



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/IRAQ'S COMMUNITY ACTION PROGRAM ACTIVITIES IMPLEMENTED BY INTERNATIONAL RELIEF AND DEVELOPMENT

AUDIT REPORT NO. E-267-12-001-P
NOVEMBER 15, 2011

BAGHDAD, IRAQ



Office of Inspector General

November 15, 2011

MEMORANDUM

TO: USAID/Iraq Mission Director, Alex Dickie

FROM: Office of Inspector General/Iraq, Director, Darren Roman /s/

SUBJECT: Audit of USAID/Iraq's Community Action Program Activities Implemented by International Relief and Development (Report No. E-267-12-001-P)

This memorandum transmits our final report on the subject audit. We have carefully considered your comments on the draft report and have included them in their entirety in Appendix II.

The report contains ten recommendations to improve Community Action Program activities implemented by International Relief and Development. On the basis of your written comments in response to the draft report, we consider management decisions have been reached on Recommendations 7, 8, 9, and 10. For the remaining six recommendations, please provide us within 30 days additional information related to actions planned or taken to implement Recommendations 1, 2, 3, 4, 5, and 6. Please also provide the Audit Performance and Compliance Division with evidence of final action upon completion of the planned corrective actions for the four recommendations with management decisions.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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Abbreviations

The following abbreviations appear in this report:

- ADS Automated Directives System
- AOTR agreement officer’s technical representative
- CAG community action group
- IRD International Relief and Development
- OIG Office of Inspector General
- PMP performance management plan

SUMMARY OF RESULTS

USAID/Iraq's Community Action Program, begun in 2003 and now in its third phase, works at a grassroots level to encourage citizen involvement and to provide the skills to mobilize resources to solve community development needs. To accomplish this purpose, the program has facilitated the creation and training of community action groups that identify and prioritize community needs, mobilize resources, and monitor project implementation. The third phase of the program is implemented by four partners: International Relief and Development; Mercy Corps; Cooperative Housing Foundation; and ACDI/VOCA. Our audit reviewed the program activities implemented by International Relief and Development (IRD).

The activities implemented by IRD have three objectives:

1. Improve the capacity of communities to better identify their needs, articulate their role in community development, and mobilize their resources.
2. Improve the capacity of local government to meet the articulated needs of the community.
3. Assist civilian victims of conflict.¹

To achieve these objectives, USAID awarded a \$39.1 million cooperative agreement in September 2008 to IRD for the implementation of Community Action Program activities. These activities were intended to assist 121 neighborhoods in the Baghdad area. As of September 2010, USAID/Iraq had increased the total estimated costs to \$91 million, obligations to \$74 million,² extended the period of performance to September 2012, and expended \$35 million. A component of the program was cost-sharing requirements of \$29.5 million for IRD, along with community and Government of Iraq contributions of \$5.2 million toward implemented projects.

IRD has encountered significant risk in implementing this program. For example, IRD quarterly progress reports distinguished neighborhoods according to low, medium, or high risk that incorporated the current security threats and environment. IRD's end-of-Year 2 progress report rated 25 neighborhoods as high risk. According to information provided by IRD, the dangerous security environment negatively impacted field operations. To illustrate, IRD reported that several local council officials in Baghdad with whom IRD worked closely were assassinated.

The Office of Inspector General (OIG) conducted this audit to determine whether activities implemented by IRD under the Community Action Program were achieving their main goals of communities better articulating their needs and mobilizing their resources to solve common problems.

The audit determined that IRD's activities under USAID/Iraq's Community Action Program partially achieved their goals. IRD effectively formed community action groups and developed initial community action plans, completed projects, and used a process for project development. However, the principal hindrances to the achievement of IRD's goals were that completed

¹ Our audit did not cover this activity, commonly called the Marla Ruzicka Iraqi War Victims Fund. We issued an audit report on this activity in April 2008 (Audit Report No. E-267-08-002-P, April 3, 2008).

² According to USAID/Iraq records, \$8.2 million of this amount was obligated for Marla Ruzicka activities.

projects did not target the identified, prioritized needs of the communities and that USAID/Iraq's decision to accelerate the spending of program funds had negative consequences. These consequences were a significant overreliance on supply-type projects (such as supplying student desks, office equipment, and computers to schools; toys to kindergartens; or medical supplies to health clinics), cancelled projects, revisions to many community action plans, and a concentration of projects in some neighborhoods. According to the USAID/Iraq cooperative agreement with IRD, "the core of the community action program is that the communities select, prioritize, and contribute to the projects implemented in their areas. This *process* of community-driven development leading to specific *projects* formed the genetic code of the community action program from the beginning." Simply put, the program could have been more effective.

IRD's activities under the Community Action Program did produce several accomplishments, including creating community action groups and completing projects.

- IRD created community action groups for Baghdad neighborhoods. IRD reported that it had formed 117 community action groups as of November 2010. In addition, IRD community mobilizers held a 3-day workshop in each neighborhood to assess community needs and develop the community's action plan. The workshops were open to the public and included community action group members, community residents, and government officials. The workshops also included a training component.
- Site visits to a sample of 51 projects showed that all 51 projects were completed, most met user expectations, and overall the projects contributed to improving the lives of community citizens.
- IRD's project development process included assessments to ensure that projects were feasible, project design and estimated costs were documented and approved by IRD, letters of support and required cost-sharing contributions were documented, bids were reviewed by an IRD committee, project sites were visited to ensure that work was completed, and project completion was also documented by the beneficiary.

Despite these accomplishments, the audit identified the following problems requiring management attention:

- IRD's completed projects often did not target the prioritized needs of the neighborhoods. Furthermore, IRD officials accelerated spending of program funds and completing projects in order to focus on quick results. This produced four direct effects: an over-reliance on supply-type projects, cancelled projects, revisions to many community action plans, and a concentration of projects within some neighborhoods. In particular, IRD significantly relied on the use of small supply-type projects to increase the number of completed projects. As of November 2010, IRD implemented 571 projects of which 310 (54 percent) were supply-type projects and 356 (62 percent) were less than \$25,000. This is a significantly higher use of small supply-type projects than the other three USAID implementers for the community action program. IRD's concentration on small supply-type projects was partially attributable to its organizationwide negotiated indirect cost rate. IRD had a financial interest to program its projects to not exceed \$25,000 because it can only collect its overhead rate on the first \$25,000 of an individual subaward. Supply-type projects most easily fit within this parameter. Supply-type projects are a legitimate community action program option. Nevertheless, a clear over-reliance on supply-type projects reduced program impact and sustainability. (See pages 5 to 10.)

- IRD overstated its direct beneficiaries (page 11). For \$11.8 million spent on projects, IRD reported 2.4 million direct beneficiaries—in effect, close to half of Baghdad’s population of 5.8 million. One example was 72,000 direct beneficiaries reported from the supply of vaccination and office equipment valued at \$785 to a health center for allergic diseases. Another example was 208,000 direct beneficiaries reported from a project valued at \$53,000 for the construction of four rooms and bathrooms at a health center.
- OIG site visits to a sample of 51 completed projects identified several projects that require follow-up by USAID/Iraq and IRD to resolve problems related to safety, quality of work, and potential overcharges (page 12).
- Since March 2009, USAID/Iraq has not updated and approved a performance management plan (PMP) that reflects results and ongoing changes in program direction (page 14). Instead, USAID/Iraq has relied on multiple documents to fulfill this role of program monitoring. However, these documents often did not agree in the wording of indicators, indicators included, and reported results. Moreover, the documents included information that was inherently incorrect, such as baselines greater than or equal to targets.
- USAID/Iraq requirements for cost sharing under the cooperative agreement and later modifications were not sufficiently clear to allow effective monitoring of cost-sharing requirements (page 16). Several terms were not precisely defined, including the base against which cost sharing was to be applied.

