

Programs and Systems Audits

AUDIT OF
A.I.D.'S MONITORING SYSTEM
FOR THE WEST BANK
AND GAZA PROGRAM

Report No. 9-000-92-006
March 18, 1992



**Audit of A.I.D.'s Monitoring System
for the West Bank and Gaza Program**

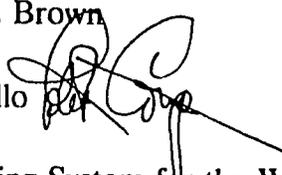
**Audit Report No. 9-000-92-006
March 18, 1992**

Agency for International Development
Washington, D.C. 20523

MAR 13 1992

*Assistant Inspector General
for Audit*

MEMORANDUM FOR AA/NE, Reginald J. Brown

FROM: AIG/A, John P. Competello 

SUBJECT: Audit of A.I.D.'s Monitoring System for the West Bank and Gaza Program

This is our report on the audit of A.I.D.'s Monitoring System for the West Bank and Gaza program. We have considered your comments on the draft report and have included them as appendix IV to this report.

The report's four recommendations will be closed upon evidence that agreed to actions have been completed. Please respond within 30 days indicating any actions taken to close the recommendations. I appreciate the cooperation and assistance provided to the auditors on this assignment.

Background

Since 1975, A.I.D. has provided about \$116.5 million in developmental assistance to about 1.7 million Palestinians living in the West Bank and Gaza strip. The purpose of the assistance was to improve the standard of living of the Palestinian people and to demonstrate the continuing concern of the American people for their humanitarian and economic needs. This assistance, ranging from \$1.0 million in 1975 to \$12.5 million in 1990, financed a variety of developmental project activities.

A.I.D.'s Bureau for the Near East located in Washington, D.C. was responsible for managing the program.¹ The assistance was provided directly to five U.S. private voluntary organizations (PVOs) and one local PVO. From October 1, 1988 through July 31, 1991,

¹ When the audit was requested in June 1990, the program was managed by the Bureau for Asia and the Near East. Subsequently, A.I.D. was reorganized and the Bureau for Near East was established and given responsibility for the program.

A.I.D. expended \$27.3 million under ten assistance agreements for the PVOs to carry out their project activities.

A.I.D.'s development assistance was conducted in a difficult political and economic environment characterized by occasional outbreaks of violence and almost constant underlying tension. In this environment, A.I.D.'s task of monitoring the assistance was uniquely important and challenging. The absence of any bilateral agreement covering A.I.D.'s assistance also complicated A.I.D.'s task.

On-site monitoring of activities in the West Bank and Gaza strip was accomplished by Bureau officials traveling from Washington, by designated Department of State officials stationed in the area, and, after September 12, 1991, by an A.I.D. representative stationed in Jerusalem. Because A.I.D. had no direct relationship with the Israeli-governing authorities in the West Bank and Gaza, issues involving the Government of Israel were addressed through the U.S. Embassy in Tel Aviv.

This audit was requested by the Assistant Administrator for the Near East Bureau because of the program's high funding level, the limited on-site supervision of program activities, and the absence of recent audits. The Office of Inspector General's response to the request was in two parts. First, a performance audit was to be conducted by the IG's programs and systems audit group. Second, financial audits were to be made of the program's six grantees which would be performed by CPA firms under the supervision of the IG's financial audit group. This audit report presents the performance audit part of the IG's response to the request.

Audit Objective

The Office of Inspector General/Programs and Systems Audits audited the West Bank and Gaza program to address the following objective:

Did the Near East Bureau follow certain A.I.D. policies and procedures in implementing a monitoring system for the West Bank and Gaza program?

The audit selectively examined three elements that were considered essential to an effective A.I.D. monitoring system. These were recipient reports, evaluations, and site visits. The audit did not assess whether or not the Bureau had implemented all the elements of a monitoring system as identified in applicable A.I.D. policies and procedures.

We selected eight of the ten assistance agreements in effect during the audit period to test implementation of these three monitoring elements.

We limited our conclusions to the items actually tested. When we found problem areas, we attempted to identify the cause and effect of the problem noted and make recommendations, if appropriate, to correct the condition and cause of the problem.

Although the PVOs had monitoring elements similar to A.I.D.'s to oversee their subprojects, the audit was limited to the monitoring elements operated by A.I.D..

