguards and improve accountability over U.S. funding for salary support, SIGAR recommends that the U.S. Ambassador work with the Ministry of Finance, in conjunction	Concur	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed No longer applicable for USAID

	with other donors, to develop a mechanism to detect when employees receive multiple salary payments.			
10	To enhance safeguards and improve accountability over U.S. funding for salary support, SIGAR recommends that the U.S. Ambassador require that recipients of U.S. salary support be paid electronically, if appropriate financial controls exist.	Concur ^d	Closed as unimplemented and in anticipation of future audit work	Applicable for State, but not fully addressed Applicable for USAID, but not fully addressed

Sources: SIGAR analysis of information provided by the U.S. Embassy in Kabul, State, and USAID

Notes:

^a In its December 2012 response to our recommendation follow-up efforts, the embassy stated that aligning its pay scales with the Afghan government's scales could derail successes from past efforts. The response noted that because the government's pay scales were not competitive with those of other donors or the private sector, a sudden reduction of salaries would cause an exodus of staff from U.S. technical assistance programs to jobs with other donors.

^b In a July 2011 response to our recommendation follow-up efforts, the embassy stated that it established a working group to address salary support issues. In September 2012, we used the formation of this group as evidence to close this recommendation as implemented. During our fieldwork for this audit, USAID noted in May 2016 that the group still existed, but State indicated a month later that the group no longer meets.

^c The December 2012 response stated that unified guidance was no longer appropriate. The response noted that because each agency faced different challenges and goals for its programs, a single policy for all U.S. agencies would not be useful.

^d The December 2012 response stated that requiring all salary support recipients to be paid electronically was not technically feasible throughout Afghanistan and that not all Afghans had the literacy or technical skills to fully use electronic payments. However, the response also noted that the embassy would continue to advocate for expanding the implementation of electronic payment systems.



United States Department of State

Washington, D.C. 20520

June 30, 2017

Ms. Gabriele A. Tonsil
Assistant Inspector General for Audits and Inspections
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, VA 22202

Dear Ms. Tonsil:

The Department of State welcomes the opportunity to comment on this draft Special Inspector General for Afghanistan Reconstruction (SIGAR) report entitled, “Salary Support: State and USAID Need to Address SIGAR’s Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors” (dated June 2017). The Department respects SIGAR’s role in safeguarding U.S. taxpayer investment, and we share your goals of implementing programs free from waste, fraud, and abuse.

Between January 2015 and December 2016, INL paid a portion of the salaries for certain drug treatment center employees in Afghanistan. However, INL terminated the provision of supplemental salary support in December 2016 when the Ministry of Public Health (MOPH) began receiving sufficient funds from the Government of Afghanistan to cover the salaries of all drug treatment center clinical staff. INL will carefully reconsider the recommendations should such supplemental salary support be considered in the future. Presently, INL participates in numerous coordination meetings with international donors and the Afghan government to include the UN Justice Board of Donors, the Law and Order Trust Fund for Afghanistan, and The Paris Pact; and INL fully supports strengthening partnerships for information sharing, transparency, and fiscal oversight.

Responses to Recommendations

Recommendation 1: Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 2: Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as "salary support," "salary supplement," "technical advisor," and other related terms, to facilitate information sharing and improve transparency over donor salary support.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 3: Designate a representative to serve as a focal point to respond to requests for salary support and monitor salary support provided by the agencies.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 5: Issue guidance that includes salary support priorities, coordination mechanisms, and standardized salary ranges.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 6: Identify the full extent of planned salary support, and determine whether that support aligns with this guidance and U.S. strategic goals and objectives.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 7: Conduct a risk assessment of the Afghan government's payroll and human resources systems and procedures used to

disburse State-funded salary support to identify weaknesses in the systems, and institute conditions or requirements to address those weaknesses.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 8: Work with the Ministry of Finance, in coordination with other donors, to develop a mechanism to detect when Afghan government employees receive multiple salary payments.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

Recommendation 9: Require salary support recipients to be paid electronically when appropriate financial controls exist.

INL Response (June 2017): INL neither agrees nor disagrees with this recommendation as we no longer provide salary support to drug treatment center clinical staff.

The Department of State appreciates SIGAR's thorough examination of U.S. foreign assistance programming in Afghanistan.

Sincerely,



Mary Pat Hayes-Crow
Executive Director
Bureau of International
Narcotics and Law
Enforcement Affairs

Attachment:
Technical Comments

Appendix VI - COMMENTS FROM U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



MEMORANDUM

June 18, 2017

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

FROM: Herbert Smith, Mission Director 

SUBJECT: USAID Response to Draft SIGAR Report titled "Salary Support: State and USAID Need to Address SIGAR's Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors" (SIGAR Report 17-XX under Code 109A)

REF: SIGAR Transmittal email dated 05/26/2017

USAID thanks SIGAR for the opportunity to comment on this report. USAID provides its responses to recommendations 1 through 4 and recommendation 9 that were specifically addressed to USAID.

