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U.S. Department of State • Broadcasting Board of Governors

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July 2017

Compliance Follow-Up Audit of Bureau of International Narcotics and Law Enforcement Affairs Programs in Pakistan

MIDDLE EAST REGION OPERATIONS



OIG HIGHLIGHTS

AUD-MERO-17-46

What OIG Audited

The Bureau of International Narcotics and Law Enforcement Affairs (INL) provides funding and manages assistance programs to Pakistan through INL partners under three key program areas: Law Enforcement and Border Security (which includes the Law Enforcement Reform Program), Counternarcotics, and Rule of Law. In October 2014, OIG issued an audit report that contained eight recommendations intended to improve INL's Law Enforcement Reform Program in Pakistan: three recommendations to improve the program management and five recommendations to improve the financial management of the program.

The Office of Inspector General (OIG) conducted this compliance follow-up audit to determine the extent to which INL implemented the recommendations from OIG's October 2014 report and incorporated them into other key programs in Pakistan, including INL's Counternarcotics and the Rule of Law Programs.

What OIG Recommends

On the basis of confirmation of implementing actions and new information INL provided, OIG closed seven of the eight recommendations from its October 2014 audit report. The single open recommendation pertaining to conducting annual evaluations of the Law Enforcement Reform Program remains resolved, pending further action. In addition, OIG made seven new recommendations, including reprogramming \$8.7 million in unsubobligated funds. INL concurred with all seven recommendations offered. OIG considers six recommendations resolved pending further action and one recommendation closed. A synopsis of INL's comment and OIG's reply follow each recommendation in the Results section of this report. INL's response is reprinted in Appendix C, and OIG's reply to INL technical comments is presented in Appendix D.

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OFFICE OF AUDITS

Middle East Operations

Compliance Follow-Up Audit of Bureau of International Narcotics and Law Enforcement Affairs Programs in Pakistan

What OIG Found

INL has taken actions or provided clarifying information to close seven of the eight recommendations from OIG's 2014 report. Three of the eight recommendations involved program management, and one of the three remains open. Specifically, OIG confirmed that INL has implemented a monitoring and evaluation framework as recommended in the October 2014 report but has not completed actions to conduct a joint evaluation of the program with the Government of Pakistan. Accordingly, this recommendation remains resolved pending further action.

With respect to the five financial management recommendations contained in the October 2014 report, OIG confirmed that INL has revised its Financial Management Handbook to include new requirements for requesting subobligation terminal date extensions, monitoring and reviewing unliquidated obligations and subobligations, and reconciling funding advances. INL also reprogrammed funds of more than \$86 million that OIG determined could be used for other purposes. As a result, OIG considers all five recommendations in the October 2014 report related to financial management closed.

However, during this compliance follow-up audit, OIG found that INL does not have formal standard operating policies and procedures for defining specific equipment partner needs and assessing partner requests, nor had it completed drafting updated project descriptions, goals, objectives, and performance measures for its Law Enforcement and Border Security Program. OIG is therefore making new recommendations to address these issues. In addition, INL has incorporated some, but not all, of the recommended actions from the October 2014 report into its Pakistan Counternarcotics and Rule of Law Programs. For example, although INL has implemented the new financial management requirements for its Pakistan programs, the template used for requesting subobligation terminal date extensions does not include all information required. Further, although INL de-obligated and reprogrammed the \$86.2 million OIG reported in October 2014 that could be used for other purposes, it still maintains significant levels of unliquidated obligations in its Pakistan programs. As a result, \$11.3 million in funds covering the three programs was canceled and was not used at the end of FY 2016, and up to \$55.2 million in funds, including \$8.7 million in unsubobligated funds, is at risk of being canceled at the end of FY 2017 if no action is taken.

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CONTENTS

OBJECTIVE.....	1
BACKGROUND	1
INL Pakistan Programs.....	1
INL Pakistan Funding	2
Results of OIG 2014 Audit of the Law Enforcement Reform Program in Pakistan.....	3
INL Process for Establishing Agreements and Obligating and Expending Funds	5
AUDIT RESULTS.....	5
Finding A: INL Has Taken Actions or Provided Clarifying Information Sufficient to Close Seven of Eight Recommendations From OIG's October 2014 Report.....	5
Finding B: INL Has Not Fully Incorporated Actions To Implement Past Recommendations Into all Pakistan Programs.....	17
RECOMMENDATIONS	28
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY	29
Limitation Due to Delays in Obtaining Requested Information	30
Prior Reports.....	30
Work Related to Internal Controls	30
Use of Computer-Processed Data.....	30
Detailed Sampling Methodology	31
APPENDIX B: STATUS OF RECOMMENDATIONS FROM OIG'S OCTOBER 2014 AUDIT REPORT, AS OF JULY 2016.....	32
APPENDIX C: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE.....	34
APPENDIX D: OIG REPLY TO BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS TECHNICAL COMMENTS.....	53
ABBREVIATIONS	58
OIG AUDIT TEAM	59

OBJECTIVE

The Department of State (Department) Office of Inspector General (OIG) conducted this compliance follow-up audit to determine the extent to which the Bureau of International Narcotics and Law Enforcement Affairs (INL) implemented the recommendations from OIG's October 2014 report on the Law Enforcement Reform Program¹ in Pakistan and incorporated the recommendations into other key programs in Pakistan. See Appendix A for the purpose, scope, and methodology of this audit.

BACKGROUND

INL Pakistan Programs

Since 1982, the U.S. Government has supported the Government of Pakistan's law enforcement efforts through programs managed by INL. In its 2016–2020 country plan for Pakistan,² INL states, "The United States-Pakistan strategic partnership is defined by our combined resolve to disrupt, dismantle, and defeat terrorist organizations operating in and around Pakistan, and to counter violent extremism that continues to plague Pakistani society." Three core principles guide INL's Pakistan strategic plan:

- **Sustainability**, including the transition from an emphasis on infrastructure projects and equipment purchases toward more investment in human capital and institutional development.
- **Government of Pakistan buy-in**, resulting from developing and implementing programs in close consultation with the Pakistani Government.
- **Coordination with domestic and international donors**, achieved through identifying synergies, avoiding duplication, and leveraging expertise.

INL provides funding and manages assistance programs to Pakistan through various partners³ under three key program areas:

- **Law Enforcement and Border Security:** The Law Enforcement and Border Security Program supports human and institutional development. Assistance provided under this program area includes training, equipment, and infrastructure to federal and provincial

¹ OIG's October 2014 report referred collectively to multiple INL programs that provide equipment, training, and infrastructure assistance to Pakistani law enforcement as the "Law Enforcement Reform Program." These programs are now included in INL's "Law Enforcement and Border Security" program area. In this report, OIG uses "Law Enforcement Reform Program" when referring to the October 2014 report and uses "Law Enforcement and Border Security" when referring to INL's current program and future planned activities.

² INL Pakistan Plan 2016–2020.

³ INL's partners in Pakistan include other U.S. Government agencies (through interagency agreements), the Pakistan Ministry of Interior and other agencies at the national-level, Pakistan provincial-level agencies, international organizations, and international and Pakistani non-governmental organizations.

police; law enforcement support in remote areas (including along the Afghanistan border); and operational aviation capabilities to Pakistan's Ministry of Interior.

- **Counternarcotics:** Assistance under the Counternarcotics Program provides operational support and training to the Anti-Narcotics Force (Pakistan's lead counternarcotics agency), builds the capacity of local nongovernment organizations to administer drug treatment programs, improves Pakistan's capacity to reduce poppy cultivation through development of alternative economic livelihoods, and supports eradication efforts.
- **Rule of Law:** Assistance under the Rule of Law Program focuses on development of Pakistani prosecutors and judges through training, equipment, and infrastructure; supports legal education; promotes effective cooperation between police, prosecutors, and other experts; improves prison management operations, facility security, and internment conditions; and professionalizes corrections staff.

INL Pakistan Funding

To implement its projects in Pakistan, INL receives funding from annual congressional appropriations to three accounts. INL is primarily funded through the International Narcotics Control and Law Enforcement (INCLE) account. The Department requests INCLE funding to "support country and global programs critical to combat transnational crime, disrupt illicit trafficking, and assist partner nations to build their capacities to extend their reach of justice under the rule of law." INL also receives funding that Congress appropriates for Overseas Contingency Operations (OCO). According to the Department, the OCO budget allows it "to deal with extraordinary activities that are critical to our immediate national security objectives without unnecessarily undermining funding for our longer-term efforts."⁴ The OCO budget provides INL funds for programs in Iraq, Afghanistan, and Pakistan. In addition, INL sometimes receives funds from supplemental appropriations, which are appropriations enacted subsequent to a regular appropriations act when the need for funds is too urgent to be postponed to the next regular annual appropriations act.⁵ Lastly, INL has also sometimes receives Economic Support Funds (ESF) transferred from the U.S. Agency for International Development.⁶ The purpose of ESF is to promote economic and political stability by providing assistance to allies and countries in transition to democracy, supporting Middle East peace negotiations, and financing economic stabilization programs.

As of September 30, 2016, INL had received more than \$388 million from these accounts for its three key programs in Pakistan. The Law Enforcement and Border Security Program received the most funding, \$307.9 million; followed by Counternarcotics, \$52.6 million; and Rule of Law, \$28 million.

⁴ Department of State Congressional Budget Justification – FY 2015.

⁵ According to INL, it last received funding for Pakistan in a supplemental appropriation in 2010. See Supplemental Appropriations Act, 2010 (Pub. L. 111-212, July 29, 2010).

⁶ According to INL, the U.S. Agency for International Development last provided ESF funds for the Pakistan program in 2009.

Results of OIG 2014 Audit of the Law Enforcement Reform Program in Pakistan

OIG's 2014 report *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Law Enforcement Reform Program in Pakistan* (AUD-MERO-15-04) found, among other things, that INL could not demonstrate that the Pakistani police training program was effective in enhancing the professionalism of the Pakistani police. The report also found that INL could not determine whether Pakistani police capability to maintain peace and security had increased or whether the equipment provided by the training program improved the survivability, mobility, and communications capacity of the Pakistani police. These conditions occurred, in part, because INL had not documented evaluations of the police training program as required by various Amendments to the Letter of Agreement (A/LOA), including collecting data on whether the training, equipment, and infrastructure improved the performance of the Pakistani police. In addition, OIG found that the training results for police officers were far below those envisioned in the A/LOAs: Although the program was intended to train 33,290 police officers, only 5,135 (15 percent) of that number were trained, and 29 (42 percent) of the program's 69 planned infrastructure projects were actually completed. The audit determined that these conditions occurred because INL and the Government of Pakistan did not perform the evaluations required in the A/LOAs, did not set realistic performance measures, and did not adjust those performance measures on the basis of experience as the program progressed. OIG also found that INL maintained \$86.2 million in prior year bulk-obligated funds for which no specific purpose had been established. In addition, INL did not conduct adequate reviews of the funds that had already been obligated for a specific purpose to determine whether the obligations were still valid.

To address these deficiencies, OIG made eight recommendations to INL to improve its Law Enforcement Reform Program in Pakistan. Three of the eight recommendations were designed to improve program management, including the establishment of annual program evaluations and using the results of the evaluations to improve future agreements with the Government of Pakistan; to develop inventories of equipment that police officers and police organizations require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations; and to determine whether unmet performance targets were attainable within the timeframes set for their achievement.

Five of the eight recommendations contained in the October 2014 report were intended to improve financial management of the program, including the establishment of requirements to justify extensions to subobligation terminal dates; ensuring that future amendments to the LOA stipulate that the U.S. Government may unilaterally reprogram funds if they are not subobligated before the subobligation terminal date; determine how much of the \$86.2 million in unliquidated obligations could be reprogrammed for other uses; establish and implement additional procedures to review open subobligations and to deobligate any subobligations that could not be demonstrated to be still valid; and implement additional procedures to monitor and reconcile funding advances. As of July 2016, two of the eight recommendations were

unresolved, five were resolved pending further action, and one was closed.⁷ Appendix B shows the status of OIG's October 2014 recommendations as of July 2016.⁸

Types of Agreements Used for INL Assistance to Pakistan

The Letter of Agreement⁹ between the United States and the Government of Pakistan is the basis for INL's assistance programs in Pakistan. Signed in August 1982, the LOA is a strategic-level bilateral agreement between the United States and Pakistani Governments that defines the programs and funding, including U.S. and Pakistani contributions, under which the all INL assistance would be provided. The LOA also contained a list of standard provisions that address project financing, title to equipment and property, use of property and personnel, evaluation, applicable laws, currency exchange, taxes and duties, use of third-party participants, and termination of agreement.

In lieu of negotiating and signing new LOAs, the United States and Pakistan have periodically signed amendments to the 1982 LOA. These A/LOAs modify the program goals, descriptions, performance measures, funding, and the standard provisions for INL assistance in Pakistan, when necessary. Since 1982, the United States and Pakistan have made 78 amendments to the LOA.

INL uses a variety of agreement types to implement specific projects under the LOA and A/LOAs. In the past, INL established memoranda of understanding with the Government of Pakistan and provincial level governments. Currently, rather than memoranda of understanding, INL uses project implementation letters (PILs) as implementing agreements for its Pakistan program. INL also establishes interagency agreements to obtain goods and services from other U.S. Government agencies, such as the Department of Justice and the U.S. Institute for Peace. Finally, INL obtains services from international organizations, such as the United Nations Development Programme and the International Organization for Migration, using separate letters of agreement.

⁷ OIG considers a recommendation unresolved, resolved pending further action, or closed. The status is based on the actions that management has taken or plans to take to address the recommendation. An unresolved recommendation is one for which the Department does not indicate agreement or disagreement, does not respond to the recommendation, or does not address the recommendation or offer OIG an acceptable alternative action or reason for not addressing the recommendation. A resolved recommendation is one for which the Department has agreed to implement the recommendation or has begun to take actions, but has not yet completed the actions to fully implement the recommendation. A closed recommendation is one for which management has completed actions necessary to implement the recommendation and OIG has determined that no additional action is required.

⁸ INL provided compliance responses for the eight recommendations in January 2015 and October 2015. OIG completed resolution analysis for the January 2015 compliance response in July 2015 and completed its resolution analysis for the October 2015 compliance response in March 2016. INL provided a third compliance response in June 2016, shortly before the start of this compliance follow-up audit. OIG decided to complete this audit in lieu of a resolution analysis for INL's June 2016 compliance response. As a result, OIG's March 2016 resolution analysis represents the current status of the eight recommendations at the start of this audit in July 2016.

⁹ *Agreement Between the Government of the United States of America and the Government of Pakistan*, signed August 31, 1982.

