

UNITED STATES GOVERNMENT

Memorandum

TO : Mrs. Julia Chang Bloch, Assistant Administrator DATE: October 20, 1981
 Bureau for Peace and Voluntary Assistance

FROM : E. H. Gustman *EH*
 Regional Inspector General for Audit - Karachi

SUBJECT: Memorandum Audit Report No. 5-271-82-1
 Review of ASHA Grant Nos. 126 and 128
 for two Educational Institutions in Israel

BACKGROUND

Section 214 of the Foreign Assistance Act (FAA) authorizes grants by the American Schools and Hospitals Abroad (ASHA) program of the Agency for International Development (AID) to schools, libraries and medical centers located outside the United States that are founded or sponsored by American citizens. ASHA grants are made primarily to finance construction of buildings or laboratories and related equipment and supplies. In addition, sometimes funds are made available to provide general financial support for routine operations of selected institutions.

This report covers our review of two ASHA grants that were made in the amount of one million dollars to each grantee to provide funding for building construction activities at two secondary schools located in Israel. Both grants were initially made in 1976. Grant AID/ASHA-126 was made to the Associates for Education in Israel for Beth Bluma Vocational School for Girls in Petach Tikva and Grant AID/ASHA-128 was made to the Rockland Educational Trust for Tel Aviv Vocational School 'Or Moshe'. The American Embassy, Tel Aviv (Embassy) is responsible for monitoring, implementation and reporting on all ASHA grant activities in Israel because there is no USAID Mission in Israel.

The purpose of our audit was to review grant implementation progress, to determine if grant funds were being utilized in compliance with AID policies and procedures, and to identify problem areas requiring management attention. This is our initial review of grant AID/ASHA-128, but the second review of grant AID/ASHA-126 since it began in 1976. An AID/Washington audit covering grant AID/ASHA-126 (Report No. 78-87 dated April 17, 1978) included three recommendations for corrective action. The recommendations have been closed and, based on this current review, no further action is required.

We examined records and reports maintained by the Embassy and the grant recipients and reviewed construction progress at each of the project sites. Our examination was made during September 1981, and was conducted in accordance with generally accepted auditing standards and included such tests of

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the records and other review procedures considered necessary under the circumstances. Our review covered the period from August 1, 1977 through June 30, 1981. During that period grant expenditures totalled \$1,832,647.

A draft copy of this report was furnished to Embassy officials for review and their comments were considered in preparing the final report.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Grant Implementation

In general, we found construction progress on both projects to be virtually complete and in accord with grant terms and requirements. Building construction appears to be well done and there appears to be adequate living space and food service facilities for the student occupants. Details relating to the construction status of each project are:

Beth Bluma Vocational School

The Beth Bluma Vocational School for Girls is a six-year training institution established in 1955 to help provide an education in vocational studies to underprivileged girls. Students are referred to the school by the Ministry of Labor and Social Affairs and by the Department of Youth Aliyah.

On August 26, 1976, AID/ASHA-126 grant agreement was signed authorizing up to \$1 million to assist Beth Bluma towards reaching their development objectives of providing adequate accommodations for up to 500 students in grade levels nine through twelve. AID grant funds were specifically provided to finance the construction of a two story dormitory building designed to house and provide food service facilities for 104 students. At the time of our audit grant funds were fully disbursed and building construction was complete except for the connection of water and electric utilities by the local municipality. School officials intend to occupy the building in the very near future as soon as the utility connections are completed.

Tel Aviv Vocational School 'Or Moshe'

The Tel Aviv Vocational School 'Or Moshe' was established in 1947 as a boarding high school for boys of grade levels nine through twelve from oriental backgrounds. At present there are 80 students but school officials expect their goal of 160 students to be reached within three to four years.

On September 10, 1976, AID/ASHA-128 grant agreement was signed authorizing up to \$250,000 and increased to \$1.0 million on August 18, 1977, to assist 'Or Moshe' to construct a dormitory, vocational school building and kitchen facilities and to procure equipment and furnishings. Construction and equipping of the dormitory to house 60 students has been completed and the facility is in use. The central kitchen has also been completed and is in use. Construction of the vocational

school building is complete except for painting and installing windows, electrical wiring, and plumbing but this is expected to be completed and will be ready for occupancy during October 1981.

Construction of Air Raid Shelters

All new buildings are required under Israeli law to have basement air raid shelters within or nearby for occupants, guests, and visitors. Construction approval can not be obtained from the local authorities without a provision for construction of air raid shelters in the architectural plans.

The Bureau for Food For Peace and Voluntary Assistance (FVA/ASHA) did approve the architectural plans and construction contracts for both these grants containing provisions for building air raid shelters in the basement of the buildings. In the AID/ASHA-126 agreement, specific authorization was provided for the expenditure of \$119,800 grant funds for air raid shelters. The other grant agreement did not provide a specific funding allowance but inclusion of the shelters was approved by AID by virtue of their approval of the architectural plans. In our discussions, school officials informed us that these shelters have dual roles and are also used as a library or gymnasium. However, Section 214 of the FAA does not specifically address or authorize the construction of non-educational facilities such as shelters. Thus, we believe FVA/ASHA should obtain a General Counsel opinion to determine if ASHA grant funds can be used to fund the construction of air raid shelters or if such construction must be locally funded.

Recommendation No. 1

FVA/ASHA should obtain a General Counsel opinion to determine if construction costs for air raid shelters are eligible for grant funding under Section 214 of the FAA.

LIST OF REPORT RECIPIENTS

AID/W

Deputy Administrator (DA/AID)	1
Bureau For Food For Peace and Voluntary Assistance	
Assistant Administrator (AA/FVA)	1
Office of American Schools and Hospitals Abroad (FVA/ASHA)	4
Bureau For Near East	
Assistant Administrator (AA/NE)	5
Office of Egypt/Israel Affairs (NE/EI)	1
Audit Liaison Officer	1
Bureau For Technology and Science	
Office of Development Information and Utilization (T&S/DIU)	4
Bureau For Management and Budget	
Office of Evaluation (MBB/E)	1
Office of Financial Management (MBB/FM/ASD)	1
Bureau For External Relations	
Office of Legislative Affairs (EXRL/LEG)	1
IDCA Legislative and Public Affairs Office	1
Office of Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Panama	1
<u>OTHER</u>	
Economic/Commercial Counselor, American Embassy, Tel Aviv	3
Regional Inspector General for Investigations and Inspections (RIG/II/Karachi)	1
New Delhi Residency	1

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Evaluates project to construct facilities for two Israeli schools. Audit report covers the period 8/77-6/81 and is based on site visits and examination of project documents.

Construction at both schools is virtually complete and is of high quality. At the Beth Bluma Vocational School, all funds have been expended and construction of the two-story dormitory with food service facilities serving 104 students is complete except for water and utility connections. At the Tel Aviv Vocational School (Or Moshe), a dormitory for 60 students and a central kitchen have been finished and are in use. Construction of the vocational school building is complete except for painting, wiring, plumbing, and the installation of windows which will be ~~completed~~ ^{finished} 10/81.

Although section 214 of the Foreign Assistance Act does not address or authorize the construction of non-educational facilities, A.I.D.'s Bureau for Food for Peace and Voluntary Assistance (AID/FVA/ASHA) explicitly (at Beth Bluma) or implicitly (at Tel Aviv) approved ~~the~~ ^{for the} funding of construction of air raid shelters since these are required by Israeli law. It is recommended that AID/FVA/ASHA obtain from A.I.D.'s General Consul an opinion regarding the eligibility for grant funding of air raid shelter construction.