We discuss the scope and methodology for this audit in Appendix I and identify the assistance agreements covered by the audit in Appendix III.

Audit Finding

Did the Near East Bureau follow certain A.I.D. policies and procedures in implementing a monitoring system for the West Bank and Gaza program?

For the period October 1, 1988, to July 31, 1991, for the items we reviewed, the Near East Bureau did not follow A.I.D. policies and procedures in implementing a monitoring system for the West Bank and Gaza program.

This problem area is discussed in the following section.

Monitoring System Not Implemented

A.I.D. monitoring policies and procedures require A.I.D. to act on problems identified in PVO periodic reports, schedule and ensure timely completion of evaluation reports, and make site visits. We found that about 20 of 35 recipient report reviews and 3 of 4 evaluations were not being performed as required or effectively used to identify and follow-up on problems. In addition, the frequency and documentation of site visits was inadequate. This occurred because (i) A.I.D. project officer and Department of State responsibilities for these activities were not clearly defined, (ii) procedures for planning, tracking, and summarizing evaluations were not in place, and (iii) project officer workloads were reportedly excessive. The effect of these shortcomings was an increased risk that A.I.D. assistance was not used effectively.

Recommendation No. 1: We recommend that the Assistant Administrator, Bureau for Near East:

- 1.1 establish formally in writing the project officers' responsibilities for reviewing recipient reports and require them to report in writing on the results of their reviews;**
- 1.2 designate an official to prepare an annual evaluation plan, to track scheduling and implementation of evaluations against the plan, and to ensure evaluation summaries are completed;**
- 1.3 establish with the Department of State an understanding in writing on its monitoring role in the field; including how site visits will be conducted, documented, coordinated and followed-up; and**
- 1.4 direct that an assessment be made of the project officers' workloads and take action to ensure that they are in a position to do all that is required to monitor the program.**

A.I.D. Handbook 3, Chapter 11 states that project officers have primary responsibility for monitoring development assistance projects. Such monitoring includes reviewing PVO periodic reports, A.I.D. evaluation reports, and making site inspection visits. The Handbook points out that when project problems are identified, " it is... not enough to 'observe and record' such problems. Rather, efforts must be made to assist in the resolution of such problems whenever possible, i.e., to accept an additional measure of support or implementation responsibility." Such proactive monitoring is important to assure that U.S. funds are utilized effectively in accordance with assistance agreements.

The following sections discuss recipient reports, evaluations, and site visits.

Recipient Reports - According to A.I.D.'s Project Officer's Guidebook, the A.I.D. project officer is supposed to ensure that the recipients of A.I.D funds submit all reports required by the terms of the assistance agreements. Upon receipt of each report, the officer is expected to review the document and comment upon its adequacy and responsiveness. When a report is incomplete or identifies problems, the officer, according to the Guidebook, should meet with the recipient to discuss the actions needed. Depending on circumstances,

he may want to alert his superior and the grant officer in writing and copy the recipient, or correspond with the recipient directly. At any rate, documentation puts the recipient on notice that A.I.D. considers the matters important.

Certain recipient reports were required from the PVOs. All were required to submit semi-annual progress reports which were to include, among other information, three important items: (i) results and accomplishments as they relate to goals; (ii) explanation of delays and problems; and (iii) actions taken or contemplated to resolve delays and problems. In addition, two of the PVOs were required in the assistance agreements to submit reports on completed sub-activities within 90 days of the activities' completion.

We identified 35 semi-annual reports that were supposed to be submitted. We found that all were submitted and only four were not timely. However, many of the 35 reports did not contain the three items of required information we tested for. Specifically, 20 did not address results and accomplishments, 24 did not explain delays and problems, and 24 did not describe actions taken on delays and problems. We could find no evidence in the files that A.I.D. took action to correct the incomplete reporting.

For 11 reports that we identified as discussing problems and delays, we could find no evidence in the files that A.I.D. proposed or took action. We concluded from our tests that A.I.D. was generally receiving all the reports, but any reviews and follow-up actions were not being documented.

Also, two PVOs that were required to submit reports on completed sub-activities had not submitted any such reports. We found nothing in the Bureau's files to explain actions on or the absence of the required reports by the two PVOs.