INL Process for Establishing Agreements and Obligating and Expending Funds

Financial guidance for INL projects and programs in Pakistan is contained in the INL Financial Management Handbook (Handbook). The Handbook provides procedures for obligating and expending program and project funds. Funds may be obligated to projects once an A/LOA is signed or a Diplomatic Note is processed. INL then records the financial commitment as a "bulk" obligation¹⁰ within the Department's financial management system, even though a specific need may not have been identified. Bulk obligations must be made before the expiration date for the specific funds and by September 30 of the second fiscal year after they were appropriated. When bulk-obligated funds are intended for a specific purpose, INL generates in the financial system what is known as a "subobligation." Project funds should be subobligated by the "subobligation terminal date," which is always September 30 of the year following the calendar year in which the agreement was made. However, the INL Director at post overseeing the project may request to extend to the subobligation terminal date for an additional year for each agreement.

INL must use the funds within the 5 fiscal years that follow the expiration date for those funds before they cancel. When project funding is available in appropriations from multiple fiscal years, the oldest funds should be used first.¹¹ Once recorded, an obligation remains on the Department's accounting records until it is liquidated (that is, fully reduced by payments for goods or services) or deobligated or the appropriation is closed or canceled. Funds no longer needed for a specific project may be deobligated from the original project and reprogrammed for another use. Funds that have not been liquidated within the 5-year period are canceled, regardless of whether they had been bulk obligated or subobligated.

AUDIT RESULTS

Finding A: INL Has Taken Actions or Provided Clarifying Information Sufficient to Close Seven of Eight Recommendations From OIG's October 2014 Report

INL has taken actions or provided clarifying information to close seven of the eight recommendations from OIG's October 2014 report on INL's Pakistan Law Enforcement Reform Program. With respect to the three program management recommendations contained in the October 2014 report, OIG confirmed that INL has developed and implemented a new monitoring and evaluation framework but has not completed an evaluation of the Law Enforcement Reform Program in cooperation with the Government of Pakistan, as recommended. This action has not been completed, according to INL officials, because INL has experienced difficulty in obtaining cooperation from the Government of Pakistan to complete

¹⁰ The amount of funds assigned to each project in the agreement is the amount that must be recorded in each corresponding bulk obligation.

¹¹ INL Financial Management Handbook (June 2014), Ch. 14, "Project Accounting Procedures: Subobligating Project Funds" states: "Because INL project funds are available for subobligation for five years beyond the expiration of the appropriation, an accountant may be managing accounts from five or more fiscal years. *When project funding is available in appropriations from multiple fiscal years, the oldest money should be used first*" (emphasis added).

the evaluation. As a result, this recommendation remains open and OIG considers the recommendation resolved pending further action.

OIG also confirmed the process INL uses for assessing Pakistani law enforcement equipment requests and reviewed past program performance measures. OIG therefore considers the recommendations related to these issues closed. However, OIG notes that, as of March 2017, INL does not have formal standard operating policies and procedures for defining specific equipment partner needs and assessing partner requests, nor has it completed developing new performance measures for equipment, training, and infrastructure projects provided to the Pakistani police under its Law Enforcement and Border Security Program.

With respect to the five financial management recommendations, INL revised the Handbook in June 2016 to include new requirements for requesting subobligation terminal date extensions, monitoring and reviewing unliquidated bulk obligations and subobligations, and reconciling initial funding advances prior to advancing more funds. INL also reprogrammed \$86.2 million that OIG determined could be used for other purposes, reprogrammed another \$8.2 million in unliquidated funds attached to programs that had ended, and fully accounted for \$6.8 million in previously unreconciled funding advances. As a result, OIG considers each of the five financial management recommendations closed. However, OIG made two new program management recommendations to prompt INL to develop formal, written standard operating policies and procedures for assessing Pakistani partners' law enforcement equipment needs and to develop, monitor, and assess realistic performance measures, performance targets, and target dates for the Law Enforcement and Border Security Program in Pakistan.

INL Has Taken Some Actions To Improve its Monitoring and Evaluation Process, but Additional Action Is Needed To Close Recommendation 1

In October 2014, OIG reported that INL was unable to demonstrate the effectiveness of the Law Enforcement Reform Program because INL had neither established an evaluation plan for the program nor conducted required evaluations. OIG therefore recommended that INL obtain the cooperation of the Government of Pakistan to establish annual evaluations and use the results of the evaluations to adjust future program objectives. INL concurred with the recommendation. As a result, OIG considered the recommendation—Recommendation 1—resolved pending further action.

In this compliance follow-up audit, OIG found that INL and the Government of Pakistan had not completed an evaluation of the Law Enforcement Reform Program as OIG had recommended. INL stated that it was unable to implement the recommendation because of a strained relationship with the Government of Pakistan following three significant events that took place in 2011.¹² According to INL, these events led to considerable challenges in the management, implementation, and evaluation of its programs. INL also stated the bilateral relationship has

¹² These events included the Raymond Davis incident in January, the Osama bin Laden raid in May, and the Salala incident on the Afghanistan-Pakistan border in November.

improved since late 2014, although difficulties remain. These factors, according to INL, have delayed the implementation of the recommendation.

Nevertheless, OIG confirmed that INL has increased monitoring and evaluation efforts for the Law Enforcement and Border Security Program consistent with the underlying purpose of the recommendation contained in OIG's October 2014 report. Specifically, OIG found that INL has drafted a monitoring and evaluation framework that formalizes an evaluation plan, completed biannual program reviews, established a reporting and data collection system, strengthened implementing documents, added language in the 2016 A/LOA 78 calling for joint (INL and Government of Pakistan) annual evaluation reports, and is building relationships with its Pakistani Government partners, such as the Ministry of Interior and provincial-level police. Table 1 provides a summary of each of these actions.

Table 1: INL Actions Taken To Address Recommendation 1 in the October 2014 Report

INL Implementation Action	Details
Monitoring and Evaluation Framework	INL stated that it developed a Monitoring and Evaluation Framework for its Pakistan programs to monitor and evaluate performance and ensure standardized monitoring and evaluation practices across all programs. According to INL, the framework provides guidance on standards for conducting evaluations and formalizing biannual program reviews. OIG reviewed the framework, which, as of January 2017, was in draft form and found that it includes guidance on measuring program effectiveness and facilitates evaluations of INL programs.
Biannual Program Reviews	According to INL, since October 2014, it has been conducting program reviews twice a year to evaluate program effectiveness and progress toward achieving objectives and targets and has used the results to make program adjustments. OIG reviewed five biannual reviews for projects within the Law Enforcement and Border Security Program and found that the reviews generally addressed the status of program goals, objectives, and performance indicators; INL's monitoring plan; Pakistani ownership and capacity; cost effectiveness; and sustainability.
Reporting and Data Collection System	According to INL, since October 2014, it has been formalizing reporting from its implementing partners on a quarterly basis and setting standards for data collection and analysis to establish a reporting and data collection system. OIG reviewed five quarterly reports from the Government of Pakistan for projects within the Law Enforcement and Border Security Program and found that they contained output information that INL program officers review to assess progress toward objectives and targets. INL stated that it uses the data from these quarterly reports to develop biannual program reviews.
Project Implementation Letters Templates	In February 2016, INL finalized three new templates ^a for developing PILs, which require that INL partners provide written monitoring and evaluation reports on at least a quarterly basis.

INL Implementation Action	Details
	According to INL, it has signed 15 PILs for the Law Enforcement and Border Security Program using the new templates. OIG reviewed the 15 PILs and found that they included requirements for quarterly reports.
Agreement on Annual Evaluations	In May 2016, the U.S. Government and the Government of Pakistan signed A/LOA 78, which requires that INL and the Pakistani Government meet at least annually to evaluate progress against programmatic goals, adjust goals for the coming year, and prepare a report highlighting the evaluation outcomes. INL also noted that it was in the process of developing and formalizing an evaluation plan for annual evaluations with its provincial-level partners in Pakistan.
Outreach to Government of Pakistan Partners	INL indicated that it continues to build relationships with its Pakistani Government partners, particularly at the provincial level, for ongoing monitoring and evaluation efforts.

^a The three project implementation templates are for (1) subobligating funds for government-to-government projects, (2) procurement of commodities, and (3) projects that involve training and technical support.

Source: OIG generated on the basis of an analysis of INL documents and responses as of March 2017.

As noted, INL has taken actions regarding its monitoring and evaluation processes, including taking steps toward developing joint annual evaluations with the Government of Pakistan. However, INL has not completed a joint annual evaluation of the Law Enforcement Reform Program with the Government of Pakistan as recommended in OIG's October 2014 report. Conducting such an evaluation is important to ensure that program funds are being used effectively and that the program is achieving intended outcomes, such as strengthening Pakistani law enforcement's abilities to disrupt and defeat al-Qa'ida and other extremist organizations in Pakistan. Accordingly, this recommendation remains resolved pending further action and will continue to be tracked by OIG's Audit Compliance and Followup Division. To close this recommendation, INL must provide OIG evidence that it has completed a joint evaluation of the Pakistan Law Enforcement Reform Program with the Government of Pakistan and has incorporated the evaluation results for developing future agreements and updating program objectives accordingly.

INL Provided Clarifying Information Sufficient To Close Recommendation 2, but Written Standard Operating Policies and Procedures for Assessing Equipment Requests Are Needed, Resulting in a New Recommendation

In its October 2014 report, OIG reported that it could not determine whether INL met its target of providing police equipment to 47,980 Pakistani police officers to increase their mobility, survivability, and communications capacities because INL had not developed standard equipment lists, as required in A/LOA 74, which was signed in December 2010. OIG recommended that INL develop inventories of equipment that Pakistani police require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations. INL did not concur with the recommendation when the report was issued in October 2014, and OIG considered the recommendation unresolved.

As of March 2017, INL stated that it continues to disagree with the recommendation. INL believes OIG misinterpreted the intent of A/LOA 74, which states, “The [United States Government] and the [Government of Pakistan] will jointly define the list of equipment required by police officers for safe and effective operations” for the Punjab Police, Sindh Police, and Female Police Development programs in Pakistan. According to INL, the intent of A/LOA 74 was to jointly develop with the Government of Pakistan a process for determining equipment needs rather than a standardized “list” of equipment from which to supply law enforcement programs. INL further stated that developing a standardized list would not encompass the needs of all Pakistani law enforcement organizations because of the differing needs and missions of those organizations and may invite additional requests for foreign assistance above and beyond each organization’s actual needs and capacity. On the basis of a review of this new information provided by INL, OIG agrees that the language in A/LOA 74 could be consistent with INL’s interpretation that it should develop a process, rather than a list, for assessing Pakistani police equipment needs.

During this compliance follow-up audit, INL further explained the process it uses for assessing equipment requests and provided an example. Rather than developing a standard list of equipment as OIG recommended, INL stated it uses an analytical and deliberate approach, including consulting extensively with each Pakistani law enforcement partner to ascertain specific needs prior to procuring any equipment to ensure it meets actual needs and evaluating requests for assistance on the basis of cost, relevance, and impact.¹³ Specifically, INL stated that before providing equipment, it does the following:

- Works with Government of Pakistan partners to determine the actual equipment to be provided after extensive discussions concerning needs; funding availability; procurement timelines; associated operations, training, and maintenance; and sustainability.
- Uses the assessments of subject matter experts.¹⁴
- Considers how the equipment will increase officer survivability and mobility of the Pakistani law enforcement partner, including how it supports professionalization efforts, improves operations, advances the organization’s objectives, and aligns with INL and U.S. Government objectives.
- Considers how the equipment will be used, maintained, and stored.

On the basis of INL’s clarifying information provided during this compliance follow-up audit, including its description of the equipment assessment process for its Law Enforcement and Border Security Program, OIG considers its 2014 recommendation closed.

However, INL acknowledged that its current process as described is informal and that it does not have detailed formal, written standard operating policies and procedures for defining specific equipment partner needs and assessing partner requests for its Law Enforcement and Border

¹³ INL response to OIG Request For Information Number 3 – November 2016.

¹⁴ Subject Matter Experts are typically American police officers with international police mission experience and INL Foreign Service Officers who evaluate the baseline capacities and needs of the specific entity. INL stated Subject Matter Experts typically remain in country for 2 or 3 years, which helps INL maintain continuity of operations.

Security Programs in Pakistan. U.S. Government personnel assigned to the U.S. Mission to Pakistan generally serve 1-year tours, which can affect the efficiency and performance of INL programs. Adopting formal, written policies and procedures would limit the effects of high personnel turnover by standardizing INL's process for assessing Pakistani law enforcement partners' equipment requests. INL stated that it is developing flow charts detailing the assessment process it follows from the initial request to delivery of equipment and has already developed flow charts for infrastructure projects. OIG is therefore making a new recommendation to address this shortcoming.

Recommendation 1: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan.

INL Response: INL concurred with this recommendation stating it will "develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan." INL indicated this action is one of several actions it has initiated to improve its monitoring and evaluation strategy "as it relates to day-to-day programmatic oversight for INL programs in Pakistan." INL's response is reprinted in full in Appendix C.

OIG Reply: On the basis of INL's concurrence with the recommendation and actions planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has developed and implemented formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan.

INL Has Not Taken Actions Sufficient To Close Recommendation 3, but the Program Has Changed and Needs To Implement New Performance Management Measures, Resulting in a New Recommendation

In October 2014, OIG reported that it could not determine whether INL met its performance targets included in several A/LOAs pursuant to which INL was to provide equipment, training, and infrastructure projects to Pakistani police. Specifically, OIG reported the following:

- It could not determine whether INL met its performance targets specified in A/LOAs 71 and 73–75 or how many Pakistani police were actually equipped.
- INL had trained only 5,135 of the 33,290 Pakistani police officers specified in its training performance targets established under A/LOAs 68, 71, and 73–75.
- INL achieved only 29 of 69 targets for its infrastructure projects.

As a result, OIG recommended that INL review the Law Enforcement Reform Program's unfulfilled training, infrastructure, and equipment performance measures; determine whether the measures can be met; and, if so, establish new target dates for their completion. INL concurred with OIG's recommendation. Accordingly, OIG considered the recommendation resolved pending further action when the report was issued in October 2014.

During the compliance follow-up audit, OIG requested and INL provided new evidence showing they had reviewed the past performance measures in the five A/LOAs for (1) the number of police officers receiving equipment, (2) the number of police officers to be trained, and (3) the number of police infrastructure projects that can be completed. INL determined that the performance targets were not achievable¹⁵ and stated that it will establish new performance measures in the future. INL further stated that the original targets were not based on historical data, nor did they fully account for the difficult operating environment in Pakistan. When these targets were established, which was before OIG's 2014 report, INL believed that they were feasible, given a large increase in funding. However, INL stated they could not foresee the impending impact of major security-related incidents that seriously harmed the U.S.-Pakistan bilateral relationship and significantly hindered INL's ability to provide assistance. Table 2 provides a summary of each of these actions.