To address the issues outlined above, the audit makes ten recommendations to the mission:

1. Require IRD to program the remaining projects to target community-identified needs and report quarterly on its progress (page 10).
2. Require IRD to include in its periodic performance reports a breakdown of the number of projects (1) by type, including supply-type, and (2) by neighborhood, explaining high concentrations on either measure (page 10).
3. Issue guidelines limiting the percentage of supply-type projects that IRD can implement (page 10).
4. Require IRD to include in its periodic performance reports a list of cancelled projects and revised community action plans (page 10).
5. Provide guidance to IRD on how to calculate the number of direct beneficiaries, and establish written procedures for reviewing and assessing reported results for direct beneficiaries (page 12).
6. Determine the allowability of and collect, as appropriate, \$25,560 in questioned, ineligible costs (page 14).
7. Require IRD to resolve the safety and quality problems noted in this finding and report its corrective actions to the mission in writing (page 14).
8. Update and approve, in writing, a PMP that incorporates Automated Directives System

requirements and includes indicators that measure discrete aspects of performance (page 16).

9. Require IRD to submit work plans and progress reports that conform to indicators in the updated, approved PMP and the cooperative agreement, as applicable (page 16).
10. Clarify requirements for calculating cost-sharing contributions for the period of performance covered by Modification 11 to the cooperative agreement (page 17).

Detailed findings follow. Our evaluation of management comments is on page 18. Appendix I presents the audit scope and methodology, and Appendix II presents the full text of management comments.

AUDIT FINDINGS

Projects Did Not Sufficiently Target Priorities That Communities Set

Both mission and implementer officials emphasized that the Community Action Program is foremost a democracy effort—not a small-scale project implementation program. The projects are a tool for achieving community development and citizen participation in the implementation of community-prioritized development projects. According to the USAID/Iraq cooperative agreement with IRD, “the core of the community action program is that the communities select, prioritize, and contribute to the projects implemented in their areas. This *process* of community-driven development leading to specific *projects* formed the genetic code of the community action program from the beginning.”

IRD’s role is to facilitate group formation and planning. According to IRD officials, IRD created community action groups for all but three neighborhoods in Baghdad where security or neighborhood interest was lacking. The formation of the groups, the development of their community action plans, and the revision of plans included the following steps:

- IRD community mobilizing teams approach key neighborhood councils in each neighborhood to introduce the program.
- Neighborhood councils nominate two of their members to be community action group members. IRD organizes a town hall meeting for the appointment of other community action group members, such as neighborhood leaders.
- At the town hall meeting, which is open to all community members, IRD community mobilizers introduce the program to attendees, who nominate potential members. Community members vote on these nominees.
- The neighborhood councils and IRD agree to a memorandum of understanding.
- IRD community mobilizers organize a 3-day workshop to assess community needs and develop the community’s action plan. The workshop is open to the public and includes community action group members, community residents, and government officials. IRD community mobilizers facilitate discussion to (1) identify needs and alternative solutions to community problems, (2) assess funding sources, and (3) assess feasibility. The workshop results in a community action plan. According to IRD, the plan is not just a list of priorities and projects, but a record of the decisions by planning participants that identifies the actions, resources, and responsible parties necessary to achieve progress on community priorities. The community action plan serves as the basis for specific IRD and Government of Iraq project proposals.
- To revise the plan, IRD must hold and document a 1-day workshop for community action group members and document approval by a majority of the community action group.

Using this process, IRD had developed community action plans for 117 neighborhoods as of November 2010, according to IRD officials.

To determine whether IRD's completed projects targeted the needs identified and prioritized by communities, auditors reviewed a subset of plans and projects. Specifically, for a sample of 36 community action groups, we compared community action plans with IRD's completed projects for each neighborhood. The community action plans identified six common needs: (1) drinking water, (2) health care, (3) education, (4) sewerage, (5) electricity, and (6) roads repairs. In response, IRD programmed 195 projects valued at \$7.2 million and reportedly benefitting 1.1 million residents in the sampled neighborhoods. Project costs ranged from \$785 to \$206,858. These projects also received community contributions of \$96,632 and Government of Iraq contributions of \$15.5 million.

Of the 195 projects, IRD:

- Completed 146 projects (like the one pictured below) valued at \$4.1 million.
- Cancelled 32 projects with estimated costs of \$1.7 million.
- Identified 17 projects with estimated costs of \$1.3 million.



IRD's subcontractors built these classrooms at a primary school in Baghdad. (Photo by Combined Consultancy Company for Legal and Economic Investment Consultation, LLC, of Karradah, Baghdad, under contract with OIG, April 2011)

However, of the 146 completed projects, 50 (34 percent) did not match any needs identified by the neighborhoods in their community action plans. In addition, 45 (31 percent) did not match the first or second priorities identified by the communities. (Appendix III presents a comparison of completed projects with community priorities.) Furthermore, of the 36 community action plans developed with IRD assistance, IRD's completed projects did not target the first or second prioritized needs in 17 cases. This low rate of project responsiveness meant that 17 of the 36 sampled community action groups (47 percent) did not get what they most wanted.

For example, in the neighborhood of Al-Jamhuriya, IRD facilitated a community action plan dated May 14, 2009. This plan prioritized community needs of employment, sewerage, electricity, garbage collection, and roads. According to IRD records, a revised community action plan was developed, but it was undated and did not document key planning aspects such as the participation of community action group members. IRD projects in this community consisted of

one cancelled road project and three school-supply projects that did not target community needs.

Similarly, in the Qadesiya neighborhood, IRD facilitated a community action plan dated March 25, 2009. This plan prioritized community needs of employment, sewerage, roads, health, and public parks. According to IRD records, a revised community action plan was later developed, but it was undated and did not document key planning aspects such as the participation of members of community action groups. IRD subsequently facilitated another revised community action plan dated July 19, 2010. This July 2010 plan prioritized education, public parks, community services, and services for widows and orphans. IRD completed three school supply projects. However, all of these projects were initiated prior to the July 2010 plan, and none targeted the needs outlined in the original March 2009 community action plan.

In the Mansour neighborhood, IRD facilitated a community action plan dated May 20, 2009. This plan identified employment, housing, electricity, communications infrastructure, sewerage, and education as priorities. IRD completed one school-supply project, the sixth priority of the May 2009 community action plan.

Although needs were identified in these communities, IRD instead completed projects that did not target the needs identified by the communities. The lack of alignment between community action plans and completed projects resulted from several factors, foremost among them USAID's decision to accelerate spending of program funds and completion of projects.

