



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/WEST BANK AND GAZA'S TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING PROGRAM

AUDIT REPORT NO. 6-294-11-006-P  
March 22, 2011

CAIRO, EGYPT



## *Office of Inspector General*

March 22, 2011

### **MEMORANDUM**

**TO:** USAID/West Bank and Gaza Director, Michael T. Harvey

**FROM:** Regional Inspector General/Cairo, Jacqueline Bell /s/

**SUBJECT:** Audit of USAID/West Bank and Gaza's Technical and Vocational Education and Training Program (Report No. 6-294-11-006-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and have included your responses in their entirety at appendix II (attachments excluded). Based on your response and additional information received, we have revised the amount of questioned costs in recommendation 6.

The report includes 10 recommendations for corrective action. On the basis of USAID/West Bank and Gaza's supporting documentation and planned action, we consider that final action has been taken on one recommendation, management decision has been made on four recommendations, and no management decision has been reached on the remaining five recommendations. RIG/Cairo considers that final action has been taken for recommendation 6. In addition, we consider that management decisions have been reached on recommendations 2, 3, 4, and 9, and that management decisions have not been reached on recommendations 1, 5, 7, 8, and 10.

Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer (M/CFO/APC) with the necessary documentation to achieve final action for recommendations 2, 3, 4, and 9. Management decisions will be recorded for recommendations 1, 5, 7, 8, and 10 after USAID/West Bank and Gaza provides the additional information described in detail on pages 16 to 18 of our audit report.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

# CONTENTS

<b>Summary of Results .....</b>	<b>1</b>
<b>Audit Findings.....</b>	<b>6</b>
Indicators Do Not Effectively Measure Program Impact.....	6
Some Reported Program Results Were Not Reliable .....	7
Two Lease Agreements Were Not Timely Vetted .....	8
Slow Startup Limited Program Effectiveness .....	10
Program Lacks a Detailed Gender Strategy.....	13
<b>Evaluation of Management Comments .....</b>	<b>15</b>
<b>Appendix I – Scope and Methodology .....</b>	<b>19</b>
<b>Appendix II – Management Comments .....</b>	<b>21</b>
<b>Appendix III – List of Program Indicators .....</b>	<b>30</b>
<b>Appendix IV – Map of TVET League Institutions.....</b>	<b>31</b>

# SUMMARY OF RESULTS

The population of the West Bank is young—40 percent of the population is under age 15. For 2009, the Palestinian Central Bureau for Statistics reported a 17.8 percent unemployment rate for the West Bank. Unemployment in the Palestinian Territory was concentrated among youth ages 15–24, for whom the rate was 38.9 percent. Investment in workforce readiness is critical to offset the frustrations of unemployment for large numbers of young people. To address these needs, USAID/West Bank and Gaza has invested in the Technical and Vocational Education and Training (TVET) Project. The project supports the high priority that the Palestinian Authority has put on its National Education Strategy to reform the education system to be more responsive to labor market needs and to better prepare Palestinian youth with relevant skills, such as carpentry; auto mechanics; information technology; hotel management; and heating, ventilation, and air conditioning.

The TVET sector in the West Bank faces challenges in meeting the expanding needs of the Palestinian market and youth workforce development. The sector consists of both public and private institutions. The TVET League is made up of 12 private institutions with about 5,000 students, about half of the total sector (see map showing the location of the institutions in Appendix IV). The sector as a whole is fragmented, without standard curricula or certification, and faces many challenges, including the following:

- Weak links among businesses, professional associations, the public sector, and TVET institutions
- Lack of relevance of current TVET offerings to market demands/employment options
- Less than 5 percent of student population currently enrolled in TVET
- Lack of formal career counseling programs for youth of any age

USAID/West Bank and Gaza developed the TVET Program in 2005 to make an important contribution to workforce development by strengthening and diversifying the skills of young Palestinians through developing the TVET sector. This is the mission's first program in the sector. Through participation in the TVET Program, young Palestinians can contribute to their economy and their families' livelihoods. USAID/West Bank and Gaza initially conceived the program to target TVET institutions within the public system. However, upon the election of Hamas in 2006, the U.S. Government instituted a "no contact" policy with the government ministries. Therefore, it redesigned the program description to target only private TVET institutions—specifically, those 12 belonging to the existing TVET League.

The League was founded in 1998 in order to—

- Provide coordination among TVET institutions in Palestine
- Support TVET member institutions
- Exchange experiences among TVET institutions
- Support the implementation of a Palestinian national TVET strategy
- Raise community awareness of the importance of TVET
- Promote TVET as a viable career option

The program aims to improve the quality and relevance of education at the 12 TVET League institutions in the West Bank and make TVET a viable, sought-after educational option for Palestinian youth. As a first step, the program helped to legally register the League so that it could serve as an official body to coordinate with the government.

To implement the program, the mission signed a 4-year, \$8 million cooperative agreement with a consortium of Save the Children Federation as a prime implementer in partnership with Mercy Corps and the Young Men's Christian Association (YMCA), effective from September 2007 to September 2011. The partnership with YMCA was terminated in spring 2008 owing to disagreements over roles and responsibilities. The mission provided supplemental funding to the program in two amendments to the agreement. First, on September 30, 2009, program funding was increased to \$9 million. Subsequently, on September 27, 2010, the mission increased the budget to \$10 million. As of September 30, 2010, total disbursements for the program were \$4,245,397.

The TVET Program has four goals:

- Increased availability and access to TVET services
- Increased quality and relevance of TVET services
- Improved demand for TVET services
- A supportive environment for TVET services

These goals are to be achieved by—

- Improving the administrative capacity of the TVET League institutions
- Upgrading the TVET institutions' facilities
- Institutionalizing education relationships with the private sector
- Developing and supporting a Career Resources Center
- Launching TVET awareness campaigns
- Building business knowledge and entrepreneurial skills

The Regional Inspector General/Cairo conducted this audit to answer the following question:

- Is USAID/West Bank and Gaza's Technical and Vocational Education and Training Program achieving its main goal of improving nongovernmental technical and vocational education and training in the West Bank?

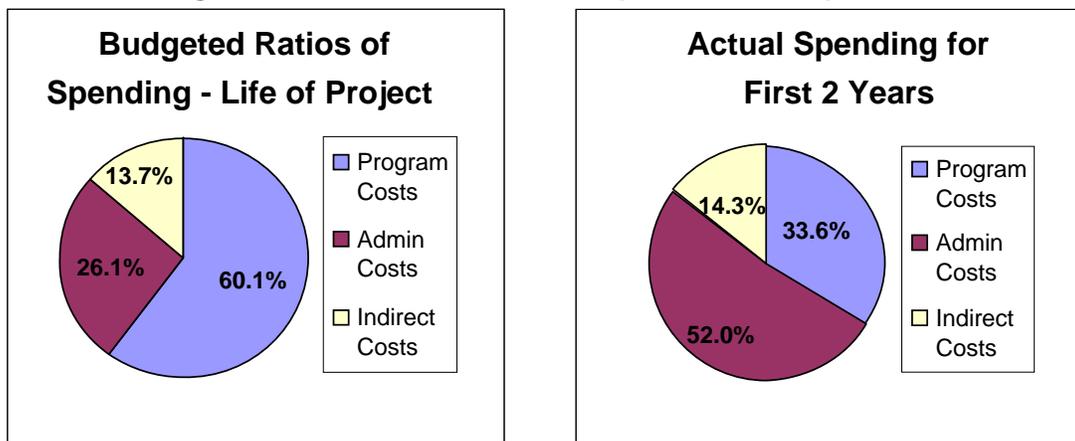
Although the mission has begun making progress toward strengthening TVET in the West Bank, delays in program implementation have lessened the positive impact of the program. It is also difficult for the mission to measure the overall benefit of the program, as 26 of the 28 indicators being tracked (see Appendix III) are only measuring outputs. The two impact indicators have no reported annual results or baseline data.