The Bureau's shortcomings in reviewing and acting on recipient reports stemmed from inadequately establishing the project officers' accountability. Without clear accountability, project officers' actions tend to go undocumented, coordination tends to be weak, and delegations tend to be informal and not fully productive. To strengthen accountability, the Bureau needs to establish in writing the project officers' responsibilities for reviewing recipient reports and require them to formally report on results.

The formal reports should be specific and detailed. To illustrate, the reports might include the number of recipient reports required, the number received, the number not containing all information elements required in the assistance agreements, the actions taken to obtain the information, and A.I.D. actions taken on delays and problems disclosed by the reviews of recipient reports. Such reporting is an important element of the management process because it reinforces accountability for important performance elements.

The effect of the shortcomings in reviewing and acting on recipient reports was a decreased likelihood that the PVOs would provide the management oversight of subprojects contemplated by A.I.D. in its assistance agreements and a consequent higher risk that A.I.D. assistance would be used ineffectively.

Evaluations - Usually an A.I.D. grant or cooperative agreement includes a provision for periodic evaluations of the assistance activity. Evaluations are a key mechanism often leading to important adjustments to assistance activity focus or to the identification of important obstacles to progress. Accordingly, A.I.D.'s Handbook requires management to prepare an annual evaluation plan for each program of assistance and to designate an official to track progress against the plan to ensure its timely execution.

After completion of the evaluation report, A.I.D. prepares an evaluation summary form. The form requires the office contracting for the evaluation to summarize the results, schedule actions stemming from the evaluation, and list who is responsible for the actions and when they are to be completed. The office preparing the form then has a basis for systematic follow-up.

For the period covered by the audit, we reviewed four evaluations scheduled by the assistance agreements. All four of the evaluations were conducted and reports prepared. However, we were able to obtain A.I.D. Evaluation Summary forms for only two of the evaluations. The absence of two evaluation summaries indicated a significant administrative control weakness.

Additionally, the evaluations were not always being conducted in a timely manner, that is, in accordance with the schedules in the assistance agreements. Of the four scheduled evaluations, three were significantly late. One evaluation was 42 months late, another 30 months late, and a third 18 months late. We concluded that this monitoring mechanism was unlikely to be fully effective in the timely identification of needed A.I.D. actions.

The cause of the evaluation-related shortcomings was that responsibility had not been clearly established for preparing an evaluation plan, tracking the scheduling and implementation of evaluations, and ensuring that evaluation summaries were prepared. Problems with the evaluation process are likely to linger until this is done.

The effect of the evaluation-related shortcomings was an increased risk that problems would not be identified and acted upon in a timely manner and that A.I.D. expenditures for evaluations would not realize their full potential benefit.

Site Visits - According to A.I.D.'s Project Officers' Guidebook, project officers or their designated representatives are supposed to visit the site where work under the assistance agreement is being performed. Observation at the work site is important to obtain first-hand information about the progress of the financed activities and to identify or anticipate problems. These site visits also form one of the fundamental bases for the project officer's administrative approval of the recipient's vouchers.

After each visit, the project officer is supposed to prepare a brief report of observations and findings and file a copy of the report in the assistance agreement file. Appendix E of the Project Officers' Guidebook suggests how such reports should be prepared. According to the Guidebook, properly handled site visits help to keep the recipient "on its toes" and to identify problems early.

The frequency of site visits, according to A.I.D.'s Project Officers' Guidebook, depends on a number of factors including the amount of funding, the complexity of the activities funded, and the urgency of unresolved issues and problems. The frequency of the visits should also be a function of the perceived risk of loss or improper use of the resources. A.I.D. Handbook 3 adds that site visits should be used in conjunction with recipient written reports to make a comparison with implementation plans in order to provide a basis for isolating problem areas and identifying needed follow-up actions.

For the nearly three-year period covered by the audit, for the eight agreements we examined, we could identify only four instances where the PVO project officers visited program activities. During calendar year 1990, no visits were made. Based on the standards for the frequency of site visits discussed above, we found that insufficient site visits were conducted. The facts were that (i) written reports were submitted twice a year but the site visits were less frequent, (ii) the program had a high risk of loss or improper use of resources because of the potential in the area for open hostility and related chaos, and (iii) the program was large, complex, and had many unresolved issues and problems. Thus, many more site visits should have been made.