On November 15, 2009, USAID/Iraq issued a Notice of Material Noncompliance to IRD for (1) vacant key personnel positions and (2) IRD's lack of programmatic progress as evidenced by the unacceptably low number of successfully implemented projects (12 of 140 or 8 percent of Year 1 targets). USAID/Iraq's notice further indicated that IRD had expended only \$2.4 million of the obligated amount of \$39.1 million. As part of the notice, USAID/Iraq directed IRD to implement 140 projects by the end of the calendar year.

In our opinion, the USAID/Iraq notice did not adequately recognize the stages of program implementation. Both mission and implementer officials emphasized that this program is foremost a democracy effort, not a small-scale project implementation program. The projects are a tool for achieving community development and citizen participation, but are not the ultimate purpose of the program.

During the first year of the program, IRD focused on the formation of community action groups—the natural progression of program implementation. According to a USAID/Iraq-funded evaluation (May 2010) of the program, much of the time during the first year of the project was devoted to community action group formation and training on the community action planning process, leading to the development of community action groups and their plans in 113³ neighborhoods. Even so, this accomplishment diverted the program focus from implementing projects.

Some delays in implementing projects occurred for reasons outside IRD's control—such as lack of security, the slow pace of obtaining government approvals, and some ineffective working relationships between IRD and local governments. However, other reasons were within IRD's

³ The 113 neighborhoods are according to IRD's quarterly report of September 30, 2009.

control. For example, during the first year of implementation, IRD had difficulty filling key positions, including those of the chief of party and deputy chief of party.

Not having completed many projects, the program did not require a large expenditure of funds—a key contention of the USAID notice. Nevertheless, given the demands of the USAID notice, IRD officials accelerated spending of program funds and completion of projects to focus on quick results. This produced four direct effects: a significant overreliance on supply-type projects, cancelled projects, revisions to many community action plans, and a concentration of projects in some neighborhoods.

Overreliance on Supply-Type Projects. IRD significantly relied on low-budget, small supply-type projects to increase the number of completed projects. As of November 2010, IRD had implemented 571 projects, of which 356 (62 percent) were valued at less than \$25,000 and 310 (54 percent) were supply-type projects. These results contrasted with those of other USAID implementers for the Community Action Program (Tables 1 and 2).

Table 1. Projects With Costs Below \$25,000 as a Share of Each Implementer’s Activities Under the Community Action Program

IRD	Cooperative Housing Foundation	Mercy Corps	ACDI-VOCA
62%	9%	24%	7%

Table 2. Supply-Type Projects as a Share of Each Implementer’s Activities Under the Community Action Program

IRD	Cooperative Housing Foundation	Mercy Corps	ACDI-VOCA
54%	19%	26%	16%

In addition, the average size of IRD’s completed projects was significantly less than that of the other USAID implementers for the Community Action Program (Table 3).

Table 3. Average Project Cost for Each Implementer of the Community Action Program

IRD	Cooperative Housing Foundation	Mercy Corps	ACDI-VOCA
\$31,761	\$56,587	\$62,197	\$72,833

IRD’s concentration on small, supply-type projects was also partially attributable to the organization’s negotiated indirect cost rate. Specifically, IRD had a financial interest in programming its projects not to exceed \$25,000 because it can collect its indirect overhead rate

on only the first \$25,000 of an individual subaward.⁴ Supply-type projects fit most easily within this parameter. Although the average cost of all 571 IRD projects was \$31,761, the average cost of its 310 supply-type projects was less than half that amount—\$13,296.

An examination of completed school projects showed the effect of the overreliance on supply-type projects. We commissioned an Iraqi consulting firm to visit a sample of 51 completed projects to verify several factors including existence, beneficiaries, reasonableness of costs, and impact. The sample included 31 school projects, of which 13 were for the provision of school supplies. School administrators in general expressed their disappointment that (1) IRD had not addressed more compelling needs, such as building more classrooms or rehabilitating existing schools, (2) IRD had not consulted the school administrators about their priority needs, and (3) in some cases, the schools had to store supplies because of inadequate classroom space.

The cooperative agreement with IRD established an initial program target of 750 completed community infrastructure and essential service projects. In March 2009, USAID approved a 57 percent reduction in the target for projects, from 750 to 325. In proposing the reduction, IRD stated that the original target of 750 projects would result in a large number of small, supply-type projects. Although USAID/Iraq based approval of the revised target for completed projects on the assumption that IRD would implement more infrastructure projects, IRD did not fulfill that requirement, as demonstrated by the number of small, supply-type projects.

Cancelled Projects. Overall, IRD cancelled 79 projects with estimated costs of \$4.4 million. Of these 79 cancelled projects, only 10 (13 percent) were supply-type projects. In contrast, IRD project data of November 2010 showed the share of completed supply-type projects was about 54 percent.

Among the 195 projects programmed for our sample of 36 community action groups, IRD cancelled 32 projects. Of the 32 cancelled projects, 13 were programmed for school construction and rehabilitation; 11 for road construction or repair; and 8 for the rehabilitation of water networks, installation of electric transformers, establishment of public gardens, and installation of textile sewing machines for widows. Just 1 of these 32 cancelled projects was programmed for the provision of supplies.

Revised Plans. IRD revised many of the community action plans, often without adequately documenting the basis for the change in the plan or the participation of members of community action groups. For our sample of 36 community action groups, all of the original community action plans were documented. These documented plans included separate sections covering the following topics:

- Neighborhood and populations.
- Names of community action group members and local government representatives.
- Discussion of determination of needs and solutions among neighborhood citizens.
- Community needs and consensus on priorities and solutions.
- Needs analysis and proposed solutions.
- Prioritizing solutions through visibility study analysis.

⁴ USAID approved indirect rates through a Negotiated Indirect Cost Rate Agreement under the provisions of Office of Management and Budget Circular No. A-122, "Cost Principals for Non-Profit Organizations." According to Section D.3.f of the circular, not applying the indirect rate to costs above \$25,000 is standard.

- Action plan including possible solutions to prioritized needs.
- Monitoring plan including possible sources of finance.

However, IRD revised 24 of the 36 community action plans produced by the groups in our sample. Eight plans were revised twice, resulting in 32 revised community action plans. Furthermore, 12 of the 32 revised community action plans were not adequately documented—particularly for the key element of citizen participation. In eight cases, the IRD revised plans were also undated.

Concentration of Projects in Some Neighborhoods. IRD concentrated projects in some neighborhoods. For example, of the 146 completed projects with a value of \$4.1 million in our sample, IRD concentrated 29 projects with a value of \$1.3 million in two neighborhoods. (Appendix IV shows the number and value of projects by neighborhood.) As a result, about 31 percent of the value of all IRD completed projects was programmed to benefit just 2 of 36 neighborhoods—Baquba Center and Khan Dhari, both identified as high-risk areas according to IRD.

Ultimately, IRD has only partially achieved its main goals of communities better articulating their needs and mobilizing their resources to solve common problems. Modification 11 to USAID/Iraq’s cooperative agreement with IRD stated that the Community Action Program is unique in encouraging communities to choose the projects and activities that will benefit residents most. USAID/Iraq’s program evaluation (May 2010) underscored this emphasis. Specifically, the evaluation stated that project “identification processes which are not connected to the reality of project identification and selection by community action group members are only practice sessions.” IRD can better target projects to communities’ identified needs.