Delays occurred for several reasons. First, weak coordination between USAID/West Bank and Gaza, its implementing partner, Save the Children, and its subpartners, Mercy Corps and YMCA, led to delays in defining the roles and responsibilities of the consortium of implementers. In addition, Save the Children's first program director was not fully knowledgeable of USAID policies and regulations, which led to several problems in complying with the terms of the Save the Children cooperative agreement. This lack of

expertise, along with high staff turnover, contributed to implementation challenges. The slow start of the program has detracted from addressing the overarching issues of the TVET sector. Furthermore, the lack of a gender strategy indicates a missed opportunity for empowering Palestinian women.

The delays in implementing the program, especially in its first 2 years, have significantly impacted the program's effectiveness. USAID/West Bank and Gaza signed the agreement with Save the Children in September 2007. By December 2009, just over halfway into the life of the project, Save the Children had expended only \$2,323,118, or 23 percent of the overall program budget. In addition, while more than 60 percent of the program's life-of-project budget was allocated for direct program implementation costs, through December 2009, only about one-third of the funds expended went directly to program activities. The rest of the expenditures were for administrative and indirect costs, as shown in Figure 1.

**Figure 1. Planned and Actual Expenditure Comparison**



After a June 2009 midterm review highlighting the program's implementation challenges, the mission decided to increase the TVET Program budget for two specific activities. First, the mission provided funding for a TVET data portal to be implemented by Mercy Corps, whose activities had generally been progressing more smoothly than those of Save the Children. Second, additional funding went to a new school-to-career activity on the basis of previous successes experienced by Save the Children in implementing similar activities.

In November 2009, more than 2 years after the program started, USAID finally approved an implementation plan for the TVET Program, with approved indicators and targets. Owing to this delay in the approval of the implementation plan, what had been designed as a 4-year program essentially became a 2-year program.

The program's accomplishments to date include legally registering the TVET League, renovating and upgrading some workshops, establishing a Cisco<sup>1</sup> Regional Academy with trained instructors, and delivering some equipment to the institutions. Additionally, USAID/West Bank and Gaza has obligated all of the program's funds, and Save the

<sup>1</sup> Cisco is a multinational corporation that specializes in networking technology. It collaborates with organizations around the world to help students prepare for information and communication technology jobs and career certifications.

Children has developed a detailed plan for expending the remaining direct program costs by the September 30, 2011, agreement completion date. However, the shortened timeline undermined some fundamental activities that required a longer period to fully implement, such as building relationships with the public and private sectors, changing the public perception of vocational and technical education, and providing for the future sustainability of the TVET League.

In summary, issues identified during the audit include the following:

- Indicators Do Not Effectively Measure Program Impact (page 6).
- Some Reported Program Results Were Not Reliable (page 7).
- Two Lease Agreements Were Not Timely Vetted (page 8).
- Slow Startup Limited Program Effectiveness (page 10).
- Program Lacks a Detailed Gender Strategy (page 14).

The audit recommends that USAID/West Bank and Gaza do the following to improve the effectiveness of the TVET Program and future programs:

- Strengthen Technical and Vocational Education and Training Program results reporting to ensure that indicators are effective in measuring goal achievements and that baseline data are collected to measure impact (page 7).
- Provide guidance to agreement/contracting officer's technical representatives and partners to establish improved standards for acceptance of work plans and reports, as well as developing guides for preparing written documents (page 8).
- Complete a performance management plan that includes detailed definitions of all Technical and Vocational Education and Training Program indicators (page 8).
- Verify and correct any errors in the reported results data for the Technical and Vocational Education and Training Program (page 8).
- Revise Mission Order 21 to include provisions to report violations of the mission's antiterrorism requirements to the mission director and the Regional Inspector General/Cairo (page 10).
- Determine the allowability of \$16,063 for leases signed by Save the Children under cooperative agreement no. 294-A-00-07-00210-00 with entities that were not vetted prior to signing the lease subcontracts and collect from Save the Children any amount determined to be unallowable (page 10).
- Develop a plan with milestones to prioritize Technical and Vocational Education and Training Program activities to maximize the impact of the program during its last year, to include implementing safety measures as soon as possible and providing for the sustainability of the Technical and Vocational Education and Training League (page 13).
- Develop and implement quality standards for accepting implementation plans and policies for suspension of payments to awardees without approved implementation plans (page 13).
- Require Save the Children to obtain gender strategies from each of the benefiting Technical and Vocational Education and Training institutions (page 14).
- Provide guidance to its staff to reemphasize the requirements of Automated Directives System 201 to implement a gender strategy in all of its activities (page 15).

Detailed findings appear in the following section. The audit's scope and methodology are described in Appendix I, and the mission's comments will be included in Appendix II in the final report.

# AUDIT FINDINGS

## Indicators Do Not Effectively Measure Program Impact

Both implementing partners and USAID missions have a responsibility to set appropriate indicators and targets and to review and assess their relevancy periodically. According to Performance Monitoring and Evaluation TIPS No. 8, “Establishing Performance Targets,” a supplemental reference to the Automated Directives System (ADS) 200 series on USAID programming policy, targets should be based on analysis of what is realistic to achieve, given factors such as the stage of program implementation, resources available, and country conditions. Additionally, ADS 203.3.2.2 states that USAID missions and offices should use performance information to assess progress in achieving results and to make management decisions. ADS 200.2.b, “Primary Responsibilities,” states that USAID missions must develop the capacity to manage foreign assistance programs and ensure that teams have the necessary expertise, authorities, resources, and support to achieve their objective. In addition, TIPS No. 12, “Characteristics of Good Indicators,” includes “[t]he degree to which performance indicators and their related data accurately reflect the process or phenomenon they are being used to measure” and “the level of comparability of performance indicators and data over various measurement contexts.”

Only 2 of the 28 indicators, namely *Percentage of employers hosting TVET apprentices who are satisfied to very satisfied* and *Percentage of students who are favorable to receive TVET training* (see Appendix III, items 27 and 28), that the mission tracks for the TVET Program are impact indicators. Moreover, these indicators do not have baseline data, which undermines their ability to reflect any change occurring as a result of the program. As a whole, the indicators do not provide meaningful measures for meeting the overall goals of the TVET Program.

Owing to the slow startup and lack of organization at the beginning of the program, the implementing partner did not have approved program indicators until the third year of the program. Once the indicators were approved, Save the Children did not conduct the necessary studies to establish baseline data for the two impact indicators. Save the Children has contracted for a study that is developing baseline data for one of these indicators, but the results of this study were still in draft form with less than a year to go in the 4-year life of the program.

In 2009, Save the Children submitted a revised performance management plan (PMP) that included additional impact indicators: *Increase in the percentage of women enrolled in TVET* and *Percent increase of the League’s contribution in its own annual operational budget*. Mission management, however, said there were too many impact indicators and reduced the indicators to align them with the Department of State’s Office of the Director of U.S. Foreign Assistance annual reporting requirements. Moreover, USAID/West Bank and Gaza mission officials stated that the mission did not have confidence in Save the Children’s ability to achieve and measure these results.

As a result, Save the Children's approved PMP lacked a sufficient number of impact indicators that cover all the different activities being implemented under the TVET Program. Additionally, the implementing partner did not conduct preliminary studies and collect baseline data for the impact indicators that were included in the PMP.

Consequently, both USAID/West Bank and Gaza and its implementing partner have had difficulty measuring whether the TVET Program is achieving the desired results. To ensure that the mission has the quality data it needs to evaluate the impact of the TVET Program, the audit makes the following recommendation:

***Recommendation 1.*** We recommend that USAID/West Bank and Gaza strengthen Technical and Vocational Education and Training Program results reporting to ensure that indicators are effective in measuring goal achievements and that baseline data are collected to measure impact.

## **Some Reported Program Results Were Not Reliable**

According to Performance Monitoring and Evaluation TIPS No. 7 (cited in ADS 203), each performance indicator in a PMP needs a detailed definition. Furthermore, an effective performance monitoring system needs to plan not only for the collection of data, but also for data analysis, reporting, review, and use.