As stated earlier, the project officer can designate representatives to perform site visits, and in fact Department of State officials actively engaged PVO officials in discussions and visited field locations where A.I.D.-financed activities were underway. However, the Department of State activity did not meet A.I.D.'s standards for site visits because: (i) no written site reports were prepared or distributed to the A.I.D. project or grant officers; (ii) no role was played with respect to administratively approving vouchers; and (iii) no formal agreement or delegation existed between A.I.D. and State that established the monitoring and reporting duties or roles of State officials. We concluded that, although Department of State on-site

assistance may have been helpful, it did not fulfill the function of site visits that is laid out in A.I.D.'s handbook guidance.

The causes of the inadequate site visits were that (i) the Bureau gave insufficient priority to making site visits, and (ii) no clear understanding was established with the Department of State with regard to its site visit assistance. Reportedly excessive project officer workloads may also have been a contributing factor.

Bureau officials told us that insufficient travel funds and security restrictions on travel contributed to the low number of site visits. Although these factors may have been a problem, the Bureau nevertheless must provide adequate stewardship of the assistance. This could mean that the Bureau may have to reorder travel priorities or redesign the mode or the amount of the assistance. In any event, adequate oversight must be provided, including site visits.

Another factor that contributed to the inadequate site visit situation was the unclear role of the Department of State on-site officials. A.I.D. had not established an understanding with the Department of State on its monitoring role or provided clear guidance on how State's on-site visits were to be conducted, documented, coordinated and followed-up. Such guidance would have enabled State to provide more meaningful monitoring assistance to A.I.D.

Another problem was that A.I.D. project officers may not have been in a position to do all that was required regarding site visits - and other monitoring responsibilities - because of other duties. Under the workloads the A.I.D. project officers described, we questioned whether they could effectively act as the management focal point that is contemplated for the project officer in A.I.D.'s Handbooks. One project officer stated she sat on all task forces dealing with PVOs who operate in countries without A.I.D. missions, for example, Lebanon, Cyprus, and Cambodia. The other project officer stated that he managed six regional cooperative programs and backstopped all of the Egyptian agricultural programs. Fully assessing the workloads of these officers was beyond the scope of our audit. We believe, however, that the circumstances we observed warrant our recommendation that the Bureau make such an assessment. The monitoring shortcomings, to some extent, may have stemmed from the high A.I.D. project officer workloads.

The effect of the site visit shortcomings was an increased risk that A.I.D. assistance would be used ineffectively.

In sum, monitoring effectiveness could be improved by reinforcing the A.I.D. project officer's accountability by requiring reporting; implementing A.I.D.'s procedures that require

preparing an annual evaluation plan, tracking its execution, and preparing evaluation summaries; documenting an understanding with Department of State on its oversight role in the field; and ensuring that the A.I.D. project officers' workloads are realistic.

Management Comments and Our Evaluation

A.I.D. management commented that the report's findings are valid and that the Bureau is in the process of implementing the recommendations. Management faulted the report, however, for focussing solely on A.I.D.'s role in program implementation. According to management, the program has been jointly implemented by A.I.D. and State Department since its inception. Furthermore, management stated that State Department's constraints on posting staff in the region, and limited travel to the region because of security and funds limitations, contributed to the difficulty in implementing the program.

A.I.D. management's response focussed on the Department of State's role in project implementation. However, Bureau officials could not provide us any documentation showing that A.I.D. had communicated to the Department of State what that role was expected to be. We believe increased attention to the oversight functions within A.I.D.'s control would be most productive, given the audit report's findings of poor execution of standard A.I.D. oversight procedures. Although, according to A.I.D. officials, there were difficulties in working with Department of State to implement the program, A.I.D. should not lose sight of its accountability for program oversight.

Areas Needing Further Study

During our review, we noted three areas needing additional attention by Bureau management:

Coordination between A.I.D. and Other Donors

During our interview with the U.S. Consul General in Jerusalem, he stressed that there needs to be a better way of coordinating the donor money flowing into the West Bank and Gaza so that the funds are used in the most effective way. He stated that the European Economic Community and the Governments of Japan and Italy plan to spend tens of millions on development assistance. Despite this inflow of money, he said that there was no mechanism in place to coordinate the use of these monies with other international donors. We agree that coordination is needed and recognize that various alternatives exist to achieve it. The Near East Bureau should establish a mechanism to better coordinate assistance efforts with other donors.