USAID ceased salary support and salary supplementation in on-budget awards in 2012. Currently, USAID is not directly paying or supplementing the salary of any Government of Afghanistan officials. USAID does provide technical assistance in the form of embedded advisors to Government of Afghanistan ministries and other governmental offices; however, these are not employees of the Government of Afghanistan. Instead, they are employees on the payroll of contractors and grantees implementing USAID projects. Like all employees of our implementing partners, these technical advisors are included in USAID awards as part of the personnel line item. They are hired by and report to the USAID implementing partner. USAID does not define salary support to include the employees of implementing partners.

SIGAR Comment 1

U.S. Agency for International Development
Great Massoud Road
Kabul, Afghanistan

Tel: 202-216-6288 / 0700-108-001
Email: kabulusaidinformation@usaid.gov
<http://afghanistan.usaid.gov>

the World Bank administers this fund and is responsible for management and oversight.

SIGAR Recommendation No. 1

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan: Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.

USAID Response: USAID concurs in principle with Recommendation 1. The single largest activity in Afghanistan which provides funding for government salaries is the ARTF. ARTF pools funding from major donors in Afghanistan, and salaries of government officials are paid from this pool using an established set of conditions and reporting requirements. As a major contributor to ARTF, USAID already coordinates closely with the donor community through ARTF’s steering and management committee meetings.

Closure Request: Based on the above, no further action is deemed necessary, as the recommendation is fully implemented, and therefore USAID requests SIGAR’s concurrence with its closure.

SIGAR Recommendation No. 2

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan: Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as “salary support,” “salary supplement,” “technical advisor,” and other related terms, to facilitate information sharing and improve transparency over donor salary support.

USAID Response: USAID concurs in principle with Recommendation 2. USAID is not undertaking and is not planning to undertake salary support or salary supplements at this time. In addition, USAID has established procedures and oversight mechanisms to manage and administer salary supplementation.

USAID participates regularly in meetings with the donor community on topics of mutual interest, including in the forum of the United Nations Mission in Afghanistan. In each of the technical sectors, USAID has participated in a number of joint donor and Government of Afghanistan coordinating committees. While none of these committees were set up specifically for the purpose to look at the issue of embedded technical assistance, it was a topic that was often part and parcel to the collective work of improving service delivery by the Government of Afghanistan, its NGO partners, international PIOs, and donor contractors. USAID believes that discussions focusing on salary harmonization implementation, described below in response to Recommendation 4, also provide opportunities for donor coordination.

Closure Request: Based on the above, no further action is deemed necessary, as the recommendation is fully implemented, and therefore USAID requests SIGAR’s concurrence with its closure.

SIGAR Recommendation No. 3

To ensure State’s and USAID’s salary support is strategically targeted toward prioritized needs and goals and is consistently applied across the agencies, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

Designate a representative to serve as a focal point to respond to requests for salary support and monitor salary support provided by the agencies.

SIGAR Comment 2

USAID Response: USAID does not concur with Recommendation 3. USAID already participates in coordination meetings within the U.S. Government agencies. For details please see USAID’s response to recommendation 2. USAID does not find it feasible to have a representative to serve as a focal point to respond to requests for salary support and monitor salary support to other agencies. If USAID were to provide salary support, which currently is not the case, the support would be negotiated or approved by the cognizant CO or warranted individual signing the award or approving the budget or positions. Having one “focal point” to approve requests across multiple awards does not make sense; limits effective oversight of the programmatic need for such support, and creates confusion. In addition, strategies differ across agencies and monitoring salary support provided by other agencies is outside of the scope/mandate of the Agency.

Closure Request: Based on the above, USAID requests SIGAR to withdraw recommendation 3.

SIGAR Recommendation No. 4

*To ensure USAID's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, SIGAR recommends that the USAID Mission Director for Afghanistan:
Issue guidance that includes salary support coordination mechanisms.*

USAID Response: USAID concurs with Recommendation 4.

In USAID's response to SIGAR's Statement of Facts under audit 109A on Salary Support, SIGAR was advised that USAID issued a guidance on salary harmonization in July 2016. Specifically, USAID stated in the guidance that USAID and other major donors had agreed to support the GIRoA's efforts to improve recruitment and retention of civil servants by harmonizing the compensation of all cooperating country nationals (CCNs) employed by implementing partners to the National Technical Assistance (NTA) scale. The guidance provided steps for the NTA scale implementation under acquisition and assistance funding instruments (*see Attachment 1*). USAID convened a meeting in August 2016 for its implementing partners, where the NTA implementation and collaboration mechanisms were discussed (*see Attachment 2*). The meeting notes from the August 2016 implementing partner meeting (*see Attachment 3*), as well as the follow-up message addressed to the implementing partners (*see Attachment 4*) support the fact that USAID released guidance on salary harmonization, as well as provided opportunities to implementing partners to ask questions during the meeting. USAID also maintains a mailbox for questions regarding NTA-related issues and concerns.

