

Why GAO Did This Study

The Departments of Defense (DOD) and State (State) and the United States Agency for International Development (USAID) have collectively obligated billions of dollars for contracts and assistance to support U.S. efforts in Afghanistan. There are concerns that U.S. funds are being diverted to fund insurgent and criminal activity in Afghanistan. In light of these concerns, under the authority of the Comptroller General of the United States, we initiated a review to identify DOD, State, and USAID efforts to vet non-U.S. contractors and assistance recipients in Afghanistan. GAO examined (1) the extent to which DOD has established a process to vet non-U.S. vendors to ensure that resources are not used to support insurgents; (2) the extent to which State and USAID have established processes to vet vendors and assistance recipients; and (3) the extent to which vetting information is shared among DOD, State, and USAID. GAO reviewed documents and met with a variety of agency officials to address the report's objectives.

What GAO Recommends

GAO is making recommendations related to improving DOD's and USAID's vetting processes and information sharing. GAO is also recommending that State assess the need for and possible options to vet non-U.S. vendors. DOD and USAID concurred with GAO's recommendations. State generally concurred.

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AFGHANISTAN

U.S. Efforts to Vet Non-U.S. Vendors Need Improvement

What GAO Found

While DOD's U.S. Central Command (CENTCOM) has established a vetting cell to vet non-U.S. vendors in Afghanistan to minimize the risk of insurgents or criminal groups using contracts to fund their operations, its current approach for selecting vendors to vet has gaps. For example, vendors with contracts below \$100,000 are not routinely vetted. In fiscal year 2010 around three-quarters of the command's new contracts with non-U.S. vendors were below \$100,000. Subcontractors are also not routinely vetted. Command officials stated that CENTCOM uses other risk factors to prioritize vendors to vet, such as contracts performed in Taliban strongholds, but these factors have not been documented. While officials stated that the vetting cell was created to vet vendors prior to award, CENTCOM is largely vetting vendors with existing contracts, which means it is likely that there are a large number of new vendors that have not been vetted prior to award and may have to be vetted in the future. Also, the vetting effort now includes some U.S. Army Corps of Engineers vendors. However, the vetting cell was not staffed to accommodate this workload, so it is uncertain how its existing resources will be able to vet vendors in a timely manner. Without accurately defining the universe of contracts that may need to be vetted, adopting a formal risk-based approach that incorporates other risk factors to identify non-U.S. vendors that pose the highest risk, and identifying the resources needed to accomplish this, it is uncertain how the vetting cell will be able to meet the additional workload and achieve its goals.

In January 2011, USAID created a process intended to vet non-U.S. implementing partners in Afghanistan; however, this process may face similar limitations as CENTCOM's. According to USAID officials, this decision was based on the urgent need to mitigate the risks of USAID funds being diverted to insurgent groups. While USAID's process is in the early stages, it proposes to vet non-U.S. implementing partners and at least first-tier subcontractors with contracts valued at \$150,000 or more. USAID officials said that they are considering changing the dollar threshold or vetting other potential assistance recipients based on risk; however, the available documentation does not include other risk factors. As of March 2011, State had not developed a process to vet contractor firms in Afghanistan. Since 2008, State has required that a terrorist financing risk assessment be completed for any new program or activity prior to a request for or obligation of funding. However, it does not use the same information as the CENTCOM or USAID vetting cells. Additionally, its use of Afghan vendors may increase under the Afghan First policy. Absent a way to consider the risk posed by non-U.S. vendors, State may not be well prepared to assess the potential for its funds to be diverted to criminal or insurgent groups.

DOD and USAID share vetting information informally, but without a formal mechanism to share vetting results the two agencies cannot ensure that their current practices will endure. Further, as State expands its use of local contractors, it will become imperative that it is part of the data sharing with DOD and USAID.