Table 2: INL Actions Taken To Address Recommendation 3 in the October 2014 Report

INL Implementation Action	Details
Tracking Number of Police Officers Receiving Equipment	During this compliance follow-up audit, INL stated it historically did not track the number of police officers receiving equipment. INL also stated it could not determine the methodology by which former INL officials established the previous targets set in the A/LOAs and that, on the basis of the data available, it could not accurately determine whether the A/LOA targets were met and whether they could be met in future years. ^a INL further stated that it is establishing new performance measures, including requirements to report on a quarterly basis. For example, during this compliance follow-up audit, OIG reviewed 15 PILs signed since the report was issued in October 2014 that use the INL's updated templates. These documents were provided as examples to confirm INL had taken actions requiring quarterly reporting and that included monitoring and evaluation. ^b
Tracking Past and Establishing New Performance Targets for Police Training	During this compliance follow-up audit, INL stated that it found many of the training targets to be unrealistic and unachievable. INL explained that it was unclear why the targets were established, given that they could not be achieved. INL noted

¹⁵ INL stated the targets included in A/LOAs 68, 71, 73, 74, and 75 were unrealistic and immeasurable, and that the methodology originally used to establish these targets was unclear as historical data does not suggest that these targets were attainable. For example, at the time of the signature of A/LOA 73 was signed in September 2010, INL stated that it was training between 1,200 and 2,200 Pakistani police each year, and that it was highly unlikely that the A/LOA targets would ever be met.

INL Implementation Action	Details
	that these targets may not have taken into account historical data for the program because of a lack of reliable and consistent data on the training program prior to 2014. INL also stated it does not intend to set new target dates for the completion of the previous A/LOA training targets because of a shift in programmatic objectives. INL also indicated the original targets were no longer relevant to its training objectives in Pakistan and that performance measures in future A/LOAs would focus on the number of personnel trained nationwide, rather than on province-specific targets.
Tracking Past and Establishing New Performance Targets for Infrastructure Programs	During this compliance follow-up audit, INL officials stated that they did not know how the target number of infrastructure projects included in the A/LOAs had been derived. INL stated that 5 major projects had been completed since October 2014 and that, as of November 2016, an additional 61 Pakistani police facilities were under construction. Further, given shifting priorities and security limitations, INL stated that it does not intend to set new target dates for the completion of these infrastructure projects.

^a In an effort to estimate the number of personnel outfitted by INL-donated equipment, INL calculated the pieces of protective equipment (such as vests, helmets, and anti-riot gear) donated since A/LOA 71 was signed in February 2010. Operating under the assumption that one vest/helmet/set of gear would be assigned to one person; INL made a rough estimate that the number of police outfitted by this equipment from 2010 to 2016 was approximately 28,758. However, INL stated that this formula was not consistently accurate.

^b OIG reviewed 15 completed PILs that used the three project implementation letter INL templates developed since OIG's October 2014 report. In addition, OIG reviewed three other PILs that incorporated the new templates that INL provided for the Joint Police Training Center Phase II (signed October 22, 2015), Tor Ghar Crop Control (signed June 3, 2016), and Sindh Prosecution Service (signed June 29, 2016).

Source: OIG generated on the basis of an analysis of INL documents and responses as of March 2017.

INL stated during this compliance follow-up audit that because the previous performance targets were unachievable, it would establish new program descriptions and performance goals, indicators, and targets. However, the Government of Pakistan must agree to the new indicators and targets within a new A/LOA that authorizes their use before they could be implemented. OIG found that INL's Pakistan country plan for FYs 2016–2020¹⁶ includes a list of equipment, training, and infrastructure performance indicators and targets to be employed by all its Law Enforcement and Border Security program. In June 2017, INL reported that it had initiated negotiations for a new A/LOA with the Government of Pakistan that will include the indicators. However, INL and the Government of Pakistan have not yet completed negotiating or signed the new A/LOA; thus, the performance indicators and targets have not been formally adopted and cannot yet be implemented.

Continued attention to this issue is important because, without an effective process for monitoring and evaluating program accomplishments, no assurance can be given that program

¹⁶ INL Pakistan Plan 2016–2020, February 2017.

funds are being used effectively and the potential exists for the program not to meet INL's intended goals and objectives.

Because of the actions taken to review its past performance targets and changing objectives, OIG is closing the original recommendation. However, OIG made a new recommendation to address shortcoming with project descriptions, goals, objectives, and performance measures.

Recommendation 2: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program to be inserted as Amendments to the Letter of Agreement and the Project Implementation Letters between the U.S. Government and the Government of Pakistan.

INL Response: INL concurred with this recommendation stating it will "develop and implement new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program to be inserted as A/LOAs and the [PILs] between the U.S. Government and the Government of Pakistan." INL indicated this action is another of several actions it has initiated to improve its monitoring and evaluation strategy for programs in Pakistan.

OIG Reply: On the basis of INL's concurrence with the recommendation and actions planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has developed new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program and incorporated them into A/LOAs and the PILs between the U.S. Government and the Government of Pakistan.

INL Has Taken Action Sufficient To Close Recommendation 4

As described in the Background section of this report, project funds should be subobligated by the "subobligation terminal date," unless the INL Director at post overseeing the project makes a one-time request to extend that date. In its October 2014 report, OIG reported that INL automatically extended the subobligation terminal date for funds at the end of each fiscal year, without any detailed analysis showing that the funds were still required for a valid purpose. OIG recommended that INL amend the Handbook to require a detailed justification for extending a subobligation terminal date. INL concurred with the recommendation, and in the October 2014 final report, OIG considered the recommendation resolved pending further action.

The Handbook previously stated that "the purpose of the subobligation terminal date is to draw attention to projects that are not subobligating available funding as quickly as planned." However, the Handbook did not specify what information to include in the request for an extension. In June 2016, INL revised the Handbook to require that justifications to extend a subobligation terminal dates include the following:

- The purpose for the available bulk obligation.
- The challenges and reasons why the funds have not been subobligated.
- The reason(s) why the unsubobligated funds are still required.
- The plan to subobligate the funds and by what date the available bulk obligations will be subobligated.
- The overall project financial pipeline by appropriation account if the project is covered by other LOAs or amendments.

On the basis of INL's actions taken to update the Handbook with new requirements for requesting extensions to subobligation terminal dates, OIG considers the recommendation closed and no other action is required.

INL Provided Clarifying Information Sufficient To Close Recommendation 5

In its October 2014 report, OIG determined that INL had not reprogrammed approximately \$86.2 million in prior year funds for which no purpose had been established, despite the Handbook allowing such reprogramming after the subobligation terminal date without the consent of the host government. As a result, OIG recommended that INL negotiate future A/LOAs that stipulate that the U.S. Government may unilaterally reprogram funds if the funds are not subobligated by the subobligation terminal date.

INL did not concur with the recommendation, stating that the original Pakistan LOA, signed on August 31, 1982, contained a clause—Standard Provision A—addressing this recommendation and that this provision was incorporated by reference in all subsequent amendments. However, in January 2015, INL stated that it would include OIG's recommended language in a new draft LOA it planned to present to the Government of Pakistan. On the basis of this information, OIG determined in July 2015 that the recommendation was resolved pending further action. However, in October 2016, INL and the Department's Office of the Legal Advisor reported that the Department would no longer pursue a new LOA with Pakistan.

After INL informed OIG that a new LOA was not forthcoming, INL reiterated its previous contention that Standard Provision A of the existing LOA grants INL the authority to reprogram funds under the existing LOA without the consent of the Government of Pakistan, provided the funds were not subobligated for specific purposes within 6 months after the approved subobligation terminal date. INL also stated that the LOA does not require INL to notify the Pakistani Government when it reprograms funds. Nonetheless, INL stated that the Government of Pakistan actively engages with program staff and Embassy Islamabad on INL-funded programming and that INL notifies Pakistan when INL makes changes to the programs' funding levels. INL stated that those notifications are often communicated informally, which does not occur via official Diplomatic Note or the establishment of a new A/LOA.

During this compliance follow-up audit, OIG reviewed Standard Provision A of the LOA and determined that it does allow INL to reprogram funds without the Government of Pakistan's consent. Specifically, Standard Provision A states that the U.S. Government "shall not be required to make any of the contributions [agreed to by the U.S. Government and the Government of

Pakistan] not sub-obligated within 6 months after the end of the fiscal year in which [the agreement] is signed.” OIG also confirmed that INL incorporated Standard Provision A by reference into A/LOAs 76, 77, and 78. Finally, OIG found that from June to August 2014, INL de-obligated and reprogrammed at least \$25 million from the Law Enforcement Reform Program to assistance programs outside Pakistan. INL stated that it would not have sought the Government of Pakistan’s consent to reprogram the funds.

On the basis of OIG’s review of Standard Provision A, as well as INL’s statements and actions, OIG considers this recommendation closed and no other action is required.

INL Took Sufficient Actions To Close Recommendation 6 in March 2016

In its October 2014 report, OIG reported that INL retained \$86.2 million in unliquidated obligations for which there was no apparent documented need within the Law Enforcement Reform Program. OIG recommended that INL determine how much of the \$86.2 million could be reprogrammed for other uses. INL partially concurred with the recommendation, stating that it had reprogrammed funds in the past and had reduced its budget requests in an effort to draw down prior year funds. OIG considered the recommendation unresolved in the October 2014 report because INL did not state whether it agreed that the amount of funding OIG identified could be used for other purposes.

Before this compliance follow-up audit, however, INL took actions to de-obligate and reprogram the full amount of the \$86.2 million. In July 2015, OIG determined that INL had de-obligated and reprogrammed \$62.8 million of the \$86.2 million OIG identified, leaving a balance of \$23.4 million to be reprogrammed. The \$62.8 million in reprogrammed funds consisted of \$37.8 million to support other programs within Pakistan and \$25 million was divided for programs in Ukraine and Southeast Asia and support for the 2014 African Leaders Summit. In October 2015, INL reported that it had reprogrammed the remaining \$23.4 million to a variety of law enforcement projects in Pakistan. OIG closed the recommendation in March 2016 on the basis of a review of the supporting documentation INL provided and no other action is required.

INL Has Taken Actions Sufficient To Close Recommendation 7

In OIG’s October 2014 report, OIG compared records for 973 subobligations included in INL’s financial management reports with information contained in records maintained in the Department’s domestic and financial management systems, as well as procurement records from the Department’s integrated logistics management system. On the basis of its review, OIG found 21 instances in which INL and Department records did not match and reported that they involved \$8.2 million in unliquidated subobligations for programs that had ended and that could be de-obligated and reprogrammed for other uses. For example, \$1.6 million of the \$8.2 million was still obligated to three contracts that had ended in July 2010. OIG recommended that INL establish and implement additional procedures to review open subobligations and de-obligate any funds that could not be demonstrated to still be valid. INL concurred with the recommendation, and OIG considered the recommendation resolved pending further action.

During this compliance follow-up audit, OIG reviewed data from INL's Financial Management Activity Report,¹⁷ showing that it had de-obligated and reprogrammed the \$8.2 million at issue. OIG verified that funding for each of the 22 subobligations had been de-obligated by reviewing data from the Global Financial Management System (GFMS).¹⁸ In addition, in June 2016, INL revised Chapter 14 of its Handbook to require that personnel from a post's Financial Management Office and INL section review the status of subobligations as billings are received and payments are made to determine whether a legitimate need still exists and whether the subobligation balance is required. The Handbook also requires the INL and Financial Management Office sections to review documents supporting unliquidated bulk and subobligations once a month to determine whether they are still valid. The monthly reviews focus primarily on the unliquidated subobligations to determine whether a subobligation is still valid or needs to be de-subobligated.

On the basis of INL's revisions to the Handbook and its actions to reprogram the \$8.2 million, OIG considers this recommendation closed and no other action is required.

INL Has Taken Actions Sufficient To Close Recommendation 8

In its October 2014 report, OIG reported that INL extended reimbursable funding advances to the Government of Pakistan without requiring previous advances to be accounted for or closed out. OIG reported that, in 33 of 35 instances, INL advanced additional funds without reconciliation of the previous advances within 90 days and that advances of approximately \$6.8 million remained open for more than 90 days.¹⁹ OIG recommended that INL establish and implement procedures for monitoring reimbursable advances on a quarterly basis and not provide further advances on projects with outstanding advances, until those advances had been reconciled.

In response to its October 2014 report, INL stated that it had taken steps to reconcile the advances OIG identified, but it did not address the recommendation to implement new monitoring procedures. Therefore, OIG considered the recommendation unresolved. In January 2015, INL stated it was in the process of obtaining final clearance for revisions to the Handbook to address the issue, but OIG still designated the recommendation as unresolved as of March 2016, because INL had not yet completed the Handbook revisions or accounted for approximately \$208,358 of the \$6.8 million in advances OIG identified previously.

¹⁷ INL uses the Financial Management Activity Report to monitor funding availability and use on a monthly basis. The Financial Management Activity Report is derived from data in the Regional Financial Management System, which is the overseas component of GFMS.

¹⁸ GFMS is the Department's core financial systems accounting for business activities and recording the associated financial information, including obligations and costs, performance, financial assets, and other data.

¹⁹ Under a memoranda of understanding with the Government of Pakistan for construction projects, INL would provide advances only if, at the end of each 90-day period, the Government of Pakistan provided supporting documentation that 60 percent of the last advance and 100 percent of all previous advances had been spent properly and reconciled.

In June 2016, INL stated that it fully reconciled the remaining \$208,358 in advances. INL also provided a copy of the June 2016 revisions to Chapter 19 of the Handbook, which requires that host governments provide “supporting documentation that 60 percent of the last advance has been spent for allowed purposes and that 100 percent of all previous advances have been spent properly and reconciled” before receiving subsequent advances.²⁰ In addition, the Handbook now requires that INL directors review outstanding advances on a quarterly basis to determine “that no additional advances have been given to the Host Government for the same project unless they are following the terms and conditions of the PIL and the previous advance(s) was/were reconciled and closed.” OIG notes that because these requirements are incorporated into the Handbook, they now apply to all INL programs and projects worldwide.

During the course of this compliance follow-up audit, OIG reviewed and verified documentation provided by INL demonstrating reconciliation of the \$6.8 million in multiple advances cited in OIG’s October 2014 report.²¹ Further, OIG reviewed INL data on advances made between October 2014 and October 2016 for the Law Enforcement and Border Reform Program and found no new instances in which INL provided funding advances prior to reconciling previous advances, in accordance with the Handbook requirements.

On the basis of INL’s revisions to the Handbook and reconciliation of the 33 previously identified advances, OIG considers this recommendation closed and no other action is required.