Supply-type projects (such as supplying student desks, office equipment, and computers to schools; toys to kindergartens; and medical supplies to health clinics) are a legitimate Community Action Program option. Nevertheless, a clear overreliance on supply-type projects reduced program impact and sustainability. Substituting small, supply-type projects for those with longer-term impact, such as infrastructure rehabilitation projects, turns much of the program into an acquisition agent for community supplies. Revising plans without documented community input and cancelling projects that communities prioritized may lead to lack of community participation and support. We make the following recommendations.

Recommendation 1. We recommend that USAID/Iraq require International Relief and Development to program the remaining projects to target community-identified needs and report quarterly on its progress.

Recommendation 2. We recommend that USAID/Iraq require International Relief and Development to include in its periodic performance reports a breakdown of the number of projects (1) by type, including supply-type, and (2) by neighborhood, explaining high concentrations on either measure.

Recommendation 3. We recommend that USAID/Iraq issue guidelines limiting the percentage of supply-type projects that International Relief and Development can implement.

Recommendation 4. We recommend that USAID/Iraq require International Relief and Development to include in its periodic performance reports a list of cancelled projects and a list of revised community action plans.

Implementer Overstated the Number of Direct Beneficiaries

The Government Accountability Office's *Standards for Internal Controls in the Federal Government*⁵ requires federal agencies to establish control activities for achieving effective results. These activities include managers comparing actual performance with planned or expected results and analyzing significant differences. In addition, USAID's Automated Directives System (ADS) 203.3.5.1 requires performance data to be sufficiently precise to present a fair picture of performance and enable management decision making at the appropriate levels.

The USAID/Iraq cooperative agreement with IRD established a target of 1 million direct beneficiaries. IRD's third year work plan summarized program results through November 2010. As of November 2010, IRD reported that it had completed 439 projects costing \$11.8 million and directly benefiting 2,386,522 people. Direct beneficiaries counted included the following:

- 72,000 beneficiaries from the supply of vaccination and office equipment valued at \$785 to a health center for allergic diseases in Jame'a neighborhood.
- 380,000 beneficiaries from a project valued at \$25,115 for the construction of a fire station in Sadr City.
- 312,127 beneficiaries from a project valued at \$147,000 for the installation of water pumps in Baquba Center.
- 208,000 beneficiaries from a project valued at \$53,000 for the construction of four rooms and bathrooms at a health center in Al Nasr Welsalam.
- 171,600 beneficiaries from a project valued at \$44,210 for the provision of medical supplies and a learning center at a hospital in Sadr City.
- 109,908 beneficiaries from the supply of medical equipment valued at \$96,750 to a medical unit in Sadr City.
- 93,600 beneficiaries from the rehabilitation of a health center valued at \$60,178 in Ur neighborhood.
- 92,000 beneficiaries from spreading 3 kilometers of road subbase valued at \$82,875 in Baquba Center.
- 50,000 beneficiaries from the construction of four rooms valued at \$43,865 at a health center in Mahmodiya.
- 37,440 beneficiaries from the supply of office equipment valued at \$4,875 to a health center in Sadr City.

⁵ GAO/AIMD-00-21.3.1, November 1999.

- 36,000 beneficiaries from the supply of generator and medication equipment valued at \$61,435 in Sadr City.
- 960 beneficiaries from the supply of 480 uniforms valued at \$7,680 to orphans in Sadr City.

In addition to the apparent overstatement of direct beneficiary counts, IRD reported 18,350 direct beneficiaries from cancelled projects.

The USAID/Iraq cooperative agreement with IRD established a target of 1 million direct beneficiaries but did not define “direct beneficiaries” or indicate how beneficiaries were to be calculated. IRD developed its own guidelines for counting beneficiaries, which received tacit approval from USAID/Iraq. However, these guidelines do not reflect the cooperative agreement requirement that the counting be limited to direct beneficiaries.

In addition, USAID/Iraq did not assess the quality of this data—relying instead on the implementer’s reporting. Although the mission commissioned two evaluations of the Community Action Program as implemented by IRD, neither evaluation covered the calculation of direct beneficiaries. The overstatement of direct beneficiaries occurred, in part, because USAID/Iraq relied on its partners instead of monitoring or verifying reported data.

According to the United Nations’ *World Urbanization Prospects: 2009 Revision*, the population of Baghdad as of 2009 was 5.8 million. It does not seem plausible that IRD’s activities under the Community Action Program, with projects worth an estimated \$11.8 million, could have directly benefited 2.4 million people—close to half the city’s population. Beneficiary counts are included among program accomplishment data reported to USAID decision makers.

Mission officials noted that individuals might benefit from more than one project and thus the beneficiary numbers could count a single person more than once. However, IRD’s reporting of direct beneficiaries to USAID/Iraq never mentioned this possibility. Without accurate data, USAID/Iraq cannot obtain an accurate picture of the program’s accomplishments in Iraq. Consequently, USAID/Iraq needs to issue clear guidance to help ensure that its partners calculate the direct beneficiaries of their Community Action Programs uniformly, accurately, and realistically.

Recommendation 5. *We recommend that USAID/Iraq (1) provide guidance to International Relief and Development on how to calculate the number of direct beneficiaries and (2) establish written procedures for reviewing and assessing reported results for direct beneficiaries.*

Some Projects Require Follow-Up

OIG commissioned an Iraqi consulting firm to visit a sample of 51 completed projects to verify their existence, beneficiaries, cost reasonableness, and impact. The sample included 31 school projects, 9 road projects, 4 water projects, 3 health projects, 1 public garden project, 1 street-lighting project, and 2 projects for handicapped individuals. All of the projects were in the Baghdad area. Individually, the sampled projects cost between \$4,150 and \$156,715; together, the sampled projects were valued at \$2.7 million. The site visits showed that:

- All 51 projects existed.
- 48 projects were completed on time.

- 48 projects met requirements contained in the bill of quantities.⁶
- Most of the 51 projects met user expectations.
- Overall, the projects (like the pump below) improved the lives of community residents.



This IRD-installed electrical irrigation pump improved farming for a village in the Baghdad area. (Photo by Combined Consultancy Company for Legal and Economic Investment Consultation LLC of Karradah, Baghdad, under contract with OIG, April 2011)

However, the site visits also identified several projects with problems that USAID/Iraq and IRD need to resolve, including safety hazards, poor-quality work, and potential overcharges.

- Three schools had faulty electrical work that could endanger safety (items 15, 16, and 18 in Appendix V).
- Twelve projects had substandard work or supplied substandard materials (items 3, 11, 12, 13, 14, 15, 16, 18, 21, 34, 37, and 38 in Appendix V) like the desks pictured on the next page.
- IRD potentially overcharged the mission for work on three projects. Two charges (items 39 and 40 in Appendix V) exceeded market prices by 10 percent—in total \$17,000. Item 45 in Appendix V was overcharged by \$8,560 because items on the bill of quantities were not delivered.

⁶ According to Chapter 2 of the Country Contracting Handbook (Procurement of Construction Services), a bill of quantities lists the component parts of the contract work and provides for the pricing of each of these elements. The Country Contracting Handbook is a mandatory reference for ADS 305, “Host Country Contracts.”