The TVET PMP includes definitions for only two operational plan output indicators and two management outcome-level indicators. There are no definitions for the other 24 indicators, which makes assessing program results difficult. Furthermore, some of the reported data were inaccurate. The audit team found issues with the following indicators:

- *Number of persons participating in U.S. Government-funded workforce development programs:* Save the Children was unable to provide adequate documentation to support the reported totals. Save the Children officials explained that data reported to the mission were from the first year's results and have been adjusted each year, since there is generally minimal year-to-year variance. In fact, Save the Children reported a total of exactly 1,303 students and 169 instructors at the TVET institutions for each year of the program but could not provide supporting documentation for the reported amounts for either fiscal year (FY) 2009 or FY 2010.
- *Number of new TVET curricula developed and/or adapted to market demand:* Save the Children reported developing or adapting two curricula in FY 2010; however, neither of the curricula should have been counted. They have only been made available, not developed or adapted.
- *Number of mass media reports on TVET and School to Career (STC) activities:* This indicator name does not adequately define a mass media report. Therefore, Save the Children and the mission were unable to document what should or should not be counted, such as billboards.

These weaknesses in the results-reporting process occurred because the agreement officer's technical representative (AOTR) did not require the implementing partner to correct deficiencies in the work plans prior to their approval. The TVET Program work plans were poorly written, fragmented, and difficult to follow in terms of actual activities, timeline, progress, and analysis. Consequently, the mission cannot coherently demonstrate the program's accomplishments and status. Therefore, the audit makes the following recommendations:

**Recommendation 2.** *We recommend that USAID/West Bank and Gaza provide guidance to agreement/contracting officer's technical representatives and partners to establish improved standards for acceptance of work plans and reports, as well as developing guides for preparing written documents.*

**Recommendation 3.** *We recommend that USAID/West Bank and Gaza complete a performance management plan that includes detailed definitions of all Technical and Vocational Education and Training Program indicators.*

**Recommendation 4.** *We recommend that USAID/West Bank and Gaza verify and correct any errors in the reported results data for the Technical and Vocational Education and Training Program.*

## **Two Lease Agreements Were Not Timely Vetted**

Executive Order 13224 prescribes a number of measures intended to prevent funding going to terrorist organizations or individuals involved in terrorism. To implement the Executive order, USAID/West Bank and Gaza's Mission Order 21, "Anti-Terrorism Procedures," dated October 3, 2007, provides procedures for the mission to follow to prevent it from inadvertently funding terrorist organizations. Procedures include vetting all contractors and subcontractors with awards in excess of \$25,000, recipients of assistance instruments, trainees, other direct recipients of cash or in-kind assistance, and key individuals of vetted organizations.

Save the Children signed two leases, one in 2007 and the other in 2008, for residences of the Save the Children country director and TVET program director. These leases, valued at \$28,900<sup>2</sup> and \$88,800, respectively, were both funded by USAID/West Bank and Gaza and exceeded the \$25,000 threshold established in Mission Order 21, but Save the Children did not submit them to the mission for vetting before signing them. Of the total lease amounts, Save the Children charged \$16,063 to USAID/West Bank and Gaza's TVET Program.

As a result, the TVET Program was vulnerable to inadvertently providing material support to organizations or persons who commit, threaten to commit, or support terrorism, without the knowledge of USAID/West Bank and Gaza. Although there was some written internal discussion within USAID/West Bank and Gaza regarding the potential disallowance of these costs, the mission did not take any further action other than to vet them after the fact.

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<sup>2</sup> Although official mission records document this lease amount as \$28,900, other mission records document the amount as \$39,100.

According to mission officials and correspondence with the implementing partner, the Save the Children program director and program manager at the time were unaware that the lease agreements were covered by the vetting requirements of Mission Order 21 because of their limited experience with USAID/West Bank and Gaza regulations. This unfamiliarity with the compliance requirements was also a pattern in terms of the implementing partner not properly completing partner information forms used for collecting vetting data. Although the program's first AOTR stated that the implementer required mission assistance to complete the partner information forms, in this case, the AOTR's monitoring did not ensure that the implementer vetted the two leases.

USAID/West Bank and Gaza was not aware of this situation until its Office of Contracts Management (OCM) conducted a compliance review in March 2009 and discovered the two unvetted leases. Subsequently, the mission vetted the two leases and obtained clearance for the two awards. By the time they were vetted, one lease had already expired and the other was terminated owing to the landlord's refusal to sign the revised lease that included the antiterrorism clause.

Mission Order 21 provides detailed guidance on which awards, individuals, and organizations need to be vetted, but it does not provide guidance on what to do when the vetting procedures are not followed. For example, it does not provide guidance on reporting noncompliance with vetting requirements, nor does it mention that noncompliant costs could potentially be disallowed.<sup>3</sup> In these instances, OCM reported the implementer's noncompliance with USAID's antiterrorism requirements to the implementing partner and the AOTR, but was not able to provide any documentation to indicate that the office elevated or reported this noncompliance to mission management for action.

In the past, OCM's compliance specialist had provided mission management periodically with summary reports of instances of noncompliance with vetting requirements; however, the compliance specialist position has been vacant since March 1, 2010, and mission management is no longer receiving these reports. According to one mission management official, since the compliance specialist position became vacant, the compliance reviews have been carried out by a public accounting firm, but it has not been providing updates to mission management as had occurred in the past.

Moreover, mission officials did not notify the Regional Inspector General responsible for oversight of the mission's nonfederal audit program, which includes reviewing awards for compliance with the mission's implementers' use of established antiterrorism measures.

Although in these cases awardees were eventually vetted with no derogatory information, USAID/West Bank and Gaza's antiterrorism measures should be strengthened. If the mission's implementers are made aware that USAID can disallow funds paid to implementing partners that do not comply with antiterrorism measures, implementers may have a stronger motivation to ensure that all awards are vetted. Because subsequent guidance has been provided to partners regarding the potential disallowance of costs, the audit team is not making any recommendations related to this

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<sup>3</sup> Subsequent to this noncompliance occurrence, in June 2010 USAID/West Bank and Gaza issued Mission Notice 2010-WBG-10, which informed its partners of the potential disallowance of costs resulting from failure to comply with vetting requirements.

area. However, to further strengthen the mission's efforts to avoid inadvertently providing material support to organizations or persons who commit, threaten to commit, or support terrorism and to ensure that USAID/West Bank and Gaza's management and the Office of Inspector General<sup>4</sup> are notified in a timely manner to provide oversight as appropriate of instances of noncompliance with Mission Order 21, the audit makes the following recommendations:

**Recommendation 5.** *We recommend that USAID/West Bank and Gaza revise Mission Order 21 to include provisions to report violations of the mission's antiterrorism requirements to the mission director and the Regional Inspector General/Cairo.*

**Recommendation 6.** *We recommend that USAID/West Bank and Gaza determine the allowability of \$16,063 for lease costs charged by Save the Children to USAID/West Bank and Gaza under cooperative agreement no. 294-A-00-07-00210-00 for payments to entities that were not vetted prior to signing the lease subcontracts and collect from Save the Children any amount determined to be unallowable.*

## **Slow Startup Limited Program Effectiveness**

The Government Accountability Office's Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1 (11/99)) state that an entity's internal control should provide reasonable assurance that the entity's resources are being used effectively and efficiently (p.4-5). It further states that qualified and continuous supervision should be provided to ensure that internal control objectives are achieved (p.13). Additionally, ADS 202.3.7 establishes the responsibility of the mission and its assistance objectives teams to manage the resources available to them so that planned outputs and results are achieved in a cost-effective and timely manner.

USAID/West Bank and Gaza signed the TVET cooperative agreement with Save the Children on September 30, 2007. Save the Children's proposal for the TVET Program included a consortium of three organizations to implement the program, and Save the Children signed subawards with Mercy Corps and YMCA in October 2007.

After the subawards were signed, there was considerable disagreement, especially between Save the Children and YMCA, as to their roles, relationships, and responsibilities. For example, YMCA expected its staff to spend most of their time in the field, but Save the Children expected them to spend most days in the Save the Children office. The partners could not reach a compromise and YMCA eventually dropped out, leaving Save the Children to carry out the activities previously assigned to YMCA.