Finding B: INL Has Not Fully Incorporated Actions To Implement Past Recommendations Into all Pakistan Programs

INL has incorporated into its Pakistan Counternarcotics and Rule of Law Programs some, but not all, of the actions it took to implement the October 2014 recommendations. OIG found that INL has applied, or plans to apply, the new monitoring and evaluation framework and performance measures it developed in response to Recommendations 1 and 3 from OIG’s 2014 report to its Pakistan Counternarcotics and Rule of Law Programs. However, INL has not fully implemented these efforts for these programs and, in particular, has not developed program descriptions, goals, objectives, and performance measures. In addition, INL applies the same informal process for assessing Pakistani partners’ law enforcement equipment needs to determine needs for the Counternarcotics and Rule of Law Programs. Moreover, although INL has implemented the new financial management requirements for each of its Pakistan programs, the template used for requesting subobligation terminal date extensions does not include all information required by the Handbook. In particular, the template does not include entries describing the continued need for the funding and a plan to subobligate the funds. Furthermore, although INL de-obligated and reprogrammed the \$86.2 million OIG reported in October 2014 that could be used for other purposes, it still maintains significant levels of unliquidated obligations within its program areas in Pakistan. As a result, funds of \$11.3 million were canceled and went unused at

²⁰ OIG acknowledges that this requirement was included in the MOU with the Government of Pakistan that authorized the previously audited programs. The modifications to the Handbook accordingly conform that document to existing practice.

²¹ OIG verified that INL reconciled the 33 advances.

the end of FY 2016, and funds of another \$55.2 million, including \$8.7 million not subobligated, risk being canceled at the end of FY 2017 if no action is taken.

INL Has Not Yet Completed or Fully Incorporated new Program Management and Monitoring Actions Into the Counternarcotics and Rule of Law Programs

OIG found that INL has applied, or plans to apply, the new monitoring and evaluation framework and performance measures it developed in response to Recommendations 1 and 3 from OIG's 2014 report to its Pakistan Counternarcotics and Rule of Law Programs. However, INL has not fully implemented these efforts, because it has not developed program descriptions, goals, objectives, and performance measures for these programs. As noted in Finding A, INL has implemented or plans to implement a series of efforts to improve monitoring and evaluation of the Law Enforcement and Border Security Program in Pakistan. These efforts, including INL's overall draft monitoring and evaluation framework draft, apply to all INL Pakistan programs, including the Counternarcotics and Rule of Law Programs.

Specifically, INL indicated it had completed three rounds of biannual reviews for its Counternarcotics and Rule of Law Programs. OIG reviewed one biannual review for each of the two programs and found that they generally addressed the status of program goals and objectives, INL's monitoring plan, Pakistani ownership and capacity, cost effectiveness, and sustainability. In addition, INL has executed five new PILs incorporating the new performance metrics and quarterly reporting requirements for these programs. INL noted that Pakistan would be the first country program to integrate such a monitoring and evaluation approach. Further, INL stated that, if successful, it could apply similar approaches to meet the specific needs of other country programs.

As of November 2016, as part of the development process for the new monitoring and evaluation system, INL stated that it is drafting updated project descriptions, goals, objectives, and performance measures to replace all existing program-related language from previous A/LOAs. INL stated further that the updated language will be included in INL's Pakistan country strategy and new A/LOAs. Accordingly, INL does not plan to review progress toward achieving performance targets for its Counternarcotics and Rule of Law Programs as it did for the Law Enforcement and Border Security Program because the previous targets are not relevant to its current objectives in Pakistan.

INL stated that it revised its country strategy to show the level of progress toward achieving its updated performance targets. OIG confirmed that INL has taken steps to develop new indicators and targets but the process will not be completed until finalization of a new A/LOA, which, as previously noted, requires agreement by the Government of Pakistan. As with the Law Enforcement and Border Security Program, INL's Pakistan country plan for FYs 2016–2020 includes a list of equipment, training, and infrastructure performance indicators and targets to be employed for the Counternarcotics and Rule of Law Programs. In addition, in June 2017, INL reported it has begun negotiating a new A/LOA with the Government of Pakistan that will include these indicators. However, as with the Law Enforcement and Border Security Program, INL and the Government of Pakistan have not yet completed negotiating or signed the new

A/LOA; thus, the performance indicators and targets have not been formally adopted and cannot yet be implemented.

Finally, INL indicated that it applies the same informal process for assessing equipment needs for Pakistani partners for the Counternarcotics and Rule of Law Programs that it uses for the Law Enforcement and Border Security Program. However, as with the law enforcement area, OIG found INL does not have formal, written standard operating policies and procedures for completing such assessments. Establishing such policies and procedures would help standardize INL's process for assessing both equipment and infrastructure requests from the Government of Pakistan across all program areas. OIG made the following recommendations to address these shortcomings:

Recommendation 3: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Counternarcotics and Rule of Law Programs for future Amendments to the Letter of Agreement and Project Implementation Letters between the U.S Government and the Government of Pakistan.

INL Response: INL concurred with this recommendation stating it will "develop and implement new program descriptions, goals, objectives, and performance measures for the Counternarcotics and Rule of Law Programs to be inserted as [A/LOAs] and the [PILs] between the U.S Government and the Government of Pakistan." INL indicated this action is another of several actions it has initiated to improve its monitoring and evaluation strategy for programs in Pakistan.

OIG Reply: On the basis of INL's concurrence with the recommendation and actions planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has completed development of the new descriptions, goals, and measures and incorporated them into A/LOAs and the PILs between the U.S Government and the Government of Pakistan.

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Counternarcotics and Rule of Law Programs in Pakistan.

INL Response: INL concurred with this recommendation stating that it will "develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Counternarcotics and Rule of Law Programs in Pakistan."

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

demonstrating that INL has developed and implemented such formal, written standard operating policies and procedures.

New Financial Management Requirements Apply to all INL Programs Worldwide but Have Not Been Fully Incorporated Into INL Pakistan Programs

As discussed previously, in June 2016 INL updated the Handbook with new requirements for extending subobligation terminal dates, monitoring unliquidated obligations, and reconciling funding advances before subsequent advances are made. These Handbook updates were sufficient to close, or contributed to the closure of, Recommendations 4 and 6–8 from OIG's October 2014 report. These new requirements apply to all INL programs, regardless of type or geographic location. In addition, OIG found that INL had fully adopted the new requirements for reconciling funding advances within all its Pakistan programs. However, INL did not fully incorporate the new requirements for requesting subobligation terminal date extensions or for monitoring and managing unliquidated obligation balances.

INL Reconciled Funding Advances in Accordance With New Financial Management Handbook Requirements

During this compliance follow-up audit, OIG found INL had adopted the updated requirements for managing funding advances into each of its Pakistan programs. OIG reviewed data from the Regional Financial Management System and found seven projects within the Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs that received multiple funding advances from October 2014 to October 2016. Collectively, these projects received 18 advances totaling \$11.6 million. For each advance, OIG confirmed that INL had reconciled previous funding advances in accordance with the Handbook requirements before making a subsequent advance to a partner. OIG found no new instances in which INL provided advances before reconciling previous advances.

Subobligation Terminal Date Extension Requests Lack Information on the Reasons for Extending Funding and a Plan to Subobligate Funds

Although INL updated the Handbook to include five new requirements for requesting and approving extensions for subobligation terminal dates, requests to extend such dates did not include required information on the reasons for the extension and plans to subobligate funds. INL uses a spreadsheet template as part of its process for reviewing such requests from its overseas posts. Program officers at overseas posts submit the completed template to INL resource managers in Washington, DC, who review the request and accept or deny the request. INL officials stated that their goal is to grant access to all subobligated funds after having discussions and reaching a budget agreement between INL program officers and overseas posts. OIG reviewed the subobligation extension request template and eight extension requests from Pakistan overseas post for which the template was used.

OIG found several shortcomings with the template that could affect INL's ability to complete full reviews of extension requests. First, the template did not include an entry to explain the reasons the funds are still required, which the Handbook requires for all requests. Second, although the template required a "timeline of when the funds are anticipated to be subobligated," it did not require "a plan to subobligate the funds," both of which are Handbook requirements. Lastly, three separate categories of required information were placed within a single entry in the template: the purpose for the available funds, the challenges or reasons why funds have not yet been subobligated, and a timeline of when the funds are anticipated to be subobligated.

In keeping with these shortcomings, OIG found that the eight extension requests from Pakistan overseas posts that OIG reviewed did not include explicit reasons the funds were still needed and did not include plans to subobligate the funds within the proposed timelines. In addition, the requests combined the purposes for the available funds and challenges to reasons the funds had not been subobligated, making the respective entries unclear.

INL stated that the template is designed as a flexible tool to begin a dialogue between INL's Office of Resource Management and overseas posts after an extension request is submitted. However, the absence of separate entries in the template for each piece of required information from the Handbook could result in overseas posts failing to provide all necessary information. Revising the template would help ensure that the required information is properly captured in the requesting template. OIG is therefore making the following recommendation to address this shortcoming:

Recommendation 5: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs revise its template for subobligation terminal date extension requests to reflect in separate cells the five discrete requirements identified in the INL Financial Management Handbook.

INL Response: INL concurred with this recommendation, stating it "has revised the template (attached) for subobligation terminal date extension requests to include separate response fields for the five discrete requirements identified in the INL Financial Management Handbook." INL provided a copy of the revised template, which is reprinted in Appendix C as Tab 2 of INL's response.

OIG Reply: On the basis of INL's concurrence with the recommendation and actions taken, OIG considers this recommendation closed and no additional action is required.

INL Maintains Significant Levels of Unliquidated Obligations Within its Pakistan Programs

Although INL de-obligated and reprogrammed the \$86.2 million, OIG reported in October 2014 that could be used for other purposes, it still maintains significant levels of unliquidated obligations within each of its three program areas—Law Enforcement and Border Security, Counternarcotics, and Rule of Law—in Pakistan. OIG reviewed obligation and expenditure data in INL's Financial Management Activity Report on these three program areas as of September 30, 2016. OIG found that approximately \$11.3 million in unliquidated obligations was

canceled at the end of FY 2016 and that additional funds of \$55.2 million are at risk of being canceled at the end of FY 2017 if they are not used and no action is taken to reprogram the funds.

Table 3 shows the amount of 2010 INCLE appropriations obligated to INL Pakistan projects and the amount and percentage of funds that were not liquidated before the end of the 5-year spend-down period for these funds on September 30, 2016.

Table 3: FY 2010 INCLE Obligations for Pakistan Projects and Unliquidated Obligations That Were Canceled on September 30, 2016

Project Name	Obligations ^a	Canceled Unliquidated Obligations ^a	Percentage Unliquidated (%)
Aviation Support	\$27,871,913	\$142,483	0.5
Crop Control and Area Development	\$2,000,000	-	-
Demand Reduction	\$1,500,000	-	-
Interdiction	\$2,000,000	\$8,804	0.4
Law Enforcement General	\$1,500,000	-	-
Law Enforcement Reform & Capacity Building	\$7,089,997	\$56,865	0.8
Police Reforms Khyber Pakhtunkhwa	\$34,600,000	\$10,851,641	31.4
Police Reforms Balochistan	\$5,513,357	\$101,812	1.8
Rule of Law	\$2,000,000	\$161,616	8.1
Total	\$84,075,267	\$11,323,221	13.5

^a All funds derive from 2010 INCLE appropriations.

Source: OIG generated on the basis of an analysis of INL and GFMS obligation and expenditure data.

INL officials confirmed that the \$11.3 million in unliquidated funds was expired and is no longer available for use. In addition, OIG found that at the start of FY 2017, as much as \$69.5 million in funds obligated to INL's Pakistan programs would expire if they were not used by the end of the fiscal year. As of October 1, 2016, funds of approximately \$15.1 million of the \$69.5 million had not been subobligated for specific purposes. Table 4 shows the amount of 2007 ESF, 2010 Supplemental Appropriations,²² 2011 INCLE appropriations obligated to INL Pakistan projects, and the amount and percentage of unliquidated obligations that would be canceled at the end of FY 2017 if they were not liquidated at the end of September 2017.

²² Funding was derived from the Supplemental Appropriations Act, 2010 (Pub. L. No. Law 111-212, July 29, 2010). INL had until the end of FY 2012.

Table 4: ESF, Supplemental, and INCLE Appropriations Allotted Unliquidated Obligations Set To Be Canceled on September 30, 2017, by Appropriation and Project

	Obligations ^a	Unliquidated Obligations ^a	Percentage Unliquidated (%)
2007 ESF^b	\$10,000,000	\$810,239	8.1
Mattani Bypass	\$10,000,000	\$810,239	8.1
2010 Supplemental	\$36,000,000	\$19,229,833	53.4
Corrections Admin and Training	\$7,000,000	\$2,430,077	34.7
Police Reforms	\$26,500,000	\$15,322,239	57.8
Rule of Law	\$2,500,000	\$1,477,517	59.1
2011 INCLE	\$105,000,000	\$49,413,949	47.1
Aviation Support	\$25,000,000	\$2,073,953	8.3
Corrections Administration	\$4,000,000	\$1,810,153	45.3
Crop Control and Area Development	\$4,000,000	\$678,949	17.0
Demand Reduction	\$2,000,000	-	-
Interdiction	\$3,000,000	\$2,278,398	75.9
Law Enforcement General	\$3,000,000	\$1,510,373	50.3
Police Reforms ^c	\$61,000,000	\$40,206,544	65.9
Rule of Law	\$3,000,000	\$855,579	28.5
Total	\$151,000,000	\$69,454,021	46.0

^a As of September 30, 2016.

^b Funds initially transferred from the U.S. Agency for International Development and subsequently reprogrammed as extended-year funds.

^c In FY 2016, INL consolidated multiple police reform projects under a single project code. Projects comprising this category include providing assistance to the Khyber Pakhtunkhwa, Balochistan, and Sindh provinces and for training female officers.

Source: OIG generated on the basis of an analysis of INL and GFMS obligation and expenditure data.

In December 2016, INL provided OIG an expenditure plan showing how it expects to use the \$69.5 million before the end of FY 2017.²³ The plan includes \$32.6 million already subobligated to ongoing projects (such as building police posts and training facilities; providing protective, security, and forensic training; and providing armored and other law enforcement vehicles to federal and provincial police and support services). An additional \$9.5 million would be applied to ongoing construction, training, and other assistance projects and to support program monitoring. The remaining \$27.4 million would be applied to what the plan calls “upcoming projects” for specialized training and construction and for providing additional protective, security, and forensic training.

Despite the expenditure plan, it is unclear whether INL will actually liquidate the \$69.5 million before the end of FY 2017. According to INL officials, INL’s ability to fully liquidate the funds is contingent upon its ability to obtain agreements with several international organizations, obtain the Government of Pakistan’s signature on existing PILs, complete new PILs with the

²³ INL provided the plan on December 16, 2016. It included \$103.4 million in total planned spending, which would be funded from a combination of canceling funds and funds from additional sources.

Government of Pakistan, and award contracts and grants for procurement activities. INL cannot subobligate and liquidate funds for those PILs until the Government of Pakistan signs them. OIG reviewed Financial Management Activity Report data to determine how much progress INL has made in managing the cancelation of funds and found that from October 1, 2016, to February 28, 2017, INL had liquidated approximately \$14.3 million of the \$69.5 million, reducing the balance of at-risk funds to \$55.2 million. As of February 28, 2017, INL had subobligated \$46.5 million of the \$55.2 million, leaving a balance of \$8.7 million in unsubobligated funds at risk of being canceled if they are unused at the end of FY 2017.

