Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#1
"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

The 2013 National Defense Authorization Act (NDAA) wartime contracting reforms instituted significant organizational, procedural and reporting changes for the United States Agency for International Development (USAID), including mandating risk assessments. An overriding purpose of these reforms was to prevent USAID from entering contracts that would have harmed American interests or wasted American tax dollars. What specific USAID contract, project or program was successfully stopped because of NDAA wartime contracting reforms?

Answer:

Over the last several years, the U.S. Agency for International Development has undertaken many reforms at both the Agency and mission level to improve the acquisition and assistance processes in contingency operations that are in keeping with the intention of the reforms mandated by the 2013 National Defense Authorization Act (NDAA) reforms. USAID's work in Afghanistan is a prime example of how USAID reforms are working to prevent USAID from entering contracts that would have harmed American interests or wasted American tax dollars. These proactive Agency reforms include the Accountable Assistance for Afghanistan (A3) initiative launched in 2011, which increased the number of locally incurred cost audits, vetting of non-American organizations and key personnel, and limited the number of subtiers in contracts to ensure greater accountability In addition, USAID issued the Sustainability Guidance for Afghanistan in June 2011 to ensure that USAID programs in Afghanistan are increasingly sustainable and closely aligned with Afghan priorities. Under the Sustainability Guidance, every USAID program in Afghanistan must, to the extent possible, contribute to three areas: (1) Afghan ownership and capacity, (2) increased stability and confidence in the Afghan Government, and (3) program and cost effectiveness. Therefore, USAID has incorporated a sustainability analysis into its project design process. As part of this analysis, every project must now have a sustainability plan.

With sustainability in mind, USAID is making shifts in our portfolio. We are moving away from new infrastructure projects, and, instead, focusing on operations and maintenance of existing investments. Projects that do not seem sustainable, or for which, in consultation with Government of the Islamic Republic of Afghanistan (GIRoA), we realize that there is no realistic Afghan commitment to future support, we modify, end, or postpone.

Since the enactment of FY13 NDAA, USAID continues to incorporate the NDAA reforms into the acquisition and assistance process. Due to all of the changes that have been

made in recent years, USAID cannot say definitively that any programs have been stopped solely due to FY13 NDAA reforms. However, USAID has stopped or modified projects due to either risk assessment analyses or sustainability concerns prior to the passage of the FY13 NDAA reforms.

An example of a program that has been stopped by USAID in Afghanistan is the Strategic Provincial Roads program (SPR). SPR was a cooperative agreement that began in 2007 to build roads in underserved areas of Afghanistan's restive south and east, while boosting the capacity of the Afghan construction sector and engaging long-alienated communities in the process. In 2010, an internal review of the project was ordered, revealing that the program was not producing the results we expected. In response, USAID ended the project, saving the American taxpayers $230 million. Further, following this project, USAID has changed our policies regarding construction. USAID no longer contracts for construction through grants or cooperative agreements, and additionally, USAID now requires contracts that give the agency greater control over the implementation on all construction matters.

USAID continues to look at opportunities to leverage existing investments and modify programs to ensure sustainable results. An example of a project that was modified as a result of consultations with the Government of Afghanistan through biannually-held portfolio reviews is:

- **Strengthening Afghan Agricultural Facilities (SAAF) program:** The goal of the original five-year, $31.9 million SAAF program was to reinvigorate and modernize the faculties of agriculture at five higher-education institutions in Afghanistan. The plan was to upgrade these faculties through improved teaching, modernized agricultural science curricula, basic renovation and management of necessary infrastructure, and provision of books and equipment for libraries, laboratories, and demonstration farms.

  As part of USAID's review processes, USAID consulted with GIRoA and determined the SAAF program duplicated ongoing programs by another international donor. As a result, USAID decided to de-scope the SAAF program from a five-year, $31.9 million program to a five-year, $7.8 million program focused specifically on improving the capacity of Afghan faculty and staff through advanced degree training.

In light of the important security, political, and economic transitions taking place in Afghanistan in 2014, USAID's work in Afghanistan will continue to focus on assessing and mitigating risk, as well as sustainability to ensure the resilience needed to effectively deal with upcoming challenges. This focus includes making decisions about modifying, ending or postponing projects that present significant, unmitigated risk or do not fit the sustainability criteria established by USAID or for which there is no realistic Afghan commitment to future support.

Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#2

"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

NDAA Section 844 demands increased information and accuracy regarding contracts and contractor personnel in contingency operations. In order to determine the progress of USAID's data collection and reporting, please provide the following information for July 16, 2013 (or indicate that USAID does not yet have the capability of either collecting or generating the information).

- What is the total number of contracts that USAID has entered into in Afghanistan?

Answer:

Value of USAID Awards in Afghanistan Since 2002

Acquisition Awards		
Award Type	**Number of Awards**	**Total Estimated Cost**
Contract	80	$ 4,203,753,528.89
Task Order	89	$ 2,972,581,943.46
Purchase Order	49	$ 28,236,639.27
BPA/Call Order	53	$ 1,800,417.38
Interagency Agreement	35	$ 243,497,731.82
Sub-total	**271**	**$ 7,449,870,260.82**
Assistance Awards		
Award Type	**Number of Awards**	**Total Estimated Cost**
Cooperative Agreement	103	$ 3,824,027,164.50
Grant	57	$ 3,208,259,331.04
Leader with Associates	1	$ 129,497,592.00
Sub-total	**161**	**$ 7,161,784,087.54**
GRAND TOTAL	**467**	**$ 14,611,654,348.36**

Question:

What is the total number of contractor personnel that USAID has in Afghanistan?

Answer:
The number of contractor personnel working under USAID programs on a full time basis often fluctuates with time and as programs start up, close out, and downsize. Based on USAID's latest data call of active awards from June 2013, there are approximately 6,500 program staff working under USAID programs on a fulltime basis. This excludes temporary hires or day laborers, but

may include subcontractors who work on a program full-time. Of the program staff identified in the data call, approximately 325 are American citizens, 325 are third country nationals, and 5,850 are local nationals.

Question:

What is the total number of security personnel that USAID has in Afghanistan?

Answer:

USAID has no personnel in country providing security, and we do not contract with any security entities directly. Similarly to the number of contracting personnel, the number of security personnel working under USAID programs fluctuates as programs scale up or down, start up or close down. Based on the same June 2013 data call of active awards referenced above, USAID's partners have a total of about 275 expatriate Risk Management Consultants (RMCs) in Afghanistan providing fulltime risk management services as subcontractors for USAID-funded programs (grants and contracts). In addition to these RMCs, there are about 1,850 Afghan Public Protection Force guards (Afghans) working for USAID partners under subcontracts around the country. Finally, there are about 700 unarmed local nationals performing work under RMCs, which includes functions such as drivers, translators, access control, vehicle searches, manning operations centers, etc.

Question:

What is the total number of USAID contractor casualties in Afghanistan?

Answer:
The table below identifies USAID Monthly Partner Report Casualties and Incidents in calendar year 2003 to the present. It should be noted that these numbers are reported from the Afghanistan Mission and Office of Afghanistan Pakistan Affairs (OAPA) and include the following:

- Death or injury of anyone while working for the program (e.g. a day laborer or temporary employee if the death occurred while working under a USAID-funded program)
- Death or injury of subcontractors employed fulltime by the program (e.g. an APPF guard)
- Death or injury due to natural causes or accidents if the person was employed fulltime by the program at the time - even if it occurred while off duty

An analysis into the cause of fatalities conducted in December 2011 found that about 50% were specifically stated to be security staff. The number of casualties has decreased substantially after peaking in the 2009-2010 time period.

USAID Monthly Partner Reported Casualties & Incidents in Calendar Year 2003 to Present (Prior to Aug 2009 incidents were reported to multiple sources and may be incomplete)						
Reporting Years	Fatalities	Monthly Average	Injuries	Monthly Average	Reported Incidents	Monthly Avg. Incidents
Total CY 2003	8		5		8	
Total CY 2004	9		11	1	13	1
Total CY 2005	23	2	50	4	38	3
Total CY 2006	58	5	66	6	52	4
Total CY 2007	41	3	55	5	25	2
Total CY 2008	20	2	36	3	32	3
Total CY 2009	101	8	182	15	339	28
Total CY 2010	100	8	213	18	688	57
Total CY 2011	41	3	85	7	404	34
Total CY 2012	23	2	25	2	133	11
Total CY 2013, through 15 Aug	5	1	31	4	146	18
Total	429		759		1878	

Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#3

"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

One of the major concerns in wartime contracting has been the numbers of contractors who overrun budgets, fall behind schedule, or fail to fulfill their promised performance—and yet are awarded new contracts for different projects. Recently, in an effort to help solve this problem, the Office of Management and Budget announced a goal of 100% reporting by 2015. What is your current level of past performance reporting?