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<sup>4</sup> In FY 2004, as part of the mission's controls, the Regional Inspector General/Cairo started its financial audit program to ensure that the mission is in compliance with the established policies and procedures. The financial audit program covers all contractors and grantees, and significant subcontractors and subgrantees, under the West Bank and Gaza Program, at least on an annual basis.

USAID/West Bank and Gaza reported that a lack of expertise of the original staff hired by Save the Children to implement the program as well as the subsequently high staff turnover added to the delay in program implementation. Throughout the 3-year life of the project so far, there have been three country directors, two deputy country directors (currently vacant), two project directors, three program managers, three reporting officers, and three AOTRs. According to the original AOTR, this turnover resulted in minimal quality assurance or institutional memory. The original project director did not have the expertise to manage the program and comply with USAID regulations. The initial reports and plans submitted to USAID were low quality and often late. The AOTR would send them back for correction, but eventually gave the go-ahead for certain aspects of the program even without an approved implementation plan or indicators.

Initial efforts to assess the needs of the program were not conducted effectively. Save the Children commissioned a study to be conducted during the first year of the program to determine in which areas to focus the TVET Program efforts. However, the partners later determined this assessment to be unacceptable, as its scope was not broad enough to provide useful information. Therefore, Save the Children contracted a second study to provide a more in-depth gap analysis of the needs of the private TVET sector in the West Bank. The results of this study are currently in draft, even though the program is in its last year. As a result, the study will not provide USAID/West Bank and Gaza mission staff with evidentiary data to help them determine appropriate resource allocations. However, if properly disseminated, the study will be useful in the future to help the TVET institutions, Ministry of Labor, and the Ministry of Education and Higher Education provide market-driven vocational and technical training opportunities.

The TVET Program was delayed for several reasons. First, the implementer was not fully aware of USAID regulations, policies, and procedures, which led to the program's first AOTR having to spend more than the anticipated amount of time with the implementing partner to explain how to complete administrative and reporting functions. In some instances, the mission did not use its management authorities to ensure that the implementer developed acceptable implementation plans and annual reports. Eventually the Education team leader and ultimately the mission director intervened, but their efforts did not improve quality. In addition, the implementer did not clearly delineate the roles and responsibilities with its consortium partners under the agreement. Consequently, the mission did not approve an annual implementation plan for the program until November 2009—more than 2 years after the start of the program. These delays have had several effects on the program.

The slow startup has caused the project to be implemented over a shorter timeframe than originally planned. As a result, some program activities may have insufficient time to achieve goals or results. For example, only recently has procurement begun for the machinery and equipment being provided to the participating TVET institutions. As of September 30, 2010, Save the Children has expended just over 1 percent of the \$820,000 budgeted for its purchase of machinery and equipment to be used for instruction at the TVET institutions.<sup>5</sup> Although the mission programmed most of these funds for purchases to be completed by January 2011, there will be little time once the machinery and equipment are delivered to assist institutions to adapt curricula for the use of these items and to ensure that the proper safety and security measures are in

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<sup>5</sup> Under its subagreement with Save the Children, Mercy Corps has completed procurement of an additional \$140,000 for information technology-related training equipment purchases.

place prior to using the machinery and equipment. The program also includes a \$205,000 safety and security component, which to date is only in the initial phase. This is also a potential liability if Save the Children provides new equipment and renovations before the proper safety measures are in place.



**A student at the Al-Bir School uses carpentry equipment without gloves in a workshop renovated as part of the TVET Program. (Photograph by the Office of Inspector General, October 2010.)**

Although students had expected to use this new equipment in their courses, some of the students graduated from the institutions before the equipment arrived. Current students are still using antiquated equipment not relevant to today's job market. For example, at one school, students have been waiting for 18 months for new heating, ventilation, and air conditioning (HVAC) equipment. USAID funded the renovation of the classroom space in anticipation of the receipt of the equipment, but the new space is not being used. At another school, auto repair students expressed disappointment that the anticipated equipment has not arrived, because the school is still training students on equipment that is not as relevant to today's job market.

Another effect of the slow startup is that the program has not sufficiently addressed sustainability issues. One of the main goals of the TVET Program was to strengthen the TVET League's ability to serve as an official coordinating body. The program's third year implementation plan stated, "The concrete establishment of the League as an institution, committed and able to take on the assigned responsibilities ensures the sustainability of the TVET Program. After the end of the program, it is anticipated that the league will be financially independent and actively leading in the delivery of services and maintaining and building on existing relationships."

As part of this agreement, USAID/West Bank and Gaza, through Save the Children, assisted the TVET League to become a registered legal entity with the Palestinian Authority government in 2008. However, owing to the slow development of the program, other activities to enhance the viability and sustainability of the League have not been accomplished.

Since 2009, USAID/West Bank and Gaza has been funding the TVET League to pay for its leased office space, two administrative employees, and office equipment. Additionally, the implementing partner has set aside funding to pay the salaries of the executive director, financial consultant, human resources consultant, and an accountant, who have yet to be hired. However, neither the League nor USAID/West Bank and Gaza has developed or agreed to develop a program continuity or sustainability plan to maintain funding levels after the agreement ends in September 2011. Although the TVET League has discussed future funding with other donors, this solution does not provide for the future of the League as a self-sustaining organization.

Furthermore, only 6 of the 20 tested indicator results met the targets for FYs 2009 and 2010, also due in part to the slow program startup (please refer to the previous findings on program indicators).

Despite the slow startup, USAID/West Bank and Gaza has obligated all of the program's funds, and Save the Children has developed a detailed plan for expending the remaining direct program costs by the agreement completion date. However, to help address the above problems and prevent them from occurring in future USAID/West Bank and Gaza programs, the audit makes the following recommendations:

***Recommendation 7.*** We recommend that USAID/West Bank and Gaza develop a plan with milestones to prioritize Technical and Vocational Education and Training Program activities to maximize the impact of the program during its last year, to include implementing safety measures as soon as possible and providing for the sustainability of the Technical and Vocational Education and Training League.

***Recommendation 8.*** We recommend that USAID/West Bank and Gaza develop and implement quality standards for accepting implementation plans and policies for suspension of payments to awardees without approved implementation plans.

## **Program Lacks a Detailed Gender Strategy**

According to ADS 201.3.9.3, gender analyses are mandatory for strategic plans, assistance objectives, and projects/activities. ADS 201.3.9.3 further states, "gender issues are central to the achievement of strategic plans and Assistance Objectives (AO) and USAID strives to promote gender equality, in which both men and women have equal opportunity to benefit from and contribute to economic, social, cultural, and political development; enjoy socially valued resources and rewards; and realize their human rights."

According to Save the Children, there were only 260 female students, or 20 percent of the 1,303 student beneficiaries reported for FY 2010. USAID/West Bank and Gaza did not conduct a gender analysis in designing the TVET Program. Other than the requirement to segregate reported results by gender, the mission did not include a gender analysis or strategy in its agreement with Save the Children.

USAID/West Bank and Gaza conducted an internal midterm review in July 2009 and concluded that the program lacked a clear and systematic approach to addressing gender and that more emphasis should be placed on enrolling females in nontraditional vocational training environments. However, USAID/West Bank and Gaza did not follow up on this recommendation.

Save the Children has its own gender policy, but it did not develop a specific strategy to address gender integration issues in the TVET Program. Some institutions made efforts to include female students in certain TVET League activities supported by the program. However, at other institutions, all students in some courses in traditionally male vocations, such as carpentry, auto mechanics, and HVAC, were male. Some institution officials told the audit team that female students were encouraged to study more traditional female vocations, such as craft-making.

The TVET Program did not have a clear strategy for gender integration and, as a result, opportunities may have been missed for females to participate in nontraditional roles in the technical and vocational education sector. A comprehensive strategy for addressing gender inequities in vocational and technical education would help the TVET institutions to provide a roadmap for their future success as institutions. To ensure that the TVET institutions benefit from a fully developed gender integration strategy, even after the USAID/West Bank and Gaza program ends, the audit makes the following recommendations:

***Recommendation 9.*** We recommend that USAID/West Bank and Gaza require Save the Children to obtain gender strategies, including gender targets, from each of the benefiting Technical and Vocational Education and Training institutions.