As noted in the Background section of this report, the Handbook states, “when project funding is available in appropriations from multiple fiscal years, the oldest money should be used first.”²⁴ However, OIG’s review of Financial Management Activity Report data found that even though INL had significant levels of funding at risk of being canceled at the end of FYs 2016 and 2017, INL subobligated, across all its Pakistan programs, approximately \$70.2 million and liquidated approximately \$31.6 million in funding that would not be canceled until the end of each fiscal year during FYs 2018–2021. That is, INL subobligated and liquidated “new” funding before it did so with “old” funding. INL stated that a significant portion of the new funding was subobligated and liquidated for the Pakistan aviation programs, although other funding was required by various appropriations laws. According to GFMS data, from October 1, 2016, to March 16, 2017, INL applied approximately \$12 million of the “new” funding to a contract with DynCorp International, Inc., which operates INL’s worldwide aviation contract.²⁵ However, OIG found only limited support for spending requirements for INCLE appropriations for FYs 2012–2016: One general requirement for \$5 million to be spent on Rule of Law Programs in transitional and post-conflict states in FY 2014²⁶ and two requirements for FY 2016 funds for Pakistan to support the professionalism of women in Pakistani police forces and the judicial sector.²⁷

INL officials attributed the inability to use the 2010 INCLE funds of \$11.3 million before they are canceled and the funds of \$55.2 million currently at risk of being canceled at the end of FY 2017, in part, to security conditions in Pakistan provinces, such as in Balochistan and Khyber-Pakhtunkhwa. These conditions have limited INL’s ability to operate programs. INL also cited strained relations between the United States and Pakistan stemming from the 2011 diplomatic incidents previously noted that occurred soon after the funds were appropriated. As a result, INL stated that its Pakistan program, particularly the Law Enforcement and Border Security Program

²⁴ INL Financial Management Handbook (June 2014), Ch. 14, “Project Accounting Procedures: Subobligating Project Funds.”

²⁵ These programs are addressed in two OIG reports. See *The Bureau of International Narcotics and Law Enforcement Affairs’ Air Wing Program in Afghanistan and Pakistan* (MERO-A-10-03, March 2010) and *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35, July 2015).

²⁶ Consolidated Appropriations for FY 2014, Pub. L. No. 113-76, Division K – Department of State, Foreign Operations and Related Programs Appropriations Act, 2014, Title IV – International Security Assistance (128 STATE 483), January 17, 2014.

²⁷ Although these requirements were provided under Senate Report 114-79 Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2016 114th Congress (2015–2016), July 9, 2015, they were not involved in the Consolidated Appropriations Act 2016 (Pub. L. No. 114-113), December 18, 2015.

area, was stalled. INL also attributed its inability to identify and use funds at risk of being canceled in part to high personnel turnover in Pakistan associated with personnel serving 1-year rotations during postings to that country. INL said this lack of continuity disrupts the effectiveness of operations.²⁸ In addition, the INL officials stated that personnel posted to Pakistan at the time these funds were managed had no or little prior experience with INL financial management requirements. Moreover, the officials stated that INL Pakistan personnel did not aggressively pursue agreements with the Government of Pakistan.

OIG notes that Chapter 14 of the Handbook requires that INL and the Financial Management Sections at posts review documents supporting unliquidated bulk and subobligations.²⁹ The Handbook states that such reviews should pay particular attention to bulk obligations and subobligations with "large unliquidated balances, no recent activity, and that are in the third or beginning of the fourth year of the 5-year period of availability." However, the Handbook does not provide procedures for how to conduct such reviews, such as procedures explaining how to determine the extent the delivery of goods and services are not complete and the extent invoices and payments are pending.

In its response to a draft of this report, INL's Office of Afghanistan and Pakistan (INL/AP) stated that monitoring efforts for the Pakistan program's unliquidated obligations had been inadequate because past INL officials at the embassy did not have a good understanding of subobligations and the funding process. INL/AP stated that, in spring 2016, it hired an analyst to track funding, focusing on unliquidated obligations and spending rates. INL/AP also stated that it now holds weekly conference calls with Embassy Islamabad to discuss spending and procurement issues and address potential problems. INL/AP stated these efforts were designed to improve communications with INL officials in Islamabad and INL Office of Resource Management staff in Washington, DC, to ensure budget issues receive the same focus and visibility as the program area.

Recommendation 6: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine how much of the \$8.7 million of funds not subobligated for use within its Pakistan Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs can be reprogrammed or returned to the U.S. Treasury.

INL Response: INL concurred with this recommendation, stating "All of the \$8.7M unsubobligated funds will be used for Pakistan programs this year. By the end of June the un-subobligated balances will be completely subobligated and we will begin to see liquidations on those funds."

²⁸ INL stated it encourages Foreign Service Officers working in the INL section at Embassy Islamabad to consider tours of longer duration and that the current Justice Sector Program Officer and Narcotics Affairs Officer managing the Counternarcotics and Corrections programs have extended their tours by 1 year and 6 months, respectively.

²⁹ INL Financial Management Handbook Insert (June 2016), Ch. 14, "Project Accounting Procedures: Review of Unliquidated Bulk and Subobligations."

OIG Reply: On the basis of INL's concurrence with the recommendation and actions planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating INL's formal determination on the amount of the \$8.7 million in funds not subobligated for use within the Pakistan Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs that can be reprogrammed, the basis for that determination, the plan to subobligate all the funds and evidence that the funds were subobligated and liquidated or returned to the U.S. Treasury by September 30, 2017.

In a draft of this report presented to INL for comment, OIG concluded that INL's lack of standard operating procedures for monitoring unliquidated obligations contributed to INL's inability to identify and use the FY 2010 funds that were subsequently canceled at the end of FY 2016. Statements from INL officials during the course of the audit supported OIG's conclusion, including at two meetings in December 2016 when officials stated that INL did not have standard operating procedures for conducting such monitoring.³⁰ Moreover, at the audit exit conference in May 2017, OIG presented its audit findings and INL officials did not provide any contrary information to indicate the standard operating procedures existed. However, as an enclosure to its written response to a draft of this report, INL provided standard operating procedures for monitoring unliquidated obligations that were dated April 2014 (see Appendix C).³¹ Although INL has standard operating procedures for monitoring unliquidated obligations, INL officials were unaware of their existence as evidenced by their statements to OIG during the course of the audit. Accordingly, OIG revised the audit finding and corresponding recommendation to recognize the existence of standard operating procedures for reviewing overseas unliquidated obligations.

Recommendation 7: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs disseminate and direct the use of its standard operating procedures for reviewing overseas unliquidated obligations.

INL Response: INL concurred with the Recommendation offered in a draft of this report, stating that it "instituted quarterly reviews for Washington and monthly [unliquidated obligation] review at posts for all unliquidated bulk and subobligations." INL also provided a copy of its standard operating procedures for monitoring unliquidated

³⁰ On December 1, 2016, OIG asked what actions INL had taken to implement OIG's recommendation from the 2014 report to establish and implement additional procedures to review open subobligations and de-obligate any invalid subobligations. OIG specifically asked that INL explain what actions it had taken, provide any standard operating procedures that would support these actions, and explain whether these actions and procedures apply to the Counternarcotics and Rule of Law Programs in Pakistan. INL responded that it followed revised Chapter 14 of the Financial Management Handbook for reviewing unliquidated obligations. On December 12, 2016, INL's Division Chief for the Office of Budget Planning stated that although standard operating procedures were not being followed when reviewing open obligations and subobligations, INL officials complete daily and periodic monitoring to determine whether particular problems are causing funds to remain inactive and open.

³¹ "INL Standard Operating Policy/Procedures on Monitoring Overseas Unliquidated Obligations," April 2, 2014.

obligations associated with its overseas programs. INL's standard operating procedures are reprinted in full in Appendix C as Tab 3 to INL's response.

OIG Reply: On the basis of INL's statements, OIG considers the recommendation resolved pending further action. With regard to the April 2014 standard operating procedures INL provided in response to a draft of this report, OIG offers two general observations. First, the April 2014 standard operating procedures require quarterly, but not monthly, reviews of unliquidated obligations; thus, the procedure does not fully address the June 2016 revisions to Chapter 14 of the Financial Management Handbook, which requires both quarterly and monthly reviews. Second, the April 2014 standard operating procedures provide roles and responsibilities for INL's Office of Resource Management, Office of Budget Execution in Washington, DC, and Financial Management Offices and INL Financial Analysts at overseas posts. However, it provides no specified role for INL program offices, which oversee the implementation of country programs and track their achievements. Therefore, OIG will close the recommendation when it receives evidence that INL has: (1) updated its standard operating procedures for reviewing overseas unliquidated obligations to reflect the June 2016 revisions to the Financial Management Handbook and includes the important role of INL program offices and (2) has disseminated and directed the use of its standard operating procedures for the purpose of reviewing and addressing overseas unliquidated obligations.

In addition to its official response to a draft of this report, INL provided technical comments, which are reprinted in Appendix C as Tab 1. OIG reviewed and incorporated INL's technical comments into the text of the report as appropriate. OIG's reply to INL's technical comments are presented in Appendix D.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan.

Recommendation 2: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program to be inserted as Amendments to the Letter of Agreement and the Project Implementation Letters between the U.S. Government and the Government of Pakistan.

Recommendation 3: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Counternarcotics and Rule of Law Programs for future Amendments to the Letter of Agreement and Project Implementation Letters between the U.S. Government and the Government of Pakistan.

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Counternarcotics and Rule of Law Programs in Pakistan.

Recommendation 5: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs revise its template for subobligation terminal date extension requests to reflect in separate cells the five discrete requirements identified in the INL Financial Management Handbook.

Recommendation 6: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine how much of the \$8.7 million of funds not subobligated for use within its Pakistan Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs can be reprogrammed or returned to the U.S. Treasury.

Recommendation 7: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs disseminate and direct the use of its standard operating procedures for reviewing overseas unliquidated obligations.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this compliance follow-up audit from July 2016 to March 2017 in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report. OIG conducted this audit under the authority of the Inspector General Act of 1978, as amended.

OIG's audit objective was to determine the extent to which the Bureau of International Narcotics and Law Enforcement Affairs (INL) implemented the recommendations from OIG's October 2014 report on the Law Enforcement Reform Program³² in Pakistan and incorporated the recommendations into other key programs in Pakistan. Key programs within the scope of this audit included INL's Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs in Pakistan.

To address the objective, OIG reviewed the findings and recommendations from its October 2014 report; INL's audit recommendation compliance responses from January 2015, October 2015, and June 2016; and supporting documentation submitted with each of INL's responses. In addition, OIG reviewed Federal laws and regulations and related internal Department of State (Department) and INL policies and procedures for managing its assistance programs, including the January 2014 version of INL's Financial Management Handbook (Handbook) and June 2016 revisions. OIG requested and reviewed additional documentation and met with INL officials to gain a better understanding of the actions they have taken to implement the recommendations from OIG's 2014 report and how they have incorporated those applicable recommendations into the Counternarcotics and Rule of Law Programs.

Specifically, OIG interviewed and gathered information from INL officials regarding how they would develop future Letters of Agreement (LOA) and Amendments (A/LOA) with the Government of Pakistan; determine and assess Pakistani law enforcement partner equipment needs; develop and implement new program descriptions, goals, objectives, and performance measures for these INL Pakistan programs; ensure the programs incorporate the June 2016 revisions to the Handbook; monitor and de-obligate unliquidated obligations and subobligations; and reconcile funding advanced to implementing partners under these programs. OIG also reviewed the 1982 LOA between the United States and the Government of Pakistan and several subsequent A/LOAs. OIG also met with officials from INL's Office of Pakistan and Office of Resource Management to obtain information and review INL responses to OIG's 2014 report findings and recommendations. Finally, OIG reviewed financial data INL provided on these programs and verified the data by comparing the data received with data drawn from the Department's Global Financial Management System.

³² OIG's October 2014 report referred collectively to multiple INL programs that provide equipment, training, and infrastructure assistance to Pakistani law enforcement as the "Law Enforcement Reform Program." These programs are now within INL's "Law Enforcement and Border Security" program area.

Limitation Due to Delays in Obtaining Requested Information

During this audit compliance follow-up, OIG encountered significant delays in obtaining information from INL, including the fact that one response was received 90 days after OIG's initial request for information. Although these issues were ultimately resolved after being reported to the Department and the audit team subsequently received the requested information, INL's failure to provide the information in a timely manner delayed the completion of this audit by approximately 3 months.

In addition, OIG planned to conduct fieldwork in Pakistan to observe INL field operations; however, because of INL officials' availability, VIP visits to post, and logistical issues, OIG could not complete the fieldwork without further delaying the reporting timelines. However, OIG collected and analyzed documents, reviewed financial data, and met with INL officials in Washington, D.C. to determine the extent that INL had taken actions to implement the eight recommendations contained in OIG's October 2014 report, and whether those actions had been applied to INL's other Pakistan programs. Nonetheless, OIG did not independently affirm that INL field staff had fully incorporated those actions into post operations.

Prior Reports

OIG reviewed the report *Audit of INL Law Enforcement Reform Program in Pakistan* (AUD-MERO-15-04, October 2014), which is the basis for this compliance follow-up audit.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas evaluated. OIG gained an understanding of the internal controls by meeting with INL officials and reviewing documents. Specifically, OIG evaluated the adequacy of the design of processes and controls implemented to address the recommendations made in its October 2014 audit report. Work performed on internal controls during the compliance follow-up audit is detailed in the Audit Results section of this report.

Use of Computer-Processed Data

OIG obtained electronic records INL maintains on funding sources, allotments, bulk obligations, subobligations, and unliquidated obligations for the Law Enforcement and Border Security Program (including the Law Enforcement Reform Program), the Counternarcotics Program, and the Rule of Law Program, as of September 30, 2016. INL also provided data on funding advances and reconciliations for each Pakistan program, also as of September 30, 2016. OIG assessed the reliability of the computer-generated data by interviewing cognizant officials and assessing documents provided by INL. OIG compared the records INL provided with records maintained in the Department's Global Financial Management System to determine the records' accuracy and completeness. OIG also reviewed INL's funding advances to determine whether those advances complied with the Handbook requirements for disbursing and reconciling advances. OIG

determined the data used in this report were sufficiently reliable to support the findings and recommendations contained in this report.

Detailed Sampling Methodology

To accomplish OIG's objective to determine the extent to which INL implemented the eight recommendations made in its October 2014 audit report and incorporated into other key programs in Pakistan, OIG categorized the eight recommendations into two areas: recommendations to improve program management and recommendations to improve the financial management of INL's programs. Because of the nature of this audit (compliance follow-up), OIG did not use a sampling methodology to determine the extent to which INL implemented the program management and the financial management recommendations. Rather, for the program management recommendations, OIG reviewed and verified documentation from the original 2014 report and new documentation obtained from INL regarding the three key programs. For the financial management recommendations, OIG reviewed and verified financial data for all INL obligations, subobligations, and expenditures from October 1, 2014, through September 30, 2016, for all available appropriations applicable to INL Pakistan, including the three key programs.