These substandard desks were discarded at a primary school in Baghdad. (Photo by Combined Consultancy Company for Legal and Economic Investment Consultation LLC of Karradah, Baghdad, under contract with OIG, April 2011)

Office of Management and Budget Circular No. A-122, "Cost Principles for Non-Profit Organizations," identifies factors affecting the allowability of costs, including reasonableness and documentation. According to the circular, a cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. Consequently, we are identifying the following overcharges as questioned costs for agreement officer determination, and we make the following recommendation.

Recommendation 6. We recommend that USAID/Iraq's Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, \$25,560 in questioned, ineligible costs noted in this finding and detailed in Appendix V.

Concerning safety and quality of work, we make the following recommendation.

Recommendation 7. We recommend that USAID/Iraq require International Relief and Development to resolve the safety and quality problems noted in this finding and report its corrective actions to the mission in writing.

Performance Monitoring Was Not Sufficient

USAID/Iraq's cooperative agreement with IRD requires quarterly financial reports, a performance management plan (PMP), work plans, and quarterly progress reports on performance. According to Automated Directives System (ADS) 200.6, a PMP is a tool to plan and manage the process of assessing and reporting progress toward achieving an assistance objective. ADS 203.3.3, "Performance Management Plans," provides guidance to USAID missions on using PMPs for monitoring. The requirements for PMPs include the following:

- The preparation of a complete PMP for each assistance objective or program area, which includes all indicators that will be used to assess progress over the life of the program.
- A complete PMP should include a full set of indicators, baselines, and targets, disaggregated by sex whenever possible; data sources; data collection methods; a data collection schedule; data quality assessment procedures; cost estimates; possible evaluation efforts; and a calendar of performance management tasks (ADS 203.3.3.1).
- Usually as part of the mission's annual portfolio review process, PMPs should be updated regularly with new performance information (ADS 203.3.4.6).

USAID/Iraq did prepare a PMP for the Community Action Program of IRD in February 2009, which was approved in March 2009. However, since March 2009, USAID/Iraq has not updated and approved a PMP that reflects ongoing results and the numerous subsequent changes in program direction. Instead, USAID/Iraq has used multiple documents to fulfill this role of program monitoring. These documents include the Year 2 work plan, the implementer's quarterly progress report issued at the end of Year 2, the Year 3 work plan, and an ad hoc spreadsheet (called the Project Data Table) used by the implementer and the agreement officer's technical representative (AOTR). These documents worded indicators differently; reported differing results; did not match (work plan indicators were not reported in progress reports); included information that was inherently incorrect, such as baselines greater than or equal to targets; and did not reflect a documented, approved monitoring plan that specifies indicators, methods of measurement, and targets. (A complete analysis of all eight performance indicators appears in Appendix VI.)

In addition to the ineffective monitoring tools employed in the absence of an approved PMP, several indicators were a simple extrapolation of the basic program requirement of forming community action groups and developing action plans for each community. Examples follow.

- The wording of the indicator, *Number and percent of CAP III [Community Action Program Phase III]-assisted Nahiya and Qada councils that have implemented a formal community-driven needs assessment, project design, and implementation process into their work*, changed. The implementer switched from reporting on councils "implementing" a community-driven needs assessment to councils "including" a community-driven needs assessment, thereby measuring only community action group formation.
- The indicator, *Number of USG [U.S. Government]-assisted civil society organizations that engage in advocacy and watchdog functions (CAGs providing project oversight)*, measures advocacy in terms of community action group member approval of projects and equates watchdog functions with community action group members' monitoring of project implementation, thereby measuring only community action group formation.
- The indicator, *Number of local mechanisms supported by USG assistance for citizens to engage their subnational government*, measured the number of community action groups formed with at least one project completed—not local mechanisms—thereby measuring only community action group formation.

As a result, these indicators did not effectively measure unique program interventions, and by their alteration in reporting, indicate that the implementer did not undertake the proposed activities.

The mission had not updated or approved a working PMP to manage IRD's activities under the Community Action Program since March 2009. Instead, by relying on the results reporting in multiple, uncorrelated documents, the mission has reduced the transparency of program performance and increased the risk of not accomplishing expected results. The AOTRs for IRD's agreement were also responsible for the community action programs implemented by Mercy Corps, Cooperative Housing Foundation, and ACDI/VOCA. Staff turnover at USAID/Iraq also contributed to the lack of an approved PMP, but high staff turnover also demonstrates the need for such a reference document. Accordingly, we make the following recommendations.

Recommendation 8. We recommend that USAID/Iraq, in conjunction with International Relief and Development, update and approve, in writing, a performance management plan that incorporates Automated Directives System requirements and includes indicators that measure discrete aspects of performance.

Recommendation 9. We recommend that USAID/Iraq require International Relief and Development to submit work plans and progress reports that conform to indicators in the updated, approved performance management plan and the cooperative agreement, as applicable.

Cost-Sharing Requirements Were Not Clear

According to 22 CFR 226.23(a), "Cost sharing or matching," all contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions are verifiable from the recipient's records. Section (i)(2) also notes that the basis for determining the valuation of cost share for personal services, material, equipment, buildings, and land shall be documented. According to ADS 303.3.10, "Cost Share":

- Cost sharing must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23, and can be audited. If a recipient does not meet its cost-sharing requirement, questioned costs can be a result.
- Cost sharing is an important element of the USAID-recipient relationship. When used, it should support or contribute to the achievement of results.
- The agreement officer's technical representative (AOTR) should monitor the recipient's financial reports to ensure that the recipient is making progress toward meeting the cost-sharing requirement.

Nevertheless, USAID/Iraq requirements for cost sharing under its agreement with IRD were not sufficiently clear to allow effective monitoring of cost sharing. The original September 2008 USAID/Iraq award to IRD required a community contribution of 25 percent of total program activity costs under Objective 1 and a Government of Iraq contribution of 20 percent of total program activity costs under Objective 2. Simultaneously, the award established an overall cost-sharing requirement of \$6,316,528. However, the award did not define total activity costs under either objective. In March 2009, the USAID/Iraq AOTR agreed to a reduced combined rate of 29 percent—a different requirement than in the cooperative agreement. In addition, even this agreed-on reduced rate did not define the total cost to use in calculating the percentage.

In September 2009, USAID/Iraq issued Modification 5 to the cooperative agreement. The

modification required a combined cost-sharing contribution of 29 percent of total program costs of Objective 1. The 29 percent was divided between community contributions (4 percent) and government contributions (25 percent). In addition, the award modification required an overall cost sharing of \$34.7 million. This modification defined acceptable categories of contributions, such as land, supplies, materials, technical services, volunteers, and transportation. However, the modification did not define the total program costs of Objective 1. IRD and USAID staff disagreed on how to calculate this requirement.

In September 2010, USAID/Iraq issued Modification 11 to the cooperative agreement. It required a government cost-sharing contribution of 50 percent and a community cost-sharing contribution of 2 percent of the total cost of all community projects. In addition, the award modification increased the overall cost-sharing contribution to \$61.9 million. However, the award modification did not define all community projects.

Mission officials did not provide an explanation for the lack of clarity in the cooperative agreement and subsequent modifications. The lack of precision in the cooperative agreement and its modifications made it difficult to assess whether the program had met community and Government of Iraq targets for cost sharing. Accordingly, we make the following recommendation.