***Recommendation 10.*** We recommend that USAID/West Bank and Gaza provide guidance to its staff to reemphasize the requirements of Automated Directives System 201 to implement a gender strategy in all of its activities.

# EVALUATION OF MANAGEMENT COMMENTS

USAID/West Bank and Gaza's comments and planned actions are partially responsive to the report recommendations. On the basis of USAID/West Bank and Gaza's planned actions, RIG/Cairo considers that final action has been taken for recommendation 6, and management decisions have been reached on recommendations 2, 3, 4, and 9. Management decisions have not been reached on recommendations 1, 5, 7, 8, and 10.

Regarding recommendation 1, mission officials partially agreed with the recommendation to ensure that indicators are effective in measuring goal achievements and that baseline data are collected to measure impact. However, the mission's response focused on improving the reporting for the two existing impact indicators and did not address the overall issue of not having impact indicators that cover most of the goals and important activities being implemented. To be more useful, the revised or new indicators should more directly measure whether the program's goals, such as increased access, quality, and demand for TVET services, have been achieved. As a result, a management decision has not been achieved for recommendation 1. A management decision will be made when the mission develops a more complete set of impact indicators that measure the achievement of the program goals mentioned above.

Although the mission does not express agreement with recommendation 2 to provide guidance to agreement/contracting officer's technical representatives (AOTRs/COTRs) and partners to establish improved standards for work plans and reports and to develop guides for preparing written documents, its plan of action does address the recommendation. By April 29, 2011, USAID/West Bank and Gaza's Director of the Office of Contracts Management (OCM) plans to issue a reminder, to AOTRs/COTRs of their responsibilities, and will conduct sessions with AOTRs/COTRs for sharing experiences related management oversight over annual work plans. On the basis of these planned actions, a management decision has been achieved for recommendation 2.

For recommendation 3 to complete a performance management plan that includes detailed definitions of all TVET Program indicators, the mission has agreed to provide clear definitions for the three indicators specifically mentioned in our audit report. USAID/West Bank and Gaza plans to work with Save the Children to review and revise other TVET PMP indicators to clarify definitions by April 29, 2011. On the basis of these planned actions, a management decision has been reached for recommendation 3.

Regarding recommendation 4, USAID/West Bank and Gaza has begun addressing the recommendation to verify and correct any errors in the reported results data for the TVET Program. Its implementer, Save the Children, has corrected the reported data for the fourth quarter of FY 2010, and the mission plans to request that Save the Children submit a plan by April 1, 2011, to review and correct the reported results for the program by September 29, 2011. Consequently, the mission has reached a management decision for recommendation 4.

The mission partially agreed with recommendation 5 to revise Mission Order 21 to include provisions to report violations of the mission's antiterrorism requirements to the mission director and RIG/Cairo. In its response to our draft audit report, the mission agreed to begin reporting instances of noncompliance to RIG/Cairo, but concluded that it was not necessary to change its policies for reporting noncompliance to mission management. The recommendation addresses reporting requirements and the need to increase implementer's awareness to increase compliance with laws, regulations, and procedures.

In the past, USAID/West Bank and Gaza's OCM's compliance specialist provided mission management summary reports of instances of noncompliance with vetting requirements periodically. However, since this position has been vacant since March 1, 2010, mission management no longer receives these reports. To fill the void, a public accounting firm has conducted some compliance reviews but has not provided periodic updates to mission officials as recurring management oversight. Reinstating this practice would meet the needed reporting requirements envisioned under our recommendations.

Moreover, it would be beneficial for USAID/West Bank and Gaza's implementing partners and subpartners to be aware that violations of the antiterrorism requirements will be reported to mission management and to the RIG/Cairo. The knowledge of the consequences of such violations will only help ensure compliance with the requirements and further reduce the likelihood that U.S. Government funds will be provided to terrorists. Additionally, establishing formal procedures within Mission Order 21 to report noncompliance with antiterrorism measures will help ensure that the reporting of violations continues when staffing changes occur in the mission. On the basis of the above, a management decision has not been achieved for recommendation 5. A management decision can be reached when the mission provides a firm plan of action for revising Mission Order 21.

For recommendation 6, to determine the allowability of \$16,063 for lease costs charged to USAID/West Bank and Gaza under the cooperative agreement for payments to entities that were not vetted prior to signing the lease subcontracts and collect any amount determined to be unallowable, USAID/West Bank and Gaza mission officials determined that the entire amount was allowable. Therefore, the mission has taken final action for recommendation 6.

In its response, USAID/West Bank and Gaza officials partially addressed recommendation 7 to develop a plan with milestones to prioritize the TVET Program activities to maximize the impact of the program during its last year, to include implementing safety measures as soon as possible and providing for the sustainability of the TVET League. The mission submitted a prioritized plan with clear milestones for the remaining months of the program, including a time schedule for the implementation of the safety and security measures for each participating TVET school. In terms of sustainability, the mission listed current activities designed to build the League's institutional capacity. Mission officials stated that it expects that these activities will provide a foundation for the League to achieve financial independence in the future and will achieve financial sustainability from proceeds from annual contributions of member institutions, revenues from fees for services, and participation in annual exhibitions, as well as sponsorships from the private sector. USAID/West Bank and Gaza did not provide any additional evidence that these measures are progressing or that the League

will be in a position to obtain these sources of funding at a level that will ensure its sustainability in the future. Therefore, without a developed financial plan, USAID/West Bank and Gaza has not reached a management decision on recommendation 7.

The mission did not agree with recommendation 8 to develop and implement quality standards for accepting implementation plans and policies for suspension of payments to awardees without approved implementation plans. Regarding the implementation of quality standards, USAID/West Bank and Gaza mission officials state that instead of developing quality standards for acceptable implementation plans, officials plan to remind COTRs and AOTRs that partners need to submit implementation plans on time, in accordance with the terms of their awards and approved in a timely manner. However, the mission's proposed action does not address the lack of quality control standards for such plans.

RIG/Cairo disagrees with the mission's comments that it does not have the authority to suspend payments to partners who are incurring costs without having an approved work plan. As discussed on page 3 of the report, Save the Children's slow startup resulted in an inefficient and unreasonable amount of spending during the first 2 years of the program. The inefficiencies were a result of Save the Children continuing to incur its administrative and program costs without the benefit of an approved work plan and with limited implementation of program activities. As a result, the amount of costs incurred should be evaluated based on the reasonableness requirements of the applicable cost principles. If found to be unreasonable, it is within the scope of the Agreement Officer's authority to disallow such costs.

Consequently, USAID/West Bank and Gaza has not reached a management decision for recommendation 8. To reach a management decision, the mission needs to develop quality standards for the development of work plans which will ensure the quality of the plans to be submitted. Second, in its procedures, the mission should include the provision for suspending or disallowing payments to partners when costs incurred are not reasonable, as illustrated in the example in this report when a partner incurred significant costs with no approved work plan.

In response to recommendation 9, to require Save the Children to obtain gender strategies, including gender targets, from each of the benefiting TVET institutions, USAID/West Bank and Gaza has worked with Save the Children to hire a subcontractor to develop plans for each institution that cover, among other things, gender issues and the readiness of institutions to address gender in institution policies and programming. The target date for completion of these plans is July 29, 2011. In addition, by April 29, 2011, the TVET League plans to form a gender committee to work toward inclusiveness of women in TVET institutions. Moreover, by that same date the League plans to provide training on gender issues to TVET staff. On the basis of the planned actions, the mission has reached a management decision for recommendation 9.

In response to recommendation 10 to provide guidance to its staff to reemphasize the requirements of ADS 201 to implement a gender strategy in all of its activities, the mission stated that it is drafting a mission order to incorporate the requirements of the new Global Acquisition and Assistance System to be completed by April 29, 2011. As part of the mission order, the requirements for a gender analysis will be included. The mission program office also plans to reinforce the need for gender strategies in all activities as part of the process of preparing the mission's submission to the FY 2011

operational plan. However, the mission does not establish a target date for completing this action. Therefore, until a target completion date can be established, the mission has not reached a management decision for recommendation 10.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/Cairo (RIG/Cairo) conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The purpose of this audit was to determine whether USAID/West Bank and Gaza's Technical and Vocational Education and Training (TVET) Program is achieving its main goal of improving nongovernmental technical and vocational education and training in the West Bank. No previous audits addressed the areas reviewed.