APPENDIX B: STATUS OF RECOMMENDATIONS FROM OIG'S OCTOBER 2014 AUDIT REPORT, AS OF JULY 2016

In October 2014, the Department of State (Department) Office of Inspector General (OIG) made eight recommendations to the Bureau of International Narcotics and Law Enforcement Affairs (INL) to improve the program management and financial management of its Law Enforcement Reform Program in Pakistan. OIG considers a recommendation unresolved, resolved pending further action, or closed. The status is based on the actions that management has taken or plans to take to address the recommendation. An unresolved recommendation is one in which the Department does not indicate agreement or disagreement, does not respond to the recommendation, or does not address the recommendation or offer OIG an acceptable alternative action or reason for not addressing the recommendation. A resolved recommendation is one in which the Department has agreed to implement the recommendation or has begun to take actions but has not yet completed the actions to fully implement the recommendation. A closed recommendation is one in which management has completed actions necessary to implement the recommendation and OIG has determined that no additional action is required.

INL provided compliance responses for the eight recommendations in January 2015 and October 2015. OIG completed resolution analysis for the January 2015 compliance response in July 2015 and completed its resolution analysis for the October 2015 compliance response in March 2016. INL provided a third compliance response in June 2016, shortly before the start of this compliance follow-up audit. OIG decided to complete this audit in lieu of a resolution analysis for INL's June 2016 compliance response. Table B.1 shows the status of each recommendation as of July 2016, when OIG initiated this compliance follow-up audit.

Table B.1: Status of Recommendations From OIG's October 2014 Audit Report as of July 2016

Rec #	Recommendation Summary	Status
Recommendations To Improve Program Management		
1	INL obtain the cooperation of the Government of Pakistan to establish annual evaluations of the Pakistan Law Enforcement Reform Program and use those evaluations as a basis for future amendments to the Letter of Agreement, adjusting those objectives in a continuous process.	Resolved Pending Further Action
2	INL develop inventories of equipment that police officers and police organizations require to provide the mobility, survivability, and communications capacities needed for effective law enforcement operations.	Unresolved
3	INL review the Pakistan Law Enforcement Reform Program's unfulfilled training, infrastructure, and equipment performance measures; determine whether the measures can be met; and, if so, establish new target dates for their completion.	Resolved Pending Further Action
Recommendations To Improve Financial Management		
4	INL amend the INL Financial Management Handbook to require a detailed justification for extending subobligation terminal dates.	Resolved Pending Further Action

Rec #	Recommendation Summary	Status
5	INL negotiate future amendments to the Letter of Agreement that stipulate that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.	Resolved Pending Further Action
6	INL determine how much of the \$86.2 million in prior year Pakistan Law Enforcement Reform Program obligations can be reprogrammed.	Closed
7	INL establish and implement additional procedures to review open subobligations and deobligate any subobligations that cannot be demonstrated to be still valid.	Resolved Pending Further Action
8	INL establish and implement procedures to monitor more effectively reimbursable advances quarterly and not provide any further advances on projects with outstanding advances until those advances have been reconciled.	Unresolved

Source: OIG generated on the basis of the OIG audit report *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Law Enforcement Reform Program in Pakistan* (AUD-MERO-15-04, October 2014) and subsequent audit compliance follow-up performed by the Office of Audits, Audit Compliance and Followup Division.

APPENDIX C: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE




United States Department of State

Washington, D.C. 20520

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June 9, 2017

**MEMORANDUM FOR OIG ASSISTANT INSPECTOR GENERAL
NORMAN P. BROWN**

FROM: INL/RM/EX Acting Executive Director – Jeff Lee 

SUBJECT: INL Response to the Draft Report, “Compliance Follow-Up Audit of the Bureau of International Narcotics and Law Enforcement Affairs Programs in Pakistan” (AUD-MERO-17-XX, May 2017)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates the opportunity to comment on this draft OIG report. We also have attached technical comments along with clarifying information for your reference and have raised some concerns for your consideration. Overall, INL concurs with OIG’s recommendations in this draft report and notes that since 2014, INL has made a point of extending compliance activities from the original audit’s recommendations to all INL-Pakistan programs, where feasible.

Specifically, between 2014-2016, INL’s program office (INL/AP) initiated a complete overhaul of its monitoring and evaluation (M&E) strategy as it relates to day-to-day programmatic oversight for INL programs in Pakistan, which included drafting a M&E framework to guide all INL-Pakistan (INL-P) programs; conducting biannual program reviews in coordination with INL-P program officers; establishing a reporting and data collection system; updating INL-P’s Project Implementation Letter (PIL) templates to include expanded M&E requirements; finalizing a strategic plan with realistic and measurable indicators and targets; and developing a list of recommended performance indicators for equipment, training, and infrastructure projects for all programs.

INL needs to raise one serious clarification. The draft OIG report repeatedly notes that the INL Financial Management Handbook states that older funds should be subobligated and liquidated before using newer funds. This is true in a general sense; however, as presented, the process is oversimplified. INL would like to highlight that it prioritizes the efficient and effective programming of its funding while meeting all Congressional requirements for INCLE funds.

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- 2 -

Responses to each recommendation in the current OIG draft report are provided below. INL is hopeful that technical corrections along with clarifications will be incorporated into the final report.

INL Responses to the OIG's Draft Recommendations

Recommendation CFA 1: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan.

INL Response (June 2017): INL concurs with this recommendation and will develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Law Enforcement and Border Security Program in Pakistan.

Recommendation CFA 2: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program to be inserted as Amendments to the Letter of Agreement and the Project Implementation Letters between the U.S Government and the Government of Pakistan.

INL Response (June 2017): INL concurs with this recommendation and will develop and implement new program descriptions, goals, objectives, and performance measures for the Law Enforcement and Border Security program to be inserted as A/LOAs and the PILs between the U.S Government and the GOP.

Recommendation CFA 3: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement new program descriptions, goals, objectives, and performance measures for the Counternarcotics and Rule of Law Programs for future Amendments to the Letter of Agreement and Project Implementation Letters between the U.S Government and the Government of Pakistan.

INL Response (June 2017): INL concurs with this recommendation and will develop and implement new program descriptions, goals, objectives, and

UNCLASSIFIED

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- 3 -

performance measures for the Counternarcotics and Rule of Law Programs to be inserted as A/LOAs and the PILs between the U.S Government and the GOP.

Recommendation CFA 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Counternarcotics and Rule of Law Programs in Pakistan.

INL Response (June 2017): INL concurs with this recommendation and will develop and implement formal, written standard operating policies and procedures for determining and assessing Pakistani law enforcement partner equipment needs for the Counternarcotics and Rule of Law Programs in Pakistan.

Recommendation CFA 5: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs revise its template for subobligation terminal date extension requests to reflect in separate cells the five discrete requirements identified in the INL Financial Management Handbook.

INL Response (June 2017): INL concurs with the recommendation and has revised the template (attached) for subobligation terminal date extension requests to include separate response fields for the five discrete requirements identified in the INL Financial Management Handbook.

Recommendation CFA 6: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine how much of the \$8.7 million of funds not subobligated for use within its Pakistan Law Enforcement and Border Security, Counternarcotics, and Rule of Law Programs can be reprogrammed or returned to the U.S. Treasury.

INL Response (June 2017): INL concurs with this recommendation. All of the \$8.7M unsubobligated funds will be used for Pakistan programs this year. By the end of June the un-subobligated balances will be completely subobligated and we will begin to see liquidations on those funds.

Recommendation CFA 7: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs establish standard operating procedures for conducting ongoing monthly and quarterly reviews of unliquidated bulk obligations and subobligations.

UNCLASSIFIED

UNCLASSIFIED

- 4 -

INL Response (June 2017): INL concurs with the OIG recommendation. INL instituted quarterly reviews for Washington and monthly ULO review at posts for all unliquidated bulk and subobligations. Please see Tab 3.

Attachments :

- Tab 1 – Technical Response to the Office of Inspector General’s Compliance Follow-Up Audit of the Bureau of International Narcotics and Law Enforcement Affairs (INL) Law Enforcement Reform Program in Pakistan
- Tab 2 – Subobligation Terminal Date Extension Request Template
- Tab 3 – INL SOPP on Monitoring Overseas ULOs (#3520)

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TAB 1

**Technical Corrections to the Office of Inspector General's Compliance
Follow-Up Audit of the Bureau of International Narcotics and Law
Enforcement Affairs (INL) Law Enforcement Reform Program in Pakistan**

INL offers the following technical corrections in addition to the official comments on the draft report (AUD-MERO-17-XX, May 2017):

- INL offers for your consideration adjustments to the first full paragraph on page 3 of the draft report under the section entitled "INL Pakistan Funding." Specifically, INL takes issue with the lack of context and distinction when referring to the various sources of funding for INL programs in Pakistan. In particular, no distinction was made to identify supplemental appropriations and Economic Support Funds (ESF) funding as rare. Specifically, INL received an ESF transfer from U.S. Agency for International Development (USAID) on one occasion in 2009 for a specific infrastructure project in Pakistan and the last time INL received an INCLE supplemental involving Pakistan was in FY2010.
- On page five, OIG states that INL establishes Project Implementation Letters (PILs) and a Memoranda of Understanding with the Government of Pakistan and provincial level governments. INL requests that a footnote be added following "Memoranda of Understanding" to clarify that INL replaced MOUs with PILs as formal agreements with the Government of Pakistan.
- INL respectfully requests that the last paragraph on page seven be deleted due to the foreign policy sensitive nature of the information and its potentially negative impact on bilateral relations with the Government of Pakistan. This information was provided to OIG during the course of the audit and was marked as *Sensitive But Unclassified* (SBU) in our November 9, 2016 response to OIG's inquiry of October 20, 2016. INL recommends that OIG consider language published in the 2014 audit report for examples of unclassified information relating to the U.S. – Pakistan bilateral relations.
- On page six, INL requests a correction to the description of the bureau's process involving A/LOAs. The text should read that "once an A/LOA is signed or a *Diplomatic Note is processed*, INL records the financial commitment as a 'bulk' obligation within the Department's financial management system." Depending on the country and requirements, either the A/LOA or Diplomatic Note serves as the obligating document.

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- 2 -

- INL requests two technical corrections to the second full paragraph on page six of the draft report. The statements, *“When project funding is available in appropriations from multiple fiscal years, the oldest funds should be used first”* **and** *“Funds no longer needed for a specific project may be deobligated from the original project and reprogrammed for another use”* oversimplify the financial management process based on INL funding authorities and are inaccurate. We recommend that both statements be deleted.
- INL requests that the phrase *“may make a one-time request to extend to the subobligation terminal date”* in the last sentence of the first paragraph of page six be replaced for accuracy with *“may make an annual request to extend the subobligation terminal date until the funds cancel.”*
- INL would like to address OIG’s inaccurate conclusion in the first paragraph of page seven stating, *“nor has (INL) established new performance measures for equipment, training, and infrastructure projects provided to the Pakistani police under its Law Enforcement and Border Security Program.”* This statement is inaccurate because INL has in fact established a list of recommended performance indicators for equipment, training, and infrastructure projects that is currently employed by all INL-P and INL/AP program officers when drafting PILs for projects with the GOP. INL also has established country-level measures and targets for all programs in its 2016-2020 Strategic Plan which was shared with OIG during this follow-up audit. INL has already initiated the negotiation of a new A/LOA with updated program descriptions, goals, objectives, and performance measures for all programs in Pakistan which is now in the early stages of Departmental clearance. With these steps made, INL respectfully requests that OIG reconsider the wording of this conclusion to better reflect INL’s efforts.
- INL requests that OIG consider adding clarifying details regarding the personnel deployed by INL to Pakistan who play key roles in the process of assessing equipment requests from GOP partners. Specifically, INL requests the following be added to footnote 11 on page ten, *“For continuity, INL Subject Matter Experts typically remain in country for 2-3 years, which provides valuable institutional knowledge to INL personnel and operations. INL also encourages Foreign Service Officers working in the INL section of Embassy Islamabad to consider tours of longer durations. For example, INL’s current Justice Sector Program Officer who manages the Law Enforcement Program*

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- 3 -

arrived in country in July 2016 and will serve in her position until July 2018. Additionally, INL's current Narcotics Affairs Officer managing the Counternarcotics and Corrections programs arrived in November 2016 and will serve in her position for a year and a half."

- Information in paragraph two of Table 2 on page 12 states without attribution that *"INL shifted the scope of its police training program in 2010 to focus on training law enforcement personnel at facilities in Islamabad and discontinued training in the provinces because of the ineffectiveness of programming and lack of support from Pakistani provincial authorities."* INL requests that OIG delete the information for a number of reasons, primarily because it's inaccurate and does not reflect INL's policy decision. Moreover, it has implications to degrade bilateral relations.
- In the last paragraph of page 14, the draft report oversimplifies the reprogramming process by stating that *"Nonetheless, INL stated that the Government of Pakistan is actively manages funding or INL's Pakistan programs and that INL notifies Pakistan when INL makes changes to the programs' funding levels. INL stated that those notifications are often communicated informally."* INL respectfully requests your consideration of clarifying information that was provided in response to OIG's Request for Information #4. INL's stated that *"During the November 4th teleconference, INL explained that Pakistan is actively involved in the program and they are notified when we change their funding levels. However, this process is often informal, and does not occur via an official dip note or A/LOA as OIG's statement above suggests. Moreover, Pakistan doesn't 'manage' the assistance but rather actively engages with program staff at Embassy Islamabad on INL-funded programming."* Without this information in its entirety, the report does not accurately summarize the GOP's role in INL projects.
- Footnote 18 on page 17 of the draft reports references MOUs with the GOP but does not make mention of PILs. As stated in a previous correction, INL replaced MOUs with three PIL as the formalized agreements with the GOP. For consistency, INL requests this correction. Moreover, the requirement on advances was previously incorporated into both MOUs and PILs.
- Paragraph three on page 18 notes that *"INL stated that once it's monitoring and evaluation framework is completed and fully implemented, Pakistan would be the first country program to integrate this framework. Further, INL stated that,*

UNCLASSIFIED

UNCLASSIFIED

- 4 -

if successful, it would consider applying the approach throughout the world.” However, a clarification is needed for accuracy. To clarify, the monitoring and evaluation (M&E) framework referenced by OIG was instituted by INL/AP staff and was designed to provide guidance on the monitoring and oversight of all INL-Pakistan programs, specifically. This framework is specific to INL’s Pakistan program and outlines reporting requirements, implementing mechanisms (i.e. PILs), and other aspects of M&E that are unique to this country program. The framework was designed in accordance with Department of State and INL bureau-wide standards for M&E and should not be represented as pertaining to INL programs worldwide. In a meeting with OIG, staff from INL’s Office of Resource Management, Performance, Risk, and Oversight Division (INL/RM/PRO) made this distinction and expressed support for INL/AP’s efforts to establish a more country specific M&E framework for INL-Pakistan. Therefore, INL requests either the clarification or removal of the reference.

