



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-CGI-23-26

## What **OIG Audited**

The suspension of operations at U.S. Embassy Kabul, Afghanistan, on August 31, 2021, required action from Department of State (Department) program, contract, and financial personnel to identify and terminate contracts that were no longer needed. The Office of Inspector General (OIG) determined that the Department had \$1.71 billion in open contract obligations related to Afghanistan in March 2022.

OIG performed this audit to determine whether the Department identified and terminated contracts impacted by the suspension of U.S. operations in Afghanistan in accordance with federal and Department requirements. As part of the audit, OIG selected and reviewed eight contracts directly managed by the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), on behalf of three Department bureaus.

## What **OIG Recommends**

OIG made 12 recommendations to improve internal controls specific to the identification and termination of unneeded contracts. On the basis of the Bureau of Administration's response to a draft of this report, OIG considers nine recommendations resolved, pending further action, and three recommendations unresolved. A synopsis of management's responses to the recommendations offered and OIG's replies follow each recommendation in the Audit Results section of this report. The Bureau of Administration's response to a draft of this report is reprinted in its entirety in Appendix B.

**September 2023**

**OFFICE OF AUDITS**

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

**Audit of Department of State Efforts To Identify and Terminate Unneeded Contracts Related to Afghanistan**

## What **OIG Found**

The Department did not adequately identify contracts that would require termination prior to or after the suspension of operations in Afghanistan, nor did it assess the bona fide need of open obligations related to Afghanistan until requested to do so by the financial statement auditor at the end of FY 2021. Specifically, the Department did not perform advance planning to identify contracts that could be impacted by the suspension of operations or take steps to identify and track Afghanistan-specific contracts. This condition occurred, in part, because the Department expected embassy operations in Kabul to continue after the withdrawal of the U.S. military from Afghanistan. In addition, the Bureau of Administration did not have a process defined in its policy and procedures to facilitate the identification of unneeded contracts following the suspension of operations. Consequently, the Department was unprepared to promptly terminate unneeded contracts and deobligate excess contract funds for application to other purposes.

With respect to the eight contracts reviewed for this audit, OIG found that Contracting Officers (CO) did not terminate these contracts in accordance with federal and Department requirements, nor did they maintain sufficient, required documentation to support the contract actions taken. One reason for the contract administration deficiencies was insufficient management oversight. In addition, the Department did not have an effective mechanism to track contracts from termination to closeout and COs did not always maintain contract administration files in the mandated electronic document storage system. Furthermore, the Department's policies and procedures related to contract termination were inadequate to guide the process. Until these deficiencies are corrected, the Department will be limited in its ability to provide proper stewardship of U.S. taxpayer funds and protect the legal and financial rights of the Department when executing contract termination and closeout procedures.