Recommendation 10. *We recommend that USAID/Iraq clarify requirements for calculating cost-sharing contributions for the period of performance covered by Modification 11 to the cooperative agreement.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Iraq agreed with Recommendations 5, 6, 7, 8, 9, and 10, and disagreed with Recommendations 1, 2, 3, and 4. On the basis of the information provided in the mission's response, management decisions have been reached on Recommendations 7, 8, 9, and 10. On completion of the planned corrective actions for recommendations with management decisions, the Audit Performance and Compliance Division will determine final action.

In its comments on the draft report, USAID/Iraq stated that what we described in the draft report as hindrances to full achievement of the program's goals were a part of the natural project development process. In addition, the mission stated that outcomes cited in the draft report actually demonstrate the project's success in adapting to realities on the ground in the complex, postconflict environment of Baghdad. For example:

- Supply projects can provide immediate materials that complement efforts of the Iraqi Government.
- When a large volume of projects are being implemented, cancelled projects are to be expected.
- Revised community action plans are a positive sign that communities are learning how to adjust initial priorities based on the realities on the ground.
- A concentration of projects in some neighborhoods generally reflects variation in the needs and receptivity of different communities.

In general, we agree with the mission's assertions. However, as we noted in the report, the program could have been more effective. The principal hindrances to the achievement of the program's goals were that completed projects did not target the identified, prioritized needs of the communities and that USAID/Iraq's decision to accelerate the spending of program funds had negative consequences. These consequences were a significant overreliance on supply-type projects, cancelled (primarily infrastructure) projects, revisions to many community action plans without documentation of the basis for the change or community participation, and a concentration of projects in some neighborhoods.

- Supply-type projects are a legitimate Community Action Program option. However, as of November 2010, IRD had implemented 571 projects, of which 356 (62 percent) were valued at less than \$25,000 and 310 (54 percent) were supply-type projects. These percentages were significantly higher than those for other USAID implementers of the Community Action Program. An overreliance on supply-type projects reduced the impact and sustainability of IRD's activities under the Community Action Program.
- The cancelled projects focused on infrastructure projects as opposed to supply projects. Of 79 cancelled projects, only 10 were supply-type projects. In contrast, IRD project data of November 2010 showed the share of completed supply-type projects was about 54 percent. Among the 195 projects programmed for our sample of 36 community action groups, IRD

cancelled 32 projects. Of the 32 cancelled projects, 13 were programmed for school construction and rehabilitation; 11 for road construction or repair; and 8 for the rehabilitation of water networks, installation of electric transformers, establishment of public gardens, and installation of textile sewing machines for widows. Just 1 of these 32 cancelled projects was programmed for the provision of supplies. Substituting small, supply-type projects for those with longer-term impact, such as infrastructure rehabilitation projects, turns much of the program into an acquisition agent for community supplies.

- IRD revised many of the community action plans, but often without adequately documenting the basis for the change or the participation of community action group members. For example, 12 of the 32 revised community action plans were not adequately documented—particularly for the key element of citizen participation.
- IRD concentrated projects in some neighborhoods. For example, of the 146 completed projects with a value of \$4.1 million in our sample, IRD concentrated 29 projects with a value of \$1.3 million in two neighborhoods. As a result, about 31 percent of the value of all IRD completed projects was programmed to benefit just 2 of 36 neighborhoods.

Recommendation 1. The mission disagreed with requiring IRD to program the remaining projects to target community-identified needs and report quarterly on its progress, stating that both actions required are already being taken. The mission added that it did not expect the community action plans to be static documents or to capture all the needs of the community.

We disagree that current mission actions address the recommendation. The mission stated that community action plans might not capture all the needs of the community. The statement is not relevant and depreciates the work of community action groups to identify and prioritize their needs. Any community would have numerous needs, with some potentially not covered by the community action plan. However, each community has identified and prioritized, through these plans, a broad range of priorities (not distinct projects) that are financially feasible, such as drinking water, health care, education, sewerage, and road repairs. As noted in the report, the USAID/Iraq cooperative agreement with IRD emphasized that “the core of the community action program is that the communities select, prioritize, and contribute to the projects implemented in their areas. This process of community-driven development leading to specific projects formed the genetic code of the community action program.” Neither IRD nor the mission indicated that community needs are captured in documents other than community action plans or projects implemented may come from sources other than community action plans.

We agree that community action plans are not expected to be static documents, but IRD has established clear procedures for the revision of community action plans when necessary. IRD must hold and document a 1-day workshop for community action group members and document approval by the majority of the community action group of any and all revisions.

On the basis of the information provided in the mission’s response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq implements the recommendation to require IRD to program remaining projects to target the community-identified needs and report quarterly on its progress. The recommendation purposely emphasizes “community-identified.”

Recommendation 2. The mission agreed with the first part of the recommendation, to include in its periodic performance reports a breakdown of the number of projects by type, including supply-type, but noted that it will be difficult to close the recommendation as written since IRD

already provides subactivity reports with each weekly report that allow the agreement officer's technical representative (AOTR) to review the types of projects being implemented and to sort by neighborhood. The mission disagreed with the second part of the recommendation, to include a breakdown of projects by neighborhood. Having regularly reviewed subactivity reports USAID believes that IRD's implementation is on track with the intent of the program and that variation based on the needs and level of cooperation in the communities could cause variation in where projects are concentrated.

We disagree that reviewing subactivity reports addresses the recommendation. We expect IRD to provide the breakdown by type and by neighborhood including an explanation of high concentrations on either measure. We agree that some variation is to be expected. However, the example of 31 percent of IRD completed projects benefitting just 2 of 36 neighborhoods indicates a concentration. Our recommendation ensures that the mission has the information available to monitor potential concentration of projects in neighborhoods.

On the basis of the information provided in the mission's response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq implements all parts of the recommendation to require IRD to include in its periodic performance reports a breakdown of the number of projects (1) by type, including supply-type, and (2) by neighborhood, explaining high concentrations on either measure.

Recommendation 3. The mission disagreed with issuing guidelines limiting the percentage of supply-type projects that IRD can implement. The mission stated that the cooperative agreement and subsequent modification do not express a preference for project type and that the distinction between supply-type and infrastructure projects misses the point of focusing on community needs and the project development process.

Far from missing the point, our recommendation to distinguish between supply-type and infrastructure projects and limit the former focuses on and affirms community needs and the project development process. OIG audit's central message as stated on page 1 is as follows: "The principal hindrances to the achievement of the program's goals were that completed projects did not target the identified, prioritized needs of the communities." As noted in the draft report, supply-type projects are a legitimate Community Action Program option. However, IRD relied too much on supply-type projects as illustrated in Table 2 and reflected in the comments of school administrators we interviewed (page 8). An overreliance on supply-type projects reduced program impact and sustainability.

On the basis of the information provided in the mission's response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq implements the recommendation to issue guidelines limiting the percentage of supply-type projects that IRD can implement.

Recommendation 4. The mission disagreed with requiring IRD to include in its periodic performance reports a list of cancelled projects and a list of revised community action plans. The mission stated that IRD already provides subactivity reports with each weekly report that allow the AOTR to see the cancelled projects. The mission believes that asking the implementer to summarize that information in a list of revised plans will not add much value.