- Paragraph four of page 18 states that *“INL stated further that the updated language will be included in INL’s Pakistan country strategy, new A/LOAs, and new PILs.”* The inclusion of *“new PILs”* is inaccurate and should be deleted since PILs are very project specific and would not have A/LOA comparable language.
- Paragraph four of page 18 contends that *“INL stated that it will instead revise its country strategy to show the level of progress toward achieving its updated performance targets. However, OIG notes that as of March 2017, INL had not completed these updates.”* INL notes that this statement is not accurate based on information provided during the course of the audit. INL requests that OIG revise their statement to the following, *“INL revised its country strategy to show the level of progress toward achieving its updated performance targets in February 2017. In some circumstances, INL updated indicators and targets to better reflect the on the ground reality of various program efforts.”* This was specifically referenced after a meeting on March 15, wherein OIG requested copies of INL’s 2015 and most current version of the country plan for Pakistan. Both documents were provided to OIG on March 23. The 2017 Update to the INL Pakistan Strategic Plan 2016-2020 was approved in February 2017 and includes data related to INL’s progress towards targets as of September 30, 2016. We also wish to highlight that the last two slides of the Strategic Plan provide information on the deletion, insertion, or editing of information in the 2016 version of the strategic plan. In several circumstances, this demonstrates

UNCLASSIFIED

UNCLASSIFIED

- 5 -

that INL is actively reviewing its performance indicators and targets and adjusting course as needed, in direct compliance with OIG's 2014 audit.

- Footnote C in Table 4 on page 22 of the report states that *"in FY2016, INL consolidated multiple police reform projects under a single project."* INL requests the word "code" be added to reflect what occurred.
- Paragraph four of page 26 summarizes OIG's processes by which they collected information regarding INL-Pakistan's operations. INL requests that a sentence be added to clarify that all interviews with INL staff took place with INL/AP and INL/RM staff based in Washington, DC. This context is important given that Washington, DC-based staff are not the on the ground officers managing INL programs on a daily basis.

UNCLASSIFIED

TAB 2

LOA Subobligation Terminal Date Extension Request Form


The request must provide the following information for each agreement requiring an extension, please copy this sheet and name each sheet with the agreement number.

1) Country	
Please use the drop down menu by selecting the green cell.	If your country is not on the list, please enter it here.
2) Post	
Please use the drop down menu by selecting the green cell.	If your post is not on the list, please enter it here.
3) Request Date	
4) Agreement Number *	
5) Date Agreement Signed/DipNote Delivered	
6) Type of Agreement	
Please use the drop down menu by selecting the green cell.	If you selected "Other" for #6, please enter it here.
7) Current Subobligation Terminal Date	
8) New Subobligation Terminal Date Requested	
9) Appropriation	
10) Fiscal Year	
11) Total Obligated	
12) Total Subobligated	
13) Unsubobligated Balance	\$ -
14) Unliquidated Balance	
15) Purpose for the available bulk obligation	
16) Challenges and reasons why the funds have not been subobligated	
17) Reasons why the unsubobligated funds are still required	
18) Plan to subobligate the funds and by what date the available bulk obligations will be subobligated	
19) Overall project financial pipeline by appropriation account if the project is covered by other LOAs or amendments	
20) Factors impacting the level of a project or program Financial Pipeline:	
Please use the drop down menu by selecting the green cell.	If you selected "Other" for #16, please explain here.
21) Appropriate corrective actions:	
Please use the drop down menu by selecting the green cell.	If you selected "Other" for #17, please explain here.
22) POC	
23) POC Email	

RM Use Only

Request Status:	Approver and Date
INL Request for Subobligation Terminal Date	
Post Subobligation Terminal Date Request	
INL Program Office Approval	
INL/RM/BP Final Approval	

TAB 3

	INL Standard Operating Policy/Procedures on Monitoring Overseas Unliquidated Obligations	No.	3520
		Effective Date	4/2/14
		Revision Date	
		Final Approver	INL/RM Executive Director

1.0 Purpose

This document establishes INL's policy and procedures for monitoring overseas unliquidated obligations (ULO's). The purpose of the review is to ensure all open obligations are valid and the ULOs that are no longer required are promptly de-obligated.

2.0 Scope

This policy and procedure encompasses the monitoring of all INL ULOs with overseas allotments. This process is a collaborative effort of INL/RM Budget Execution (BE) and Financial Management Officers (FMOs) or the INL Financial Analyst at posts. INL/RM Grants, Acquisition and Procurement Policy (GAPP), INL/RM Contracts Administration Support (CAS), and INL program offices should assist with the validation and de-obligation of overseas ULOs as appropriate.

This overseas ULO monitoring process is distinct from the quarterly post ULO validation process performed by Bureau of the Comptroller and Global Financial Services (CGFS) Post Allotment Accounting. INL's review uses a risk-oriented approach and examines only those ULOs that are inactive for six months or more. In addition, posts provide additional information about the nature and type of agreement as well as facts that support whether or not the ULO is valid. This additional information enhances INL's oversight of its funds at posts and assists INL in better monitoring the allocation of its resources.

3.0 Policy

INL will only keep ULOs on the books if funds are still required because of a bona fide need with a valid implementing mechanism with current period of performance. ULO's that are no longer required must be de-obligated.

4.0 Definitions, References, and Acronyms

4.1 Definitions

Unliquidated obligation – The amount of an obligation incurred for which payment has not yet been made or completed.

Outlay – The issuance of a check, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation.

Targeted ULOs – Overseas ULOs obligated in a prior year that have been inactive for six months or more. These ULOs are at a higher risk of being invalid.

Valid ULOs – ULOs that are pending the receipt of goods, services, invoices, or payments; funding is still available, the period of performance is current, and the obligation is supported by proper documentary evidence. These ULOs represent a continuing need of INL and future outlays are anticipated. In some cases, ULOs may be valid if the period of performance recently expired (not greater than six months) because final payment may not have processed. These ULOs must be properly justified and properly supported by vendor estimates at completion (EAC).

Invalid ULOs – ULOs that are no longer required and should be de-obligated. This may be due to a residual balance that remains after all goods or services have been received, accepted, and the final invoice has been paid or if an order is cancelled. These ULOs must be de-obligated immediately.

Canceling fund – An appropriation that is no longer available for obligation or expenditure for any purpose. Funds are canceled 5 fiscal years after the period of availability for obligation ends.

Expired appropriation – Budget authority that is no longer available to incur new obligations.

Unexpired appropriation – Budget authority that is available for incurring new obligations.

4.2 References

4 FAM 044(4) Accounting Controls

4 FAM 225 Accounting Controls and Obligation Management

GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Chapter 3

4.3 Acronyms

BE – INL/RM/Budget Execution

BBFY– Beginning budget fiscal year

CAS – INL/RM/Contracts Administration Support Division

COR – Contracting Office Representative

CGFS – Bureau of the Comptroller and Global Financial Services

DCFO – Office of the Deputy Chief Financial Officer

EAC – Estimate at completion
 EBFY – Ending budget fiscal year
 FMO – Financial management officer
 FY – Fiscal year
 GAPP – INL/RM/Grants, Acquisition, Procurement, and Policy Division
 POP – Period of performance
 RFMS – Regional Financial Management System
 RM – INL/Resource Management
 ULO – Unliquidated obligation

5.0 Responsibilities

BE is responsible for coordinating and reporting the results of the monthly overseas ULO review. The FMO or INL Financial Analyst at post is responsible for reviewing individual ULOs and coordinating, as appropriate, with INL program offices, vendors, and trading partners to assist in the validation.

6.0 Procedures

6.1 Preparing the quarterly ULO database and identifying targeted ULOs (BE)

1. Obtain the quarterly ULO Report from the Bureau of the Comptroller and Global Financial Services (CGFS), and the Office of the Deputy Chief Financial Officer (DCFO).
2. Using the DCFO ULO Report, prepare INL's quarterly ULO database for analysis. In the DCFO ULO report, insert the following columns:

For validation purposes

- a) ULO Status, V=Valid, RD=Recommend De-obligation, D=De-obligated
- b) Amount Recommended for De-obligation or De-obligated Amount
- c) Comments
- d) Bulk / Sub / Other
- e) Related Bulk Obligation #
- f) Implementing Agreement (LOA, contract #, IAA, travel)
- g) Period of Performance
- h) Vendor
- i) Next Review Date

For reporting and analytical purposes

- a) ULO Summary Status (Valid, Invalid, Researching)
- b) ULO State (Valid, Disbursed, Recommend De-obligation, De-obligated, Partial¹)
- c) Post

¹ Partial – Future outlays are anticipated, however, the full available amount is not required. The portion of the available amount that is no longer required should be promptly de-obligated.

- d) INL Targeted
 - e) Funding Availability
3. Identify targeted ULOs by isolating any ULO with a prior beginning budget fiscal year (BBFY) that has not had activity within 6 months of the report date. (There is a higher risk that these ULOs are no longer required). Then label these ULOs as “Targeted” in the column titled “INL Targeted”
 4. Identify the post based on the Allotment code. See 4 FAH 1(H) 315 for a list of allotment codes and posts.²
 5. Based on the EBFY, enter the funding availability (canceling at end of fiscal year, Expired Appropriation and Unexpired Appropriation) for each ULO. For example if the analysis is completed during FY 2014, the funding availability is as follows:
 - Unexpired: the EBFY is 2014 or later or the appropriation is a no year appropriation
 - Expired: the EBFY is 2013, 2012, 2011, or 2010
 - Canceling: the EBFY is 2009

6.2 Preparing and sending the quarterly targeted ULO lists to posts (BE)

1. Use Excel’s filter function to select the targeted ULOs for a post then copy the ULO listing, including the header rows, and paste the data into another Excel workbook titled *Post – Targeted ULOs*; i.e. Bogota Colombia – Targeted ULOs. Create a separate spreadsheet for each post.
2. Send the targeted ULO list to the appropriate FMO or INL Financial Analyst at post for further research and validation. Request that the spreadsheet be completed and returned to INL/RM/BE monthly (a sample email to accompany the request is at Appendix A).

6.3 Completing the quarterly targeted ULO lists (FMO or INL Financial Analyst at post)

1. Analyze each ULO line by reviewing the obligating documentation; analyzing the EAC, if applicable; and discussing project status with the program office, Contracting Officer Representative, or procurement office.
2. For each ULO, provide the following information:

Post input	Requirement
ULO Status	Determine whether the ULO is V=Valid, RD=Recommend De-obligation, or D=De-obligated.

² The last 3 digits of the allotment code in 4 FAH 1(H) 315 for each post should coincide with the last 3 digits of the allotment code in the Quarterly Overseas ULO database.

Amount Recommended for De-obligation	State the amount that will be de-obligated if the ULO is invalid, partially invalid, or de-obligated.
Comments	Explain why each ULO is valid or partially valid. Justifications may include: <ul style="list-style-type: none"> • Sub-obligations are anticipated or open (bulk obligations). • Delivery of goods or services is not complete-include anticipated delivery date. If there are delays please briefly explain the delay. • Awaiting final invoices - state date invoices are anticipated. • Delays in implementing the project.
Bulk or Sub	Indicate if each ULO is a bulk, sub or other obligation type (PD&S, travel, etc.).
Related Bulk Obligation	Enter the bulk obligation number (transaction ID) associated with each sub obligation.
Implementing Agreement	Identify the type of implementing agreement (LOA, IAA, contract (include contract #), MIPR, grant, etc.).
Period of Performance (POP)	State the POP.
Vendor	Identify the vendor.
Next Review Date (NRD)	For all valid ULOs, include the date when this ULO should be reviewed for validity again; for example, if the POP ends December 2014, the NRD may be 2/28/2015.

3. If the ULO is properly supported and receipt of goods, services, invoices, or payments is pending, the ULO should be identified as valid. For these ULOs, enter all of the information indicated in the above table. Determine whether the full ULO amount is required or if any amounts can be de-obligated and initiate the de-obligation of excess amounts.³
4. If final invoices are paid and no additional work will be performed or if the project is canceled, the post should:
 - Identify the ULO as invalid.
 - Indicate the amount to be de-obligated.
 - Indicate if the ULO is a bulk, sub or other obligation.
 - Include the bulk obligation number and implementing agreement type.
 - Initiate ULO closeout and de-obligation procedures immediately.
 - Document the status of the de-obligation in the "Comments" column.
5. Return the completed analysis to BE one month after the receipt of the targeted ULO list.

6.4 Analyzing and reporting the quarterly ULO review results (BE)

³ Additional justification is required for any ULOs identified as valid with a POP that ended 6 months prior to the reporting period.

1. Analyze and review post responses to determine if they are complete and justifications seem reasonable. The analysis and review should include:
 - Verifying that all required fields have been completed.
 - Ensuring the responses are reasonable and provide sufficient detail to support the ULO status.
 - Ensuring the ULO status and information provided is consistent.
2. Follow-up with FMOs or INL Financial Analyst, as appropriate, to clarify responses.
3. Compile validation responses in the Quarterly Overseas ULO database and summarize results (see Appendix B for instructions on analyzing and compiling overseas ULOs validation responses and Appendix B for an example of the INL Overseas ULO Summary by Post Report).
4. Submit the Quarterly Overseas ULO database and INL Overseas ULO Summary by Post Report to the BE Division Chief for review and approval. Once approved, distribute summarized results to INL/RM management, which should include the Executive Director, Deputy Executive Directors, and appropriate offices within the bureau, and the FMO at post.

7.0 Document Approvals

Role	Position	Name of Approver	Approval Signature	Date Approved
Author	INL/RM/BE staff	INL/RM/BE	Approval on file	4/2/14
Owner	Division Chief	Ellen Winchester, Acting	Approval on file	4/2/14
Policy	Policy Officer(s)	Tom Valentine & Cathy Marchese	Approval on file	4/2/14
First Approver	Deputy Director	Raj Rajadhyaksha		4/2/14
Final Approver	Executive Director	Jim Walsh	Approval on file	4/2/14

8.0 Revision History

Effective Date	Revision Date	Document Author	Description of Change
4/2/14	<i>Next Scheduled Revision 4/2015</i>	INL/RM	Initial Release of Policy/Procedures

APPENDIX A

SAMPLE EMAIL TO ACCOMPANY THE DISTRIBUTION
OF TARGETED OVERSEAS ULO LISTS

Subject: Targeted Post ULOs as of Sept. 30, 2013
To: FMO or INL Financial Analyst

INL/RM is improving its oversight and monitoring procedures for its overseas ULOs. At the direction of James Walsh, INL Executive Director/Controller, INL/RM will begin performing a quarterly ULO validation process in calendar year 2014.