Answer:

As of October 9, 2013, the past performance reporting for USAID/Afghanistan is 82%.

As of November 19, 2013, the past performance reporting for USAID Agency-wide is 34.36%.

Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#4

"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

USAID drafted a contract proposal for a "Remote Monitoring Project," under which a contractor, rather than USAID staff, would monitor some of its projects in dangerous environments in Afghanistan. The contract allows for cost plus fixed fee task orders.

- Why are cost plus fixed fee task orders an option in the proposal, given how risky these are to the government?

Answer:

The "Remote Monitoring Project," which is now referred to as the "Monitoring Support Project (MSP)," is part of a broader, multi-tiered USAID approach to monitoring in Afghanistan that utilizes a variety of methodologies including time-, date-, and GPS-stamped photos; beneficiary interviews; site visits; and independent assessments of third parties, and relies on data from multiple sources, including USAID project beneficiaries, civil society organizations, other donor agencies, and monitors hired through the MSP.

USAID uses a variety of award mechanisms, selecting a type appropriate to accomplish the requirement stated in the Statement of Work, and considering the risks of the environment where the work will be performed. Pursuant to the Federal Acquisition Regulation (FAR 16.103), the overall objective of the government is to negotiate a contract type and price that will best help achieve the intended results and will provide the contractor with the greatest incentive for efficient and economical performance. Thus, the contract type must be a reasonable business arrangement, which allows for risk mitigation in order to gain successful contract performance at a fair and reasonable price, which is the ultimate goal of the U.S. Government.

For example, firm-fixed-price (FFP) contracts, which best utilize the basic profit motive of business enterprise, are appropriate only when the performance risk involved is minimal or influencing factors on performance and cost can be predicted with an acceptable degree of certainty. If a reasonable expectation for predictability does not exist, and in accordance with federal regulations, the Contracting Officer must consider other contract types and negotiate toward one that ties to the greatest extent possible profit to contractor performance. According to the FAR, when external circumstances and/or environmental factors (which are commonly encountered in development work) can potentially prevent an Agency from sufficiently defining its requirements or costs, other types of contracts should be considered including cost-

reimbursement types of contracts. For example, Cost-Plus-Fixed-Fee Completion contracts/task orders (as contemplated under the Monitoring Support IQC) would allow for payment of contractor fee or profit, if certain deliverables of performance have been met. This contract structure holds the contractor accountable for results and value, while also recognizing the financial risks that operating in an environment like Afghanistan entails.

Question:

Why is MSI Worldwide, a Washington DC-based contractor, already hiring for the Remote Monitoring Project even though the contract is still in draft form?

Answer:

USAID released a draft Request for Proposals (RFP) for the Remote Monitoring Project (now referred to as the Monitoring Support Project) on May 24, 2013, with the intent of gathering questions, comments, and feedback from potentially interested bidders. Experienced companies, such as MSI Worldwide, will usually begin recruitment of key personnel positions as early as possible, as a way to strengthen their overall proposals, which still have to respond to the final RFP and not the draft. Any such recruitment activities are the sole action of potential bidders, and all of these recruitment notices clearly state that positions are subject to project award.

A quick review of the job listings on www.DevEx.com (search for the words "subject to award") demonstrates how this recruitment and proposal development strategy plays out for many companies. Companies often use this approach for any project bidding opportunities, not just those for USAID.

Question:

Why does the contract ask for a monthly "success story" to be submitted to USAID?

Answer:

One component of the project is documenting and sharing both the successes and challenges of conducting project verification and monitoring in a context such as Afghanistan. Consequently, this component would be focused primarily on documenting how the different verification and monitoring methods can be improved and refined over time. This documentation is in addition to the normal and routine reporting of project verification and monitoring activities, which is the primary focus of the project.