We disagree that reviewing subactivity reports addresses the recommendation. We expect IRD to provide the lists. The report noted that cancelled projects focused on infrastructure projects as opposed to supply projects. In addition, IRD revised many of the community action plans,

but often without adequately documenting the basis for the change or the participation of community action group members. Our recommendation ensures that the mission has the information available to monitor cancelled projects and revisions in community action plans.

On the basis of the information provided in the mission's response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq implements the recommendation to require IRD to include in its required periodic performance reports a list of cancelled projects and a list of revised community action plans.

Recommendation 5. The mission agreed with this recommendation concerning issuing guidance on counting direct beneficiaries. The mission stated that, although IRD has a USAID-approved policy for counting beneficiaries and follows this policy, the mission has discussed with IRD how to make documentation clearer. As a result of this discussion, the AOTR has required IRD to include a footnote explaining that beneficiaries served by multiple projects may be counted more than once.

The mission's response does not acknowledge that reported numbers of direct beneficiaries are overstated and that current guidelines do not require that counting be limited to direct beneficiaries. (Direct is the key word.) For example, it is not realistic to count 72,000 beneficiaries from the supply of vaccination and office equipment valued at \$785 to a health center. Mission actions are insufficient to address the unrealistic reporting of direct beneficiaries. The recommendation requires more than a footnote in IRD reports explaining that beneficiaries may be counted more than once. As stated in the report, USAID/Iraq needs to issue clear guidance to help ensure that its partners calculate the direct beneficiaries of their activities under the Community Action Program uniformly, accurately, and realistically.

On the basis of the information provided in the mission's response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq (1) provides guidance to IRD on how to calculate direct beneficiaries and (2) establishes written procedures for reviewing and assessing reported results for direct beneficiaries.

Recommendation 6. The mission agreed that the agreement officer will gather and examine information and documentation in order to reach a management decision on our recommendation to determine the allowability of and collect, as appropriate, \$25,560 in questioned, ineligible costs.

On the basis of the information provided in the mission's response, a management decision has not been reached. USAID/Iraq can request a management decision when USAID/Iraq's Office of Acquisition and Assistance makes the final determination on the allowability of \$25,560 in questioned, ineligible costs noted in this finding and detailed in Appendix V. According to the mission, the target date for completion of this recommendation is January 31, 2012.

Recommendation 7. The mission agreed to require IRD to resolve safety and quality problems and document their resolution. The mission reported that it had instructed IRD to follow up on specific safety and quality problems. On the basis of the information provided in the mission's response, a management decision has been reached. The target date for completion of this action is January 31, 2012.

Recommendation 8. The mission agreed with the recommendation on updating and approving the performance management plan, stating that, although IRD has an approved PMP that meets ADS standards, USAID will work to make sure changes are better documented and tracked.

We disagree that the PMP meets ADS standards. The agreement officer's technical representatives (AOTR) are currently updating PMPs for all four Community Action Program implementers to make the plans more consistent. On the basis of the information provided in the mission's response, a management decision has been reached. The target date for completion of this action is November 30, 2011.

Recommendation 9. Regarding requiring IRD to submit work plans and progress reports that conform to indicators in the updated, approved PMP and the cooperative agreement, the mission agreed with the recommendation. As it did in response to Recommendation 8, the mission stated that although IRD has an approved PMP that meets ADS standards, USAID will work to make sure changes are better documented and tracked.

We disagree that the PMP meets ADS standards. The AOTRs are currently updating PMPs for all four Community Action Program implementers to make the plans more consistent. On the basis of the information provided in the mission's response, a management decision has been reached. The target date for completion of this action is November 30, 2011.

Recommendation 10. The mission agreed with the recommendation and has taken steps to clarify the calculation of cost-sharing contributions. USAID discussed requirements for cost-sharing contributions with IRD at the Community Action Program partners meeting held in July 2011. USAID has reviewed the cost-share policy and devised ways to strengthen the calculations provided—for example by using the lowest estimated land value when calculating cost sharing and by focusing on the value of cost sharing rather than on the percentage. On the basis of the information provided in the mission's response, a management decision has been reached. The target date for completion of this action is November 30, 2011.

SCOPE AND METHODOLOGY

Scope

OIG conducted this 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 in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis. The objective of this audit was to determine whether activities implemented by IRD under the Community Action Program were achieving their main goals of communities better articulating their needs and mobilizing their resources to solve common problems.

IRD's activities under the Community Action Program are designed to meet three objectives: (1) to improve the capacity of communities to better identify their needs, articulate their role, and mobilize their resources, (2) to improve the capacity of local governments to meet the articulated needs of communities, and (3) to assist civilian victims of conflict. Our audit did not cover activities under the third objective, known as the Marla Ruzicka Iraqi War Victims Fund.

We conducted fieldwork at USAID/Iraq and at IRD's office in Karradah, inside Baghdad's Red Zone. The Office of Inspector General/Iraq entered into a contract with a local Iraqi firm—Combined Consultancy Company for Legal and Economic Investment Consultation LLC of Karradah, Baghdad, to perform site inspections of 51 sampled projects completed by IRD in the Baghdad area.

We identified and reviewed the internal controls at both USAID/Iraq and the implementer's office that were significant to answer the audit objective. At USAID/Iraq, we reviewed the mission's 2010 certification required under the Federal Managers' Financial Integrity Act of 1982 for monitoring and oversight by mission personnel, portfolio reviews by USAID management, performance monitoring plan reviews by USAID, data quality assessments, USAID approvals of projects exceeding \$100,000, and designation letters outlining the responsibilities of the agreement officer's technical representative. At the implementer's office, we reviewed controls for project procurements, collection of performance results data, project data, and monitoring and oversight by implementer personnel. In addition, we confirmed the implementer's compliance with the requirements for environmental reviews, USAID marking policy, and implementation of Executive Order 13224 on terrorist financing.

The scope of the audit covered the first 2 years of program implementation from October 1, 2008, to November 30, 2010. As of September 30, 2010, USAID/Iraq had obligated \$74 million and had expended \$35 million on the Community Action Program implemented by IRD. We conducted our fieldwork between February 21, 2010, and June 28, 2011. Because of OIG/Iraq personnel rotations, the audit fieldwork was delayed three times.

Methodology

To answer the audit objective, we identified the activity's goals, interviewed mission and implementer officials, and reviewed numerous program documents—the cooperative agreement; cooperative agreement modifications; the implementer's management plan; annual work plans; ADS chapters; documents for 36 community action plans; project files; implementer

financial and progress reports from October 1, 2008, to November 30, 2010; and monitoring files of the AOTR. We interviewed key implementer personnel in Baghdad, including senior managers, the monitoring and evaluation director, the finance and administration director, the community mobilization director, training and capacity-building staff, tendering personnel, and engineers.

We reviewed activities in the implementer's work plans, including timelines showing when individual activities were to be completed. We tried to determine whether the activities for eight indicators selected for testing achieved their planned results. We judgmentally selected these eight performance and output indicators because the AOTR for the program identified them as important to program success. For most indicators, because of limitations in the validity of the reported results as discussed in the report, we could not determine whether planned results were achieved. The audit used a 5 percent materiality threshold in determining whether performance targets were met for individual indicators.