The scope of the audit covered reported results for (FYs) 2009 and 2010. RIG/Cairo performed this audit at USAID/West Bank and Gaza, the offices of the implementing partner, Save the Children, and its subpartners, Mercy Corps and the Young Men's Christian Association (YMCA), from October 1 to November 23, 2010. We also conducted site visits to 6 of the 12 TVET League institutions throughout the West Bank. In planning and performing the audit, we assessed internal control related to documentation and data verification, reporting, supervisory and management review, and review of performance measures and indicators.

During our site visits, we relied on Save the Children staff as translators to conduct interviews in Arabic with certain local officials and beneficiaries. Additionally, we relied on Save the Children staff to translate source documents that supported the reported indicator results.

Total disbursements for the program as of September 30, 2010, were \$4,245,397.

## Methodology

To answer the audit objective, we first identified the program's main goals and significant program risks. We met with key personnel at USAID/West Bank and Gaza, Save the Children, Mercy Corps, and the YMCA. We reviewed relevant documentation provided by USAID/West Bank and Gaza and Save the Children. We also reviewed the terms of the agreement and applicable policies and procedures. We gained an understanding of the program design and how USAID planned to monitor and measure the results.

We reviewed compliance by the mission and Save the Children with Executive Order 13224, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten To Commit, or Support Terrorism," and with USAID/West Bank and Gaza Mission Order No. 21, "Anti-Terrorism Procedures." Our antiterrorism compliance testing included reviews of relevant documentation such as USAID/West Bank and Gaza's agreement with Save the Children, subcontracts with Mercy Corps and YMCA, and that USAID/West Bank and Gaza vetted institutions, trainees, and key personnel of subcontractors to ensure that they met the antiterrorism criteria. We also interviewed

the USAID/West Bank and Gaza vetting specialist and followed up with the Regional Legal Advisor and Contracts Office on issues identified.

To verify reported results, we selected a random sample of 10 indicators from a universe of 28 indicators tracked in USAID/West Bank and Gaza's reporting system for the TVET Program. We traced reported results for the sample indicators to the implementing partner's relevant source documents for FYs 2009 and 2010. We reviewed the definitions of the indicators and evaluated them to determine if they effectively measured the impact of program activities.

During site visits, we verified the existence of reported deliverables, verified that the project site complied with USAID branding requirements, and observed and discussed the quality of the construction and equipment. We interviewed institution staff, students, and instructors to gain an understanding of (1) whether the program was meeting their needs, (2) their experiences in working with the implementing partner and the League, and (3) their gender policy. We conducted group discussions with more than 100 students, 11 instructors, and 12 staff members. We also ascertained whether beneficiaries were aware of the source of funding for the projects.

# MANAGEMENT COMMENTS



U. S. Agency for International Development  
Embassy of the United States of America

Date: February 18, 2011

To: Regional Inspector General, Cairo, Jacqueline Bell

From: Mission Director, USAID/West Bank and Gaza, Michael T. Harvey /s/

Through: Deputy Mission Director, Sherry F. Carlin /s/

Subject: Mission's comments to the draft performance audit report of USAID/West Bank and Gaza's Technical and Vocational Education and Training Program.

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USAID/West Bank and Gaza wishes to thank the Regional Inspector General/Cairo for conducting the performance audit on the Educational Development Office's (EDO) Technical and Vocational Education and Training program. The subject draft audit report has been thoroughly reviewed by the EDO in collaboration with other offices in the Mission.

The Mission appreciates this opportunity to comment on the draft audit report and clarify certain comments and statements as the RIG prepares the final report. The draft report included ten recommendations for further action which we address in the comments below.

**Recommendation No. 1:** We recommend that USAID/West Bank and Gaza strengthen Technical and Vocational Education and Training Program results reporting to ensure that indicators are effective in measuring goal achievements and that baseline data are collected to measure impact.

Response: The draft recommendation and audit report focus exclusively on two indicators which the draft audit report refers to as "impact indicators" (program indicators number 27 and 28 in Appendix III to the draft report). For these two indicators, mission management accepts the recommendation. The mission will work with Save the Children to review the two indicators, revise or replace them as appropriate, and identify baseline data for the revised or new indicators by April 29, 2011. The baseline data that will be used will come from data collected for reports done by the program in prior years. Then

the TVET program will complete a survey or other appropriate means of data collection by August 2011 that will allow for a comparison with the selected baseline data to measure TVET achievements.

Mission management notes, however, that the draft audit report disregards the other indicators (output indicators) used by the program. USAID uses both output and outcome indicators (what the draft report refers to as “impact indicators”) to track and measure results. Both are useful tools. Output indicators provide information on whether a program is reaching milestones and benchmarks for deliverables under the program’s control as it progresses. They also serve to document program achievements in real terms. Particularly through the beginning stages, but throughout the length of a program as well, output indicators provide valuable information about the progress and accomplishments of a program.

The TVET program has a Performance Monitoring Plan with 28 indicators. Of these 28 indicators, the program has collected data for 26 of the 28 indicators, the output indicators. While program implementation was delayed in 2008, data collection began in 2009. Save the Children has been providing results for the 26 indicators via reports submitted on a quarterly basis throughout the program period and through the mission’s Geographic Management Information System (GEO-MIS). These indicators show program achievements to date and demonstrate progress toward program deliverables through the course of the program. While errors in data collection related to specific indicators are addressed under Recommendation No. 4 below, the draft audit report fails to acknowledge the role and usefulness of output indicators and the results reporting that did take place.

**Recommendation No. 2:** We recommend that USAID/West Bank and Gaza provide guidance to agreement/contracting officer’s technical representatives and partners to establish improved standards for acceptance of work plans and reports, as well as developing guides for preparing written documents.

Response: The draft audit report makes a recommendation for the entire mission portfolio based on an audit of a single mission activity, the TVET program. Lack of an approved work plan for some periods during the TVET program is not indicative of a pervasive issue with work plans throughout the mission’s portfolio and the audit report should recognize that an audit sample of one is insufficient grounds for such a broad, generalized recommendation.

Nevertheless, the Mission will take this opportunity to raise awareness among staff of the need to ensure that work plans, when required by the terms of the award, are submitted and reviewed in a timely manner. The Director of the Office of Contracts Management (DOCM) will issue a reminder to the Mission’s COTRs/AOTRs concerning this matter. The reminder will refer COTRs/AOTRs to the relevant sections in their respective awards where standards are identified for the submission of work plans. Furthermore, the DOCM’s reminder will emphasize to the COTRs/AOTRs their responsibilities as

outlined in the designation letters where it specifically notes that “... *the COTRs additional responsibilities are to Monitor the contractor's performance and verify that it conforms to the technical requirements and quality standards agreed to in the terms and conditions of the contract. Accordingly, your approval of implementation plans, work plans, or monitoring or evaluation plans must be consistent with the terms and conditions of the contract.*”

Finally, Mission Management has directed the DOCM to have a team of senior and experienced COTRs/AOTRs to lead a training session about work plans and share their experiences and knowledge with the Mission’s other COTRs/AOTRs. Both this action and the reminder described above will be completed by April 29, 2011.

**Recommendation No. 3:** We recommend that USAID/West Bank and Gaza complete a Performance Monitoring Plan that includes detailed definitions of all Technical and Vocational Education and Training Program indicators.

Response: The TVET program has a Performance Monitoring Plan (PMP) in place (submitted on September 15, 2009). The PMP includes 28 indicators that track the results of the TVET program.

As noted in the response to Recommendation No. 1 above, the mission will be reviewing and revising or replacing the two indicators identified as number 27 and 28 in Appendix III of the draft audit report. In addition, the mission will work with Save the Children to review the wording of the TVET PMP indicators to clarify definitions for the specific indicators addressed in the draft audit report, as well as any other indicators that the mission decides are not already sufficiently precise. The Mission will complete this update to the PMP by April 29, 2011.