Minimizing Payment of Local Taxes

It is the policy of the United States Government to reduce to a minimum the foreign taxation of U.S. Government expenditures made abroad. We noted that various provisions on taxes had been made by the Government of Israel to exempt recipients of U.S. Foreign assistance from paying import taxes and value-added taxes. We also noted a number of instances where the implementation of these provisions was inadequate, causing unnecessary expenditures on taxes. The Near East Bureau should monitor the tax situation carefully to ensure that taxes on U.S. assistance are reduced to a minimum.

Development of a Strategy Paper for Assistance to the West Bank and Gaza Strip

A strategy paper for the West Bank and Gaza program has never been finalized. Such a strategy paper is needed to ensure that A.I.D. assistance responds to the highest priority needs, that the assistance can be absorbed, and that the assistance is coordinated with other donors. Given the sensitivity and rate of change in the area, the Near East Bureau should develop a strategy paper as soon as possible.

SCOPE AND METHODOLOGY

Scope

We audited the Near East Bureau's West Bank and Gaza program in accordance with generally accepted government auditing standards. We conducted the audit from July 9, 1990 through January 24, 1992 (the audit was suspended between August 1990 and April 1991 due to the Persian Gulf crisis). The audit covered selected monitoring activities with respect to eight of the total of ten assistance agreements active during the audit period, October 1, 1988, through July 31, 1991. For the period, A.I.D. disbursed \$21.9 million for the eight agreements versus \$27.3 million for all ten agreements. See Appendix III for a list of those agreements.

The audit was limited to examining the following monitoring processes: the recipient report process, the evaluation process, and the site visit process which the audit determined to be the most important in the monitoring process. Also, the audit was limited to the activities of the six PVOs managing the program (five U.S. PVOs and one local PVO) through grant and cooperative agreements with the Near East Bureau. The audit did not cover: (1) A.I.D.'s West Bank and Gaza Public Law 480 Title II program, (2) a small project fund administered by the U.S. Embassy in Tel Aviv and the U.S. Consulate General in West Jerusalem, or (3) a residual Jordan West Bank program administered by USAID/Jordan. A report on A.I.D.'s compliance with laws and regulations was not included because it was not necessary in answering our audit objective.

The fieldwork was conducted in the offices of the Near East Bureau in Washington, D.C.; the State Department's Office of Israeli and Arab-Israeli Affairs in Washington, D.C.; the headquarters offices of five U.S. PVOs located in Washington, D.C., Connecticut, and Maryland; the U.S. Embassy in Israel; the Office of the U.S. Consulate General in Israel; the field offices of five U.S. PVOs in Israel and the Gaza strip; and the headquarters offices of a local PVO in the Gaza strip. To understand the nature of the program and the sensitivity of monitoring and reporting we also visited a number of PVO project sites in the

West Bank and Gaza strip. The project sites were judgmentally selected by the audit team based on their geographic location and the amount of the financial assistance.

Methodology

To accomplish the audit objective, we reviewed A.I.D.'s policies and procedures for monitoring assistance agreements, we interviewed appropriate Near East Bureau officials, State Department personnel, and PVO headquarters and field staff. We also reviewed appropriate records and reports relating to the implementation of the program. We selected three monitoring elements that we judged critical to the monitoring process: recipient reports, evaluations and site visits.

To examine the recipient reports process, we reviewed eight grant and cooperative agreements to determine what recipient reports were required. We reviewed the semi-annual progress reports required by these eight agreements to determine if the reporting requirements were met. The eight grant and cooperative agreements were judgmentally selected.

In examining the evaluation process, we reviewed eight grant and cooperative agreements to determine what evaluation requirements they included. We also checked to see whether reports were submitted under two agreements that required the PVOs to submit to A.I.D. reports on completed subprojects, and whether evaluations were performed as scheduled under six agreements, and whether the Bureau summarized the evaluations as required by A.I.D. procedures. The six grant and cooperative agreements were judgmentally selected because we believed that reviewing 60 percent of the agreements would provide a reasonable basis for our conclusions. Finally, we examined evaluation summaries and responses from the PVOs to see what actions were taken to implement the recommendations in the external evaluations.