INL/RM's ULO validation process focuses on the ULOs that are at highest risk of being invalid. ULOs identified as high risk will be targeted by INL's validation process and will include ULOs that have not had activity within the last 6 months of the report date.

INL/RM will send your post its Targeted ULO List each quarter. The list will contain ULO details from RFMS. Your post is responsible for determining whether each targeted ULO is still required. For each valid ULO, we request that post provide a brief explanation stating why the ULO is still required (similar to what is provided to CGFS). We also request that post provide some additional information related to this ULO for our database. The chart at the end of this email and the attached document titled "*Overseas ULO Validation Process*" contain instructions for completing the Targeted ULO List. This information is vital to managing INL's overseas ULOs and will aid in improving communication between INL/RM and posts.

Please take note of the next review date. Utilize this column to communicate when valid ULOs should be reviewed again. For example, if the POP ends on December 31, 2014, then the next review date may be February 28, 2015 to allow time for the final invoices to be received and paid. In addition, for ULOs that should be de-obligated, please include the amount to be de-obligated; indicate if the ULO is a bulk, sub or other obligation; enter the bulk obligation number and enter the implementing agreement type.

The initial response is due to INL/RM on a quarterly basis. Include the individuals copied on this email on your response. For your convenience, future quarterly targeted ULO lists will have your previous validation responses.

If you have any questions regarding this process or anticipate any delays, please contact the BE Division Chief.

Thank You,

Post input	Requirement
ULO Status	Determine whether the ULO is V=Valid, RD=Recommend De-obligation, or D=De-obligated.

Amount Recommended for De-obligation	State the amount that will be de-obligated if the ULO is invalid, partially invalid, or de-obligated.
Comments / Validation Explanation	<p>Explain why each ULO is valid or partially valid. Justifications may include:</p> <ul style="list-style-type: none"> • Sub-obligations are anticipated or open (bulk obligations). • Delivery of goods or services is not complete-include anticipated delivery date. If there are delays please briefly explain the delay. • Awaiting final invoices - state date invoices are anticipated. • Delays in implementing the project.
Bulk or Sub	Indicate if each ULO is a bulk, sub or other obligation type (PD&S, travel, etc.).
Related Bulk Obligation	Enter the bulk obligation number (transaction ID) associated with each sub obligation.
Implementing Agreement	Identify the type of implementing agreement (LOA, IAA, contract (include contract #), MIPR, grant, etc.).
Period of Performance (POP)	State the period of performance.
Vendor	Identify the vendor.
Next Review Date (NRD)	For all valid ULOs, include the date in which this ULO should be reviewed for validity again; for example, if the POP ends December 2014, the next review date may be 2/28/2015.

APPENDIX B

PROCEDURES FOR ANALYZING AND COMPILING
OVERSEAS ULOS VALIDATION RESPONSES

1. Transfer post responses from each targeted ULO list to a separate column in the Quarterly Overseas ULO database. This can be accomplished by using Excel's VLOOKUP Function to copy all relevant information from each post list.
2. Compare the existing validation information with the most recent validation information, replace old ULO statuses with the updated statuses, and add the new comments to the old comments to maintain a historical record of the ULO validation responses.
3. Analyze post responses as stated in step 6.4 in the Quarterly Overseas ULO database and complete the ULO summary status and state for each targeted ULO based on the criteria below:

ULO Summary Status	ULO State	Criteria
Valid	Valid	Post reported that the ULO is valid.
	Partial	Post anticipates future outlays; however, the full available amount is not required. Posts should include the amount recommended for de-obligation..
	Disbursed	The ULO was fully disbursed.
Invalid	Recommended de-obligation	Post reported that the ULO is invalid and the ULO should be de-obligated.
	De-obligated	ULO was de-obligated.
Researching	Researching	Post is still researching the ULO or the budget analyst is pending validation clarification from post

4. Classify all non-targeted ULOs as "valid" in the ULO Summary Status and ULO State columns of the Quarterly Overseas ULO database. These ULOs are not considered at high risk for being invalid and are most likely valid.
5. Once the ULO Summary Status and State columns have been completed for each ULO, create a pivot table to compile the ULO State by post. The pivot table should include the ULO summary state and available amounts.
6. Use the data summarized in the pivot table to create the Overseas ULO Status Summary by Post Report (see Appendix C for an example the report). Record the ULO status as follows in the "Intended Reductions subsequent to the report date" section of the report:

ULO Summary Status	Summary Category (subsequent to the report date)
Valid	✓ Liquidations (Subsequent to the report date)
Invalid	✓ Intended De-obligations
	✓ De-obligated
Researching	✓ Target – High Risk

APPENDIX D: OIG REPLY TO BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS TECHNICAL COMMENTS

In addition to its official response, the Bureau of International Narcotics and Law Enforcement Affairs (INL) provided technical comments to a draft of this report. Specifically, INL provided 16 technical comments. The Office of Inspector General (OIG) reviewed each technical comment and added clarifying language in the report for 15 of the 16 technical comments provided. Table D.1 summarizes INL technical comments and OIG's reply to each.

Table D.1: INL Technical Comments and OIG Reply

Comment Number	INL Technical Comment
1	<p>INL stated that OIG did not acknowledge the rarity of its receipt of Economic Support Funds (ESF) from the U.S. Agency for International Development (USAID) and supplemental appropriations. INL noted it last received ESF funds from USAID in 2009 and from a supplemental appropriation in 2010.</p> <p>OIG Reply: OIG agreed with the comment and added footnotes to the Background section of the final report to state that INL reported it last received ESF funds in 2009 and supplemental appropriations in 2010.</p>
2	<p>INL requested that OIG clarify that program implementation letters (PILs) have replaced memoranda of understanding (MOU) for formal agreements with the Government of Pakistan.</p> <p>OIG Reply: OIG agreed with the comment and added a footnote to the Background section to state that INL reported it now uses PILs rather than MOUs for implementing agreements.</p>
3	<p>INL requested that OIG delete a paragraph regarding causes for not completing annual evaluations of the Law Enforcement Reform Program. INL suggested using similar language to that used in the 2014 OIG report.</p> <p>OIG Reply: OIG agreed with the comment and modified the language including adding a footnote in Finding A to reflect INL's inability to implement recommendation 1 from the 2014 report due to "a strained bilateral relationship" with the Government of Pakistan derived from three diplomatic events that occurred in 2011: The Raymond David incident, the Osama bin Laden operation, and the Salala incident when the Pakistan closed its border with Afghanistan.</p>

Comment	INL Technical Comment
4	<p>INL stated that OIG's discussion on the obligations process should state that bulk obligations may be recorded "once an [Amendment to the Letter of Agreement] (A/LOA) is signed or a Diplomatic Note is processed." The original language referred only to amendments to the letter of agreement.</p> <p>OIG Reply: OIG agreed with the comment and modified the text in Finding A to reflect INL Financial Management Handbook (Handbook) requirements, which state that, since 2014, INL has had the authority to bulk obligate funds after a Diplomatic Note was processed.</p>
5	<p>INL recommended OIG delete two sentences: (1) "When project funding is available in appropriations from multiple fiscal years, the oldest funds should be used first," and (2) "funds no longer needed for a specific purpose may be deobligated from the original projects and reprogrammed for another use." INL stated these statements oversimplify the financial management process and are inaccurate.</p> <p>OIG Reply: OIG disagrees with INL's comment. OIG included both statements to introduce general background information relevant to discussions in the subsequent findings sections. They were accordingly not intended to provide a detailed analysis of these issues. Therefore, OIG believes the original, general statements are accurate and no changes are warranted.</p> <p>OIG's statement on using older funds is a direct quote from the Financial Management Handbook, which states, "because INL project funds are available for subobligation for five years beyond the expiration of the appropriation, an accountant may be managing accounts from five or more fiscal years. <i>When project funding is available in appropriations from multiple fiscal years, the oldest money should be used first</i>" (emphasis added). OIG added a footnote in the Background section that includes this language.</p>
6	<p>INL requested that OIG revise the sentence that states an INL Director "may make a one-time request to extend" the [subobligation terminal] date to "may make an annual request to extend the subobligation terminal date until the funds cancel."</p> <p>OIG Reply: OIG agreed with the intent of the comment and deleted the reference to the "one-time request." OIG added language to reflect the specific requirements contained in the INL Financial Management Handbook.</p>

Comment	Number	INL Technical Comment
7	<p>INL stated that the following sentence was inaccurate: "nor has (INL) established new performance measures for equipment, training, and infrastructure projects provided to the Pakistani Police under its Law Enforcement and Border Security Program" is inaccurate. INL stated that it has established a list of equipment, training, and infrastructure performance indicators to be employed by all INL [Pakistan] and INL [Afghanistan/Pakistan] program officers. Further, INL stated it has "initiated negotiations of a new A/LOA with updated program descriptions, objectives, and performance measures for all program in Pakistan, which is now in the early stages of Departmental clearance." INL requested that OIG consider changing the wording of the sentence.</p>	
	<p>OIG Reply: OIG agreed with the comment in part and revised the text in Finding A to note that INL developed new performance indicators and targets for its Law Enforcement and Border Security Program in Pakistan. However, OIG notes that the performance measures will be formally adopted only after the Government of Pakistan agrees to them and they are included in a signed A/LOA. In June 2017, INL stated it was in the process of negotiating a new A/LOA that would include these indicators.</p>	
8	<p>INL requested that OIG clarify details regarding personnel deployed by INL to Pakistan. Specifically, INL requested that OIG add information to a footnote on Subject Matter Experts that states such experts typically remain in country for 2 to 3 years, which provides valuable institutional knowledge to INL personnel and operations. INL also requested that OIG add language to the footnote that it encourages Foreign Service Officers working for INL at Embassy Islamabad consider longer duration tours, and that two current INL officers at post extended their tours from 6 months to 1 year.</p>	
	<p>OIG Reply: OIG agreed with the comment and modified the footnote to include INL's Statements on Subject Matter Experts. OIG added a separate footnote explaining that INL encourages staff posted in Pakistan to extend beyond their 1-year requirements.</p>	
9	<p>INL requested that OIG delete a passage in Table 2, stating it lacked attribution, is inaccurate, does not reflect INL policy, and has implications to degrade bilateral relations. The passage in question discussed a 2010 shift in the scope and focus of INL police training programs in Pakistan.</p>	
	<p>OIG Reply: OIG deleted the passage as requested because it is not needed to explain the basis for the finding.</p>	
10	<p>INL questioned the following sentence: "Nonetheless, INL stated that the Government of Pakistan is actively manages funding of INL's Pakistan programs and that INL notifies Pakistan when INL makes changes to the programs' funding levels." In particular, INL contended that this sentence oversimplifies the fund reprogramming process and Pakistan's involvement. INL requested OIG to clarify the passage, stating although Pakistan is actively involved in the program and is notified of funding changes, such notifications are generally informal and do not require an official diplomatic note or A/LOA. INL also stated that Pakistan does not "manage" the assistance but rather actively engages with program staff and Embassy Islamabad on INL-funded programming.</p>	
	<p>OIG Reply: OIG agreed with the comment and modified the language in Finding A to clarify that Pakistan actively engages with INL programs and that notifications of funding changes do not require a formal mechanism such as a Diplomatic Note or a new A/LOA.</p>	

Comment	INL Technical Comment
11	<p>INL disagreed with a footnote referencing MOUs with the Government of Pakistan. INL requested that the footnote be corrected to note it no longer uses MOUs.</p> <p>OIG Reply: OIG agreed with the comment and modified the footnote to clarify that the requirements in the June 2016 revision for Chapter 16 of the INL Financial Management Handbook were previously required by the memoranda of understanding that were in effect at the time the 2014 OIG audit was conducted.</p>
12	<p>INL disagreed a passage stating that once INL's "monitoring and evaluation framework is completed and fully implemented, Pakistan would be the first country program to integrate such a framework. Further, INL stated that if successful, it would consider applying the approach throughout the world." INL stated the framework is specific and unique to Pakistan and that it should not be represented as pertaining to INL programs worldwide. INL requested that OIG either clarify or remove the passage from the report.</p> <p>OIG Reply: OIG agreed to modify the language in Finding A, rather than delete the language, to clarify its point that the overall approach or methodology used for developing the goals, measures, and targets could be applied to other country programs.</p>
13	<p>INL stated that the sentence "INL stated further that the updated language will be included in INL's Pakistan country strategy, new A/LOAs, and new PILs" is inaccurate because language for PILs is very specific and would not contain A/LOA-comparable language. INL suggested deleting the phrase "new PILs."</p> <p>OIG Reply: OIG deleted the reference to "new PILs."</p>
14	<p>INL disagreed with the sentences "INL stated that it will instead revise its country strategy to show the level of progress toward achieving its updated performance targets. However, OIG notes that as of March 2017, INL had not completed these updates." INL stated that the sentences are inaccurate according to the 2017 update to the INL Pakistan Strategic Plan 2016–2020. INL added that, in response to OIG's 2014 audit, the Strategic Plan reflects INL's active review of its performance indicators and targets.</p> <p>OIG Reply: OIG agreed with the comment and revised the text in Finding B to note INL had completed development of new performance indicators and targets for its Counternarcotics and Rule of Law Programs in Pakistan. However, OIG notes that the performance measures will be formally adopted only after the Government of Pakistan agrees to them and they are included in a signed A/LOA. In June 2017, INL stated it was in the process of negotiating a new A/LOA that would include these indicators.</p>
15	<p>INL noted that footnote C in Table 4 stated "in FY 2016, INL consolidated multiple police reform projects under a single project." INL requested the word "code" be added to the end of the sentence.</p> <p>OIG Reply: OIG added the word "code" to footnote C of Table 4.</p>

Comment**Number INL Technical Comment**

16 INL requested that OIG clarify in Appendix A that it interviewed INL/AP and INL's Office of Resource Management officials in Washington, DC, rather than INL officials in Islamabad, Pakistan. INL stated that this distinction is important because Washington, DC-based staff are not on-the-ground officers managing INL programs on a daily basis.

OIG Reply: OIG added language to Appendix A to clarify its fieldwork limitations. Specifically, OIG added that it planned to conduct fieldwork in Pakistan to observe INL field operations; however, because of INL officials' availability, VIP visits to post, and logistical issues, OIG could not complete the fieldwork without further delaying the reporting timelines. As a result, OIG did not independently affirm that INL field staff had fully incorporated the recommendations contained in OIG's October 2014 into post operations.

ABBREVIATIONS

A/LOA	Amendement to the Letter of Agreement
ESF	Economic Support Fund
FMH	Financial Management Handbook
GFMS	Global Financial Management System
Handbook	INL Financial Management Handbook
INCLE	International Narcotics Control and Law Enforcement
INL	Bureau of International Narcotics and Law Enforcement Affairs
OCO	Overseas Contingency Operations
PIL	Project Implementation Letter

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