**Recommendation No. 4:** We recommend that USAID/West Bank and Gaza verify and correct any errors in the reported results data for the Technical and Vocational Education and Training Program.

Response: Data errors found in the fiscal year 2010 fourth quarter report have been corrected. USAID will make a request to Save the Children by March 1, 2011 to submit a plan by April 1, 2011 for the review and correction of prior year reported results which will be accomplished by September 29, 2011. The AOTR will ensure that future reporting is free from any errors which the AOTR detects and will require Save the Children to correct any such errors and re-submit the report.

**Recommendation No. 5:** We recommend that USAID/West Bank and Gaza revise Mission Order 21 to include provisions to report violations of the mission’s antiterrorism requirements to the Mission Director and the Regional Inspector General/Cairo.

Response: The substance of the Regional Inspector General's (RIG's) recommendation appears to be a request for notification by the mission when the mission's internal compliance reports identify instances of non-compliance by an award recipient with the terms and conditions of its agreement related to Mission Order No. 21. As requested, the mission will comply with this recommendation by notifying the RIG of any instances of non-compliance that it discovers through the mission's internal compliance reports as those reports become final. There is no need, however, to meet this requirement through an amendment to Mission Order No. 21. In addition, the mission's Office of Contracts Management (OCM) already provides regular information on the results of its internal compliance reports to the mission's management and will continue to do so.

The mission also notes that it was mission management's decision to voluntarily institute internal compliance reviews that resulted in the mission's compliance officer identifying the failure of Save the Children to vet the landlords of the two leases in question. In both instances the Agreement Officer took appropriate corrective action. The corrective action confirmed that no USG resources had gone to anyone associated with terrorism and resulted in strengthened internal controls by Save the Children. The two errors made by Save the Children in the first three months of its award were not repeated. This demonstrates the effectiveness of the Agreement Officer's corrective actions and the pro-active approach by mission management to catch and correct mistakes by its implementing partners.

The mission's compliance reviews, much like the RIG's audit regime, are purposefully not part of Mission Order No. 21. The purpose of Mission Order No. 21 is to set forth USAID's anti-terrorism procedures (consisting of vetting, an anti-terrorism certification and mandatory clauses) for assistance to the West Bank and Gaza. As with other USAID regulations, the procedures themselves do not also contain the audit, oversight and corrective actions available to a Contracting or Agreement Officer to manage compliance with the procedures. Audit and oversight requirements and contractual remedies for non-compliance are not unique to Mission Order No. 21 compliance. The same range of contractual remedies is available to any USAID Contracting Officer whenever confronted with instances of non-compliance with the terms and conditions of an agreement. The fact that the mission identified and corrected two cases of non-compliance is no more reason to amend Mission Order No. 21 to insert a reporting requirement than a partner's failure to comply with the source, origin, and nationality requirements of its agreement would be reason to amend 22 CFR 228 to include reporting requirements or potential corrective actions.

Regarding RIG's recommendation that instances of non-compliance be reported to the Mission Director, mission management is pleased with the current level of communication from its Office of Contract Management which provides regular debriefings on the summaries of the results of OCM's internal compliance reviews (typically provided to the Deputy Mission Director) and believes that no change in that information flow is necessary at this time. Ultimate responsibility for taking corrective actions to address non-compliance with the terms and conditions of a

USAID agreement properly rests with the cognizant USAID Contracting or Agreement Officer and the example provided of the two TVET leases provides evidence that the Agreement Officer's internal compliance reviews and subsequent corrective actions are both reasonable and effective. The USAID West Bank and Gaza Mission Director made a management decision in the Fall of 2007 that the director of the mission's Office of Contracts Management should conduct ongoing compliance reviews of all USAID prime awards rather than wait for the reports from RIG audits. This proactive step by mission management identifies instances of non-compliance and corrects them in a timely fashion. The mission's ongoing voluntary internal compliance reviews are effective and indicate the seriousness with which the mission treats compliance with its anti-terrorism procedures.

**Recommendation No. 6:** We recommend that USAID/West Bank and Gaza determine the allowability of \$117,700 for leases signed by Save the Children under cooperative agreement no. 294-A-00-07-00210-00 with entities that were not vetted prior to signing the lease subcontracts and collect from Save the Children any amount determined to be unallowable.

Response: USAID's Agreement Officer, who has the sole responsibility for determining the allowability of costs under an agreement, determines that the \$16,063 of Federal funds contributed to the two Save the Children leases referred to in Recommendation No. 6 is allowable. The remaining amounts obligated and expended under the lease agreements (\$111,837) were not Federal funds and were never subject to an allowability of cost determination by USAID. The facts supporting the determination follow.

On September 30, 2007, USAID entered into a Cooperative Agreement with Save the Children. On October 3, 2007, USAID issued its amended and restated Mission Order No. 21 setting forth its anti-terrorism procedures which include a vetting requirement for leases and other contracts in excess of \$25,000 (cumulative to any single person over a 12-month period).

On November 15, 2007 and January 1, 2008, respectively, Save the Children entered into the two leases in question. The total amount of the first lease agreement was \$88,800 for a three-year lease term. The total amount of the second lease was \$39,100 for a two-year, ten-month lease term. Noteworthy, this recommendation incorrectly states that the total amount of the two lease agreements in question is \$117,700 whereas the total amount of the agreements, when signed, was \$127,900. Save the Children made payments of Federal funds under the first lease agreement in the amount of \$5,863 and of \$10,200 under the second lease (see the table below). Save the Children made a reasonable, but mistaken, interpretation that since it had not contributed over \$25,000 in Federal funds to either agreement, each lease fell under the \$25,000 threshold for which vetting is not required. The mission addressed this issue along with other questions through training on its anti-terrorism procedures offered to new and existing award recipients which the mission provides on an ongoing basis. This training specifically includes the case of lease agreements.

Demonstrating the seriousness with which USAID treats compliance with the requirements of Mission Order No. 21, the Mission Director in the Fall of 2007 directed the Office of Contract Management (OCM) to conduct internal compliance reviews of its prime awardees on a rolling basis and to take corrective actions, as appropriate, to address instances of non-compliance prior to the annual audits conducted by USAID's Inspector General. The compliance reviews began on February 7, 2008 with a purchase order to an audit firm and continued later with the mission's own full-time, in-house compliance specialist taking the lead. On March 18, 2009, a review by the OCM compliance specialist of the TVET program noted the two lease agreements in question under the Save the Children cooperative agreement.

After internal review of the compliance specialist's report, the Agreement Officer took corrective action by issuing a letter to Save the Children on June 1, 2009 reiterating the importance of compliance with the requirements of Mission Order No. 21 and requiring Save the Children to establish internal policies and procedures to ensure compliance and adequate training. In addition, the Agreement Officer required immediate vetting of the two landlords and advised that failure to obtain vetting approval for the landlord could result in termination of the award with Save the Children or disallowance of costs related to the leases. In both cases, the landlords were vetted and both landlords passed vetting. The Agreement Officer was satisfied with Save the Children's responsiveness and the results of the vetting requests and determined that no further action is needed to either terminate the award with Save the Children or disallow costs under these lease agreements. The result of the corrective action not only confirmed that no U.S. government funds had been inadvertently provided to an ineligible recipient, but also was an appropriately measured response to a recipient for which there have been no additional instances of a failure to vet when required since the date of the second lease in January of 2008.

**Recommendation No. 7:** We recommend that USAID/West Bank and Gaza develop a plan with milestones to prioritize Technical and Vocational Education and Training Program activities to maximize the impact of the program during its last year, to include implementing safety measures as soon as possible and providing for the sustainability of the Technical and Vocational Education and Training League.

Response: A prioritized plan with clear milestones has been developed for the remaining months of the program; it is being strictly monitored to ensure that appropriate progress toward the achievement of goals for all program components and activities is taking place. A hard copy of this prioritized plan was provided to RIG auditors along with this memorandum.