To examine the site visit process, we reviewed program files in the Near East Bureau to see how many site inspection reports had been prepared. We also interviewed A.I.D. and State Department officials to see whether any additional site visits were made.

REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of internal controls for the audit objective.

Scope of Our Internal Control Assessment

We performed our audit in accordance with generally accepted government auditing standards, which require that we (1) assess the internal controls when necessary to satisfy the audit objective and (2) report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

We limited our assessment of internal controls to certain controls applicable to the audit objective. We did not perform our assessment to provide assurance on the Near East Bureau's overall internal control structure.

We classified the internal control policies and procedures applicable to the audit objective by categories. For each category, we identified the relevant policies and procedures, determined whether they had been placed in operation, and assessed control risk. These categories, as well as the significant weaknesses we found, are discussed in the "conclusions" section below.

General Background on Internal Controls

Under the Federal Manager's Financial Integrity Act and the Office of Management and Budget's implementing policies, A.I.D.'s management is responsible for establishing and maintaining adequate internal controls. The General Accounting Office has issued *Standards for Internal Controls in the Federal Government* to be used by agencies in establishing and maintaining internal controls.

The objectives of internal controls for Federal foreign assistance are to provide management with reasonable -- but not absolute -- assurance that resource use is consistent with laws,

regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors and irregularities may occur and not be detected. Also, predicting whether a system of internal controls will work in the future is risky because (1) changes in conditions may require additional controls and (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

Conclusions

Our objective was to determine if the Near East Bureau followed certain A.I.D. policies and procedures in establishing and implementing a monitoring system for the West Bank and Gaza program. For this objective we assessed the following internal control processes:

- the recipient reports process,
- the evaluation process, and
- the site visit process.

Our assessment was subject to limitations discussed in Appendix 1.

We found that the internal controls were not properly implemented. As a result, we did 100 percent substantive testing of the recipient reports and evaluation reports required by 8 of 10 assistance agreements reviewed. In addition, we reviewed the project officer site visits related to the 8 agreements. We noted the following significant weaknesses:

- Recipient reports were not sufficiently comprehensive and A.I.D.'s review and follow-up actions were not documented,
- Evaluations were not always performed on time in accordance with the schedules in the assistance agreements and were not summarized as required by A.I.D. procedures, and
- Only four site visits in three years were made by the A.I.D. project officers.

These weaknesses are discussed in the report finding.

WEST BANK & GAZA PROGRAM
A.I.D. DISBURSEMENTS TO PVOs DURING THE PERIOD OF AUDIT

GRANTEE	PURPOSE OF GRANT	DISBURSEMENTS (000s)			
		FY89	FY90	FY91 (thru 7/91)	TOTAL
AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL (ACDI) <u>Grant Agreement No.</u> <u>ANE-0159-G-SS-6020-00</u>	Strengthen Capability of Existing Cooperatives and the Development of New Cooperatives	757	1,271	1,512	3,540
AMERICAN-MIDEAST EDUCATION AND TRAINING SERVICES (AMIDEAST) <u>Grant Agreement No.</u> <u>NEB-0172-G-SS-2075-00</u>	Institutional Development in Post- Secondary Education and Manpower Training	481	407	233	1,121
<u>Grant Agreement No.</u> <u>ANE-0159-G-SS-7050-00</u>	Human Resources Development Through Institutional & Faculty Development, Business & University Linkages, and Professional & Business Development	<u>490</u>	<u>2,122</u>	<u>1,772</u>	<u>4,384</u>
TOTAL AMIDEAST		971	2,529	2,005	5,505

WEST BANK & GAZA PROGRAM
A.I.D. DISBURSEMENTS TO PVOs DURING THE PERIOD OF AUDIT

GRANTEE	PURPOSE OF GRANT	DISBURSEMENTS (000s)			
		FY89	FY90	FY91 (thru 7/91)	TOTAL
AMERICAN NEAR EAST REFUGEE AID (ANERA)					
<u>**Cooperative Agreement No.</u> <u>NEB-0162-A-00-4012-00</u>	Improve & Expand Educational, Social, and Economic Services Provided by Government and Non- Governmental Institutions and Other Organizations such as Municipalities, Cooperatives, etc.	2,267	2,106	878	5,251
<u>Grant Agreement No.</u> <u>ANE-0159-G-SS-9048-00</u>	Support Rural & Urban Economic Development	<u>0</u>	<u>1,998</u>	<u>2,175</u>	<u>4,173</u>
TOTAL ANERA		2,267	4,104	3,053	9,424