Question:

As the draft contract indicates, one method the Remote Monitoring Project will use to oversee its projects is "crowd sourcing." How will this method work given most Afghans' lack of access to technology?

Answer:

It is important to note that crowd sourcing will be used as a verification and monitoring method only when and where it makes sense to do so. This guidance also holds true for all of the other methods listed in the draft RFP, as well as for any other methods proposed by bidders, pursuant to the final RFP. The overall monitoring approach will be customized to the constraints and opportunities of each individual project.

USAID feels that crowd sourcing is a compelling method for this project based on the following information:

Cellphone Ownership

The growth of mobile telephony has outpaced all other forms of infrastructure and emerged as the largest source of foreign direct investment in the country, the greatest remitter of taxes to the government, and the largest non-governmental employer of Afghans outside of subsistence agriculture. Mobile phone costs in Afghanistan have dropped dramatically in the past decade. The average Afghan makes US$542 per year. When mobile phones were first introduced to the Afghan market, one SIM card and a mobile handset together cost US$300. Today, a SIM card costs roughly US$1 and a previously owned handset can be purchased for around US$10. Similarly, the cost of airtime has fallen to just one-sixth the price of 2003 levels when one minute cost US$0.36 to US$0.06 per minute in 2012.[1] The combined effect of the foreign direct investment from the private sector, a relatively good business environment, and diminishing barriers to entry for consumers is an industry with more than 18 million mobile subscriptions spread among a population of roughly 30 million persons (including a significant proportion of both youth and women) and a cellphone network that covers 88% of the population.[2]

Reliability of Crowd Sourcing

USAID is examining the viability of crowd sourcing methods through a Teacher Payment Monitoring assessment with a heavy emphasis on the usage of mobile phones. To date (three months in), the effort has been able to solicit interaction from nearly 5,000 unique cellphone subscribers via SMS text messaging and nearly 1,600 unique individuals via calls. The assessment uses radio, print, community engagement, and follow-up phone calls in Kabul, Nangarhar, Kunar, Laghman, and Herat. A crowd sourcing experiment focused on recursive vetting of respondents reached a 90% reporting accuracy in the first round of solicitations for pre-planted 'truth anchors' (posters placed by the team with codes and known locations). By the final round a targeted group of 18 respondents were able to independently and accurately identify six different targets with multiple hits per location.

Additional Cellular Price Data

New handsets range from 1,500 to 2,500 Afghanis (AFS) (US$29 to $48) for basic feature phones and 10,000 to 30,000 AFS (US$190 to $570) for smartphones. Second-hand basic

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[1] USAID Report, "Connecting to Opportunity: A Survey of Afghan Women's Access to Mobile Technology". http://www.usaid.gov/sites/default/files/documents/1871/survey_afghan_women_mobile.pdf

[2] Data collected by the ISAF telecommunications advisory team from the Afghan Ministry of Communications and Information Technology and telecommunications providers.

handsets cost about US$10. SIM cards range from 50 to 100 AFS (US$1 to $1.90). Pre-paid voice service ranges from 1 to 5.5 AFS (US$0.01 to $0.10) per minute for phone calls. In Afghanistan, the person who initiates the phone call pays, not the recipient. Pre-paid SMS service ranges from 0.50 to 2.5 AFS (US$0.01 to $0.5) per text message.[3]

[3] USAID Report, "Connecting to Opportunity: A Survey of Afghan Women's Access to Mobile Technology. http://www.usaid.gov/sites/default/files/documents/1871/survey_afghan_women_mobile.pdf

Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#5

"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

The Special Inspector General for Afghanistan Reconstruction (SIGAR) recently questioned more than $13 million in costs in an audit of a USAID contract with Chemonics. The SIGAR also stated that Chemonics refused to cooperate with the government.

- Who at USAID is responsible for ensuring that contractors cooperate with government audits, and why was that cooperation not secured for this audit?