The prioritized plan includes a time schedule for the implementation of the safety and security measures for each participating TVET school. Activities in this area are underway and include:

- A Request For Proposals has been issued to procure personnel protective equipment. The target delivery date is in March 2011.
- Representatives from three TVET institutions completed occupational safety and security “training of trainers” in Jordan in January 2011.
- Each trained specialist, under the guidance of three experts from Jordan Vocational Training Cooperation (VTC) (a Jordanian government-owned company), will conduct audits of the safety and security measures within each TVET institution. The audit will include auditing the safety policies, procedures and systems of the TVET institutions. The experts will write the safety and security audit report for each institution, and will conduct safety workshops for leadership regarding safety responsibilities. It is expected that the audits will be completed on or prior to the end of April 2011.
- The TVET League is working with the Palestinian Red Crescent to establish a regular program on first aid training for instructors and trainees (scheduled for April-July 2011).

As for sustainability of the Vocational Education and Training (VET) League, the initial goal has been to establish a role for the VET League in the sector and then to establish it as an institution representing the twelve private TVET institutions. Establishment of the VET League as an institution requires formal institution-building measures as well as capacity building and training for staff. The other main element for long-term sustainability will be financial independence.

Activities to date have supported the goal of institutional sustainability of the league and include:

- Registration of the league with the Ministry of Labor and its pending status as a Civil Society Organization;
- Capacity training of league staff;
- Development of operations, sub-grant, and personnel manuals;
- Development of a three-year strategic plan for the VET League; and
- Creation of the position of executive director of the VET League to represent the common interests of the VET League as an institution rather than the individual interests of each league member. The executive director is tasked with developing linkages with Palestinian Authority ministries and the private sector and seeking funding from donors.

This institutional capacity building will provide a foundation for the VET League to achieve financial independence in the coming years. The league will seek financial sustainability after the TVET program is over by relying on annual contributions of member institutions, revenues from fees for services and participation in annual exhibitions, as well as sponsorships from the private sector. In addition, as noted above, the league is in the process of developing proposals to seek funding from a variety of international donors.

**Recommendation No. 8:** We recommend that USAID/West Bank and Gaza develop and implement quality standards for accepting implementation plans and policies for suspension of payments to awardees without approved implementation plans.

Response: As stated above under recommendation No. 2, the draft audit report's finding with respect to the TVET program is too small of a sample (a sample of one) to make such a sweeping, Mission-wide recommendation.

Nevertheless, the director of the mission's Office of Contracts Management will take this opportunity to issue a reminder by April 29, 2011 to the Mission's COTRs and AOTRs underscoring the need to ensure that the Partners submit their implementation/work plans on time and in accordance with the terms of their awards. COTRs/AOTRs will be reminded of the need to review and approve these plans within a reasonable time. Furthermore, COTRs/AOTRs will be reminded to notify the Agreement/Contracting Officer when partners are not complying with this requirement.

As for the second half of the recommendation, the mission and its Agreement/Contracting Officers would consider the lack of an implementation plan, when required by the terms of the award, a weakness under the award which can impede the implementation of the program activities and weaken the Mission's ability to properly monitor program implementation. That said, there is no basis for the Agreement/Contracting Officer to suspend payment for lack of submission of work plans as partners are entitled to receive reimbursement for costs incurred under their awards for work that has been performed provided that these costs are allocable, reasonable and allowable under the applicable cost accounting principles and other terms and conditions included in the award. Therefore, it would be inappropriate to suspend the costs for late submission or lack of submission of the plans.

Ultimate responsibility for taking corrective actions to address non-compliance with the terms and conditions of a USAID award properly rests with the cognizant USAID Contracting or Agreement Officer. The Contracting or Agreement Officer may pursue any number of avenues to ensure that partners adhere to this requirement. If these fail and the awardee materially fails to comply with the terms and conditions of an award, the Contracting or Agreement Officer has a range of remedies including the option to terminate the award.

**Recommendation No. 9:** We recommend that USAID/West Bank and Gaza require Save the Children to obtain gender strategies, including gender targets, from each of the benefiting Technical and Vocational Education and Training institutions.

Response: The Mission has discussed this recommendation with Save the Children, and Save the Children has agreed to recommend to the TVET institutions that they adopt gender strategies. Neither USAID nor Save the Children control the TVET institutions so the requirement of the recommendation for Save the Children to obtain gender strategies

is outside of the manageable control of USAID or Save the Children, but Save the Children plans to facilitate the intent of the recommendation by including the development of gender strategies for each TVET institution in a scope of work with a subcontractor that is working with the VET League to implement the league's strategy for each of the TVET institutions. These strategies are known as "whole -center plans." This will help ensure that the whole-center plans cover gender issues, including readiness of the institutions to address gender in institution policies and programming, as well as in the capacity building of instructors.

Furthermore, the TVET League has already agreed to form a gender committee led by the YWCA to continue to advocate for and work towards inclusiveness of women in TVET institutions. Also one of the VET League's members is an organization known as the Women's Affairs Advisory Board. This organization has indicated that it plans to work on trainings and activities to increase awareness and commitment of VET League member institutions to gender issues. Save the Children has set aside some funding for the implementation of the trainings and activities by this organization.

**Recommendation No. 10:** We recommend that USAID/West Bank and Gaza provide guidance to its staff to reemphasize the requirements of Automated Directives System 201 to implement a gender strategy in all of its activities.

Response: As previously noted in the Management Comments to recommendation No. 2 and 8 above, the draft audit report again makes a sweeping, Mission-wide recommendation, based on a sample size of one. The mission notes, however, that while the ADS remains the primary source of guidance on the Agency's requirements for gender analysis and program integration, the Mission is currently working on a mission order on program planning and design to incorporate the requirements of the new Global Acquisition and Assistance System (GLAAS). The ADS requirements for gender analysis will be referenced in this mission order which will meet the recommendation. In addition, the mission's Program Office will also reinforce the need for gender strategies in all activities as part of the process of preparing the mission's submission to USAID's fiscal year 2011 Operational Plan when that becomes due.

# LIST OF PROGRAM INDICATORS

1. Number of persons participating in U.S. Government-funded workforce development programs\*
2. Number of vocational centers with either upgraded/renovated facilities or developing contemporary vocational and technical curricula\*
3. Number of TVET facilities upgraded and/or rehabilitated
4. Number of TVET workshops or labs upgraded/provided
5. Number of TVET distance learning courses developed
6. Number of TVET courses developed/upgraded to increase the enrollment of women
7. Number of new TVET curricula developed and/or adapted to market demand
8. Number of TVET youth completing the new livelihood model training (disaggregated by gender and disabled)
9. Number of TVET students completing new apprenticeship programs in the private sector (disaggregated by gender and disabled)
10. Number of TVET instructors trained in new pedagogical methods and/or curricula
11. Number of TVET counselors trained in career and school-to-career
12. Number of institutions that received office equipment, technical assistance, and upgraded management/financial systems
13. Number of TVET staff completing institutional management courses
14. Number of students benefiting from school-to-career courses (disaggregated by gender and disabled)
15. Number of parents/caregivers participating in school-to-career activities
16. Number of school-to-career awareness activities conducted in schools by TVET students
17. Number of printed TVET and school-to-career promotional materials (brochures, pamphlets, etc.) distributed to students and community members
18. Number of TVET exhibitions held at the national level and school-to-career career days held in schools
19. Number of mass media reports on TVET and school-to-career activities
20. Number of youth utilizing Career Resource Centers and Corners (disaggregated by gender and disabled)
21. Number of private businesses participating in TVET and school-to-career awareness and promotion activities
22. Number of coordination meetings held between the League and relevant government ministries
23. Number of TVET curricula shared between TVET League and government ministries
24. Number of youth organizations/clubs involved in promotional activities and events
25. Number of TVET support events hosted by the TVET League
26. Number of proposals submitted by the TVET League to various donors
27. Percentage of employers hosting TVET apprentices who are satisfied to very satisfied\*\*
28. Percentage of students who are favorable to receive TVET training\*\*

\*Indicators that are included in the mission's operational plan.

\*\*Indicators that measure program impact.

# MAP OF TVET LEAGUE INSTITUTIONS



Source: USAID/West Bank and Gaza

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