Additionally, in each of the technical sectors, USAID has participated in a number of joint donor and GIRoA coordinating committees. While none of these committees were set up specifically to administer the issue of embedded technical assistance, it was a topic that was often part and parcel of the collective work to improve the services delivered by the GIRoA, its NGO partners, international PIOs, and donor contractors.

Finally, USAID discussed salary harmonization with the donor community, per the notes from the August 2016 implementing partner meeting. Specifically, it was emphasized at the meeting: "All other donors in Afghanistan have said they are on board with the new compensation plan. If other donors are not complying with the plan, partners should share that information with USAID." Finally, the following response was provided by USAID to one of the questions at the meeting: "-> What about other organizations unaffiliated with the USG that do not comply? -> The USG will work to influence other donors and partnering organizations to encourage compliance. As of now other donors have communicated they will comply." (*see Attachment 3*).

Closure Request: Based on the above, no further action is deemed necessary, as the recommendation is fully implemented, and therefore USAID requests SIGAR’s concurrence with its closure.

SIGAR Recommendation No. 9

To enhance safeguards and improve accountability over State and USAID funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs, and the USAID Mission Director for Afghanistan:

Require salary support recipients to be paid electronically when appropriate financial controls exist.

USAID Response: USAID concurs with Recommendation 9.

As prescribed by USAID/Afghanistan’s Special Provision “Electronic Payments System (July 2014)”, all USAID acquisition instruments require Electronic Payments, where applicable. Exceptions to the requirement are as follows:

Exceptions. The contractor is allowed the following exceptions, provided the contractor documents its contract file with the appropriate justification:

- a. Cash payments made while establishing electronic payment systems, provided that this exception is not used for more than six months from the effective date of this award.
- b. Cash payments made to payees where the contractor does not expect to make payments to the same payee on a regular, recurring basis, and payment through an electronic payment system is not reasonably available.
- c. Cash payments to vendors below the micro purchase level as defined by FAR 2.101, or for Grants Under Contracts for less than \$3000, when payment through an electronic payment system is not reasonably available.
- d. The contractor has received a specific written exception from the Contracting Officer that a specific payment or all cash payments are authorized, based on the contractor’s written justification, which provides a basis and cost analysis for the requested exception.

Closure Request: Based on the above, no further action is deemed necessary, as the recommendation is fully implemented, and therefore USAID requests SIGAR's concurrence with its closure.

Attachments:

- 1 – USAID/Afghanistan Letter to Implementing Partners on Salary Harmonization, July 29, 2016;
- 2 – Presentation, National Technical Assistance Implementing Partners Meeting July 17 2016;
- 3 – Salary Harmonization 2016 0803 IP Meeting Notes;
- 4 – Salary Harmonization email USAID IP Meeting Follow-Up.

Cc: U.S. Embassy/Kabul

SIGAR Response to USAID Comments

SIGAR Comment 1. Although USAID states that it does not define salary support to include technical advisors employed by its implementing partners, the scope of our report included salary support to both government employees and embedded technical advisors. As we note in several locations within our report—and in the draft report we sent to USAID for review and comment—we defined salary support as payments made for the salaries and benefits of Afghan government employees and technical advisors embedded within the ministries to build capacity by training and mentoring government employees.

SIGAR Comment 2. USAID stated that it believes having a focal point to approve salary support requests does not make sense because it limits oversight and creates confusion. Additionally, USAID stated that it is beyond its mandate to monitor salary support provided by other agencies. However, our recommendation does not suggest that the designated focal point serve as the approving authority for salary support requests. Instead, to facilitate interagency coordination and transparency, and to prevent potential duplication of salary support efforts, we are recommending only that USAID and State designate a focal point to ensure that they are aware of the salary support they provide and to respond to any requests for salary support they receive. We continue to believe this recommendation is reasonable and needed. Therefore, the recommendation was revised to clarify the intent of SIGAR's recommendation.

Appendix VII - ACKNOWLEDGMENTS

Jeffrey Brown, Senior Audit Manager

Daniel Tessler, Analyst-in-Charge

Annalise Latting, Program Analyst

Robert Vainshtein, Program Analyst

The following staff provided additional support:

Parker Laite, Senior Program Analyst

JaNelle Thompson, Auditor

This performance audit was conducted
under project code SIGAR-109A.

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.

Obtaining Copies of SIGAR Reports and Testimonies

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

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:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

Public Affairs

Public Affairs Officer

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