**Not included in the audit testing.

WEST BANK & GAZA PROGRAM
A.I.D. DISBURSEMENTS TO PVOs DURING THE PERIOD OF AUDIT

GRANTEE	PURPOSE OF GRANT	DISBURSEMENTS (000s)			
		FY89	FY90	FY91 (thru 7/91)	TOTAL
SAVE THE CHILDREN FEDERATION (SCF) <u>Cooperative Agreement No.</u> <u>NEB-0183-A-00-4073-00</u>	Support Rural and Community Development	693	1,095	817	2,605
CATHOLIC RELIEF SERVICES (CRS) <u>Grant Agreement No.</u> <u>NEB-0159-G-SS-5123-00</u>	Provide Technical Assistance and Material Resources to Communities, Municipalities, and Individuals	1,004	1,598	842	3,444
<u>Grant Agreement No.</u> <u>NEB-0159-G-SS-5065-00</u>	Provide Support for Life Cycle Health Education	<u>288</u>	<u>672</u>	<u>474</u>	<u>1,434</u>
TOTAL CRS		1,292	2,270	1,316	4,878

WEST BANK & GAZA PROGRAM
A.I.D. DISBURSEMENTS TO PVOs DURING THE PERIOD OF AUDIT

GRANTEE	PURPOSE OF GRANT	DISBURSEMENTS (000s)			
		FY89	FY90	FY91 (thru 7/91)	TOTAL
SOCIETY FOR THE CARE OF HANDICAPPED CHILDREN (SCHC)					
*** <u>Grant Agreement No.</u> <u>ANE-6509-G-SS-8046-00</u>	Provide Support for Expansion and Improvement of Services for Handicapped Children in Gaza	163	58	0	221
<u>Grant Agreement No.</u> <u>ANE-0159-G-SS-9046-00</u>	Provide Support to Pre-school Children and their Families in Gaza	<u>498</u>	<u>287</u>	<u>382</u>	<u>1,167</u>
TOTAL SCHC		661	345	382	1,388
TOTAL		6,641	11,614	9,085	27,340

***Not included in the audit testing.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MAR 13 1992

MEMORANDUM

TO: AIG/A, John P. Competello

FROM: DAA/NE, Charles F. Weden, Jr.

SUBJECT: Comments on the Audit of A.I.D.'s Monitoring System for the West Bank/Gaza Program

The Near East Bureau thanks RIG/A/W for its efforts in addressing the request, originally initiated in 1990 by the Asia Near East Bureau, for a comprehensive audit of the West Bank/Gaza Program. The findings discussed in the report are valid and the recommendations implementable. In fact, the Bureau has already made considerable progress toward implementing the recommendations.

Unfortunately, in our opinion by focusing exclusively on whether A.I.D. followed its policies and procedures in implementing a monitoring system for the West Bank/Gaza program the audit does not provide perspective on the overall performance and management of the program. The report focuses solely on A.I.D.'s management role in implementation. This is a especially significant shortcoming as, since its inception, this program has been jointly implemented by A.I.D. and the State Department. Only as recently as September 1991 was A.I.D. permitted to post an A.I.D. Representative in Jerusalem to cover activities in the West Bank. The audit report would have been more useful if it had focused on all aspects of program performance and management as originally requested.

The findings and recommendations do highlight the difficulty in implementing a program in absentia. Up until six months ago, the Bureau was trying to implement a highly politically sensitive program with no one in the field and limited staff access to the region because of security and operating expense resource constraints.

The Bureau is reviewing its management structure as it relates to the West Bank/Gaza program and making adjustments to the program's design and strategy which takes into account the significant constraints placed on A.I.D.'s monitoring capabilities in the region.

Finally, during the period covered by the audit, it was the Bureau for Asia and the Near East (ANE) which managed the West Bank/Gaza program. This should be made clear in the final audit report.

We look forward to an early closure on these recommendations.