Answer:

Contractors are required to adhere to the Federal Acquisition Regulations (FAR) clauses and/or agency supplemental clauses, as contained in their respective contracts. Clauses which allow examination of records and/or audit rights are routinely included. Failure to comply with the applicable contract clauses may necessitate a variety of actions taken by the Contracting Officer on the Agency's behalf, such as withholding of funds; failure to exercise an option to extend the term of the contract or to increase quantity; termination; or a negative Contractor Performance Assessment Report (CPAR). A contractor that refuses to cooperate with federal auditors also may be referred to the Compliance Division for appropriate action, as the circumstances warrant.

With regard to the Chemonics audit, it is unclear when the Agency was made aware of the complications between SIGAR and Chemonics. The Agency was officially notified of the issues by SIGAR on July 2, 2013, after the audit concluded.

Upon learning of SIGAR's assertion of non-cooperation, USAID immediately reached out to both Chemonics and SIGAR for additional information. Based on the information received and documents reviewed, it has not been established by the Agency that the contractor refused to cooperate with SIGAR. Instead, it appears that a miscommunication occurred between the parties which led to misunderstandings. USAID has met with representatives from Chemonics' management and reiterated to them their responsibility to respond timely and appropriately to government auditors.

- What actions are being taken against the contractor?

Answer:

USAID has met with key officials at SIGAR and senior management at Chemonics to discuss this issue, and based on the information and documents available to USAID, it has not been demonstrated to the Agency that Chemonics failed to cooperate with the SIGAR auditors. Subsequent to USAID's receipt of the audit report and following initial meetings with representations from both organizations, the Agency made a request to SIGAR for any additional documentation supporting the claim that Chemonics refused to cooperate. However, SIGAR declined to provide any additional information or documentation in support of the claim citing an ongoing investigation. Without additional information from SIGAR relating to the alleged failure to cooperate, USAID considers the lack of cooperation issue resolved.

The Agency has reiterated to Chemonics their responsibility to respond timely and appropriately to government auditors. Chemonics concurred with the Agency's position that the SIGAR audit should have been handled by subject matter experts who had a direct line of communication and support from senior management. Chemonics has since pledged full cooperation in any further inquiries into the issues raised by the audit and has agreed to supply the resources in staff numbers and requisite skills sets with a direct line of communication to senior management for future audits.

The Agency is committed to ensuring full cooperation and the safeguarding of taxpayer funds now and in the future. However, the $13 million questioned by the SIGAR audit appears to be supported by documentation such as Chemonics' negotiation memoranda, sole source justifications, and Contracting Officer consent to subcontract. USAID/Aghanistan is further reviewing the specific negative findings in the audit report and will take action as necessary.

- Will this refusal to cooperate be noted in the Chemonics' performance evaluation?

Answer:

It has not been established that Chemonics did not cooperate with the auditors. Moreover, the $13 million questioned by the SIGAR audit appears to be supported by documentation such as Chemonics' negotiation memoranda, sole source justifications, and Contracting Officer consent to subcontract. USAID/Aghanistan is further reviewing the specific negative findings in the audit report and if any of the negative findings are validated, the Agency will review the available remedies, which may include reporting of this information in the Contractor Assessment Performance Reporting System (CPARS).

Post-Hearing Questions for the Record
Submitted to Aman Djahanbani
From Senator Claire McCaskill
QFR#6

"Implementation of Wartime Contracting Reforms"
July 16, 2013

Question:

Over the last decade, USAID has devoted significant resources to poppy eradication in Afghanistan. What is the total amount that USAID has spent on poppy eradication efforts in Afghanistan?

Answer:

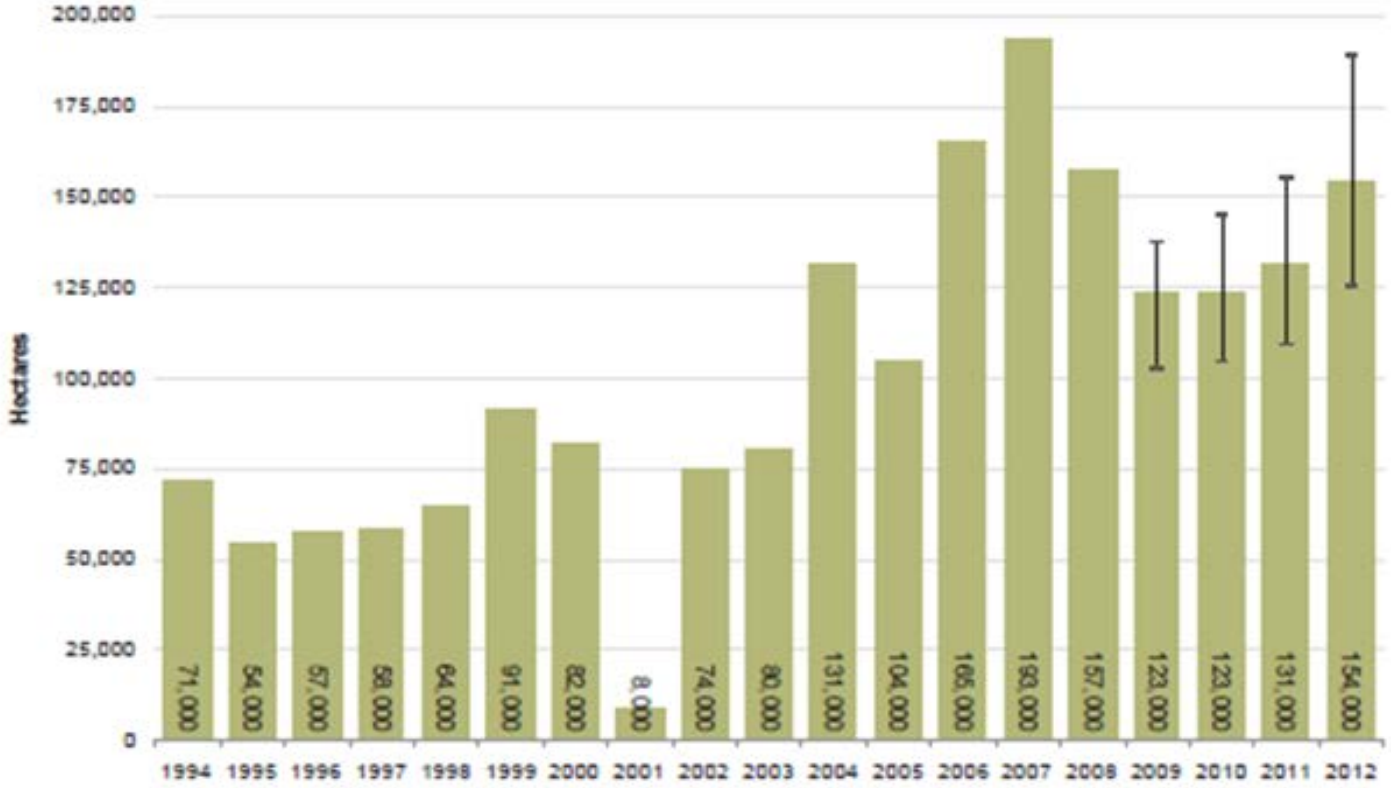
It is important to note that USAID does not engage in poppy 'eradication', but we do contribute to a holistic approach to poppy reduction by providing alternative development. USAID's alternative development work is part of a whole-of-government effort that includes the State Department's Bureau of International Narcotics and Law Enforcement (INL), which has historically managed opium-poppy eradication programs. In addition to USAID's alternative development efforts, the U.S. Government counternarcotics portfolio includes Afghan government capacity building, demand reduction, interdiction, public information, and regional cooperation. Between FY 2002 and FY 2012, USAID's total appropriations for alternative development equaled $1.32 billion.

Question:

By what percentage has poppy farming declined in Afghanistan since USAID began its eradication efforts?

Answer:

Opium poppy cultivation has varied significantly between 2002 and 2012 based on many factors including global wheat and opium prices, and ongoing security challenges in some provinces. The U.S. Government's goal is sustainable reductions over the long-term, and we remain committed to working closely with the Afghan government, regional partners, and the international community to reduce the flow of Afghan narcotics and eliminate this key funding source to the insurgency. Presented below is a graph by the UN Office of Drugs and Crime (UNODC) on poppy cultivation in Afghanistan:



Sources: UNODC and UNODC/MCN opium surveys 1994-2012. The high-low lines represent the upper and lower bounds of the 95% confidence interval.