To determine the extent to which project activities targeted the neighborhoods' articulated needs as identified in their community action plans, we randomly selected a statistically projectable sample⁷ of 36 community action groups at a 90 percent confidence level and 4 percent precision. The purpose of the review was to compare completed projects in each community with needs identified in that community's action plan.

To analyze IRD projects, we used November 2010 project data as the basis for our analysis. For comparing results with the other three Community Action Program implementers, we analyzed project data provided by ACDI/VOCA as of September 30, 2010; Cooperative Housing Foundation as of December 31, 2010; and Mercy Corps as of September 30, 2010.

To determine the impact of IRD's completed projects, we contracted with a local Iraqi firm—Combined Consultancy Company for Legal and Economic Investment Consultation LLC of Karradah, Baghdad, to perform site inspections of 51 sampled projects completed by IRD in the Baghdad area. The site visits verified several factors, including existence, beneficiaries, reasonableness of costs, and impact. We randomly selected a statistically projectable and stratified sample of 51 projects with a 90 percent confidence level with 4 percent precision. The stratified sample provided greater weight to more expensive projects. The sample included 31 school projects, 9 road projects, 4 water projects, 3 health projects, 1 public garden project, 1 street lighting project, and 2 projects for handicapped individuals. All of the projects were in the Baghdad area. The sampled projects ranged in cost from \$4,150 to \$156,715; together the sampled projects were valued at \$2.7 million.

For our audit planning and audit fieldwork, we considered the results of three prior Office of Inspector General/Iraq performance audits of the USAID/Iraq Community Action Program.⁸

⁷ All of the audit's statistical samples were prepared with the assistance of the OIG statistician in Washington, D.C.

⁸ The three prior performance audits were "Audit of USAID/Iraq's Community Action Program" (Audit Report No. E-267-05-001-P, January 31, 2005), "Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund" (Audit Report No. E-267-08-002-P, April 3, 2008), and "Audit of USAID/Iraq's Community Action Program II" (Audit Report No. E-267-08-005-P, August 5, 2008).

MANAGEMENT COMMENTS



October 20, 2011

MEMORANDUM
UNCLASSIFIED

TO: Lloyd Miller, Director Office of Inspector General/Iraq

FROM: Alex Dickie, Mission Director /s/

SUBJECT: Management Response to Draft Audit Report E-267-12-00x-P

REFERENCE: Office of Inspector General (OIG)/Iraq Draft Audit Report entitled “Audit of USAID/Iraq’s Community Action Program Activities Implemented by International Relief and Development” transmitted to the Mission Director on September 21, 2011.

Thank you for the opportunity to comment on the referenced Draft Audit Report. USAID/Iraq recognizes the value of this audit as a management tool to further strengthen our programs. We extend our appreciation to OIG/Iraq for the cooperation exhibited throughout the production of this report.

USAID/Iraq feels that many of the consequences described in the OIG report as hindrances to full achievement of the program’s goals are, in fact, a part of the natural project development process. The report draws conclusions about project ineffectiveness and cites outcomes which actually demonstrate the project’s success in adapting to realities on the ground in the complex, post-conflict environment of Baghdad.

For instance, supply projects can provide immediate materials that complement efforts of the Iraqi government; for example, USAID-funded student desks in an Iraqi-maintained school. In other cases, International Relief and Development (IRD) renovated classrooms and the government provided the desks. We see both cases as successful community action projects.

When a large volume of projects are being implemented, cancelled projects are to be expected. Government approvals can fall through or project contractors who underperform on one project may have other projects cancelled. Stopping a project if it cannot be successful is a positive step for implementers to take, demonstrating effective oversight in a complex working environment.

The fact that community action plans were revised is a positive sign that communities are learning how to adjust initial priorities based on the realities on the ground. Original community-based action plans may have tried to tackle projects that went beyond the purview of

the local community (as in improving an electricity network that needs district-wide resources), bureaucratic hurdles may be encountered, needs may change, or new project opportunities present themselves.

Finally, a concentration of projects within some neighborhoods generally reflects that there is a variation in the needs and receptivity of different communities to CAP.

Recommendation 1

We recommend that USAID/IRAQ require International Relief and Development to program remaining projects to target the community-identified needs and report quarterly on its progress.

The mission disagrees with this recommendation because we believe that both actions are already being taken. As stated in the Cooperative Agreement highlighted in the report, IRD assists communities in identifying their priorities and implements projects that benefit the community. However, USAID does not expect that the community action plans are static documents or that they capture all needs of the community.

There are two stages. In the first stage, IRD guides communities in creating action plans that prioritize their needs for development projects. In the second stage, USAID-funded projects are used as a practical tool to help communities go through the project development process of planning, seeking approval, implementing, and ongoing monitoring. The project implemented may come from the community action plan, but smaller projects may be used in order to demonstrate the skills of project development on a manageable scale.

In order to better document community participation in the selection of the ultimately funded project, USAID will instruct IRD to improve its documentation of community action plan revisions.

Recommendation 2

We recommend that USAID/IRAQ require International Relief and Development to include in its periodic performance reports a breakdown of the number of projects (1) by type, including supply-type, and (2) by neighborhood, explaining high concentrations on either measure.

The mission agrees with item number one, however it will be difficult to close the recommendation as written since IRD already provides sub-activity reports with each weekly report that allow the Agreement Officer's Technical Representative (AOTR) to review the types of projects being implemented and to sort by neighborhood.

The mission disagrees with item number two. Based on regular monitoring of those reports, USAID believes IRD's implementation is on track with the intent of the program. It is logical to expect that variation based on needs and level of cooperation within the communities could cause variation in where projects are concentrated.

Recommendation 3

We recommend that USAID/IRAQ issue guidelines limiting the percentage of supply-type projects that International Relief and Development can implement.

The mission disagrees with this recommendation. The Cooperative Agreement and subsequent modifications do not express a preference for project type. The distinction between supply and infrastructure projects, as stated in the draft report, misses the point of focusing on community needs and the project development process. In one example from the draft report, it is clear that the focus on supply and the overall cost might be misleading. For example, the report provides a list of projects, including one that describes “Supply and install electrical irrigation pumps with pipes in village” and the total is less than \$25,000. This “supply” project could also be seen as providing infrastructure for improved water in the village. Other projects that provide school desks, computers, or medical equipment all provide items that contribute to the existing infrastructure in the communities. USAID does not believe these to be a less appropriate project type than rebuilding a classroom or paving a road. Projects are chosen based on need and feasibility. Monitoring of the sub-activity data suggest these projects are serving the purpose of the Community Action Program.

Recommendation 4

We recommend that USAID/IRAQ require International Relief and Development to include in its required periodic performance reports a list of cancelled projects and a list of revised community action plans.

The mission disagrees with this recommendation. IRD already provides sub-activity reports with each weekly report that allow the AOTR to see the cancelled projects. The fact that some projects get cancelled is a part of the project development process, and is partly due to quality issues. If a contractor is found not to provide good quality services, any other contract with that company will be cancelled. The weekly reports also indicate when Community Action Groups (CAGs) meet to revise their community action plans. It doesn't add much value to ask the implementer to summarize that information into an overall list of revised plans. However, as stated above in response to Recommendation # 1, USAID will instruct IRD to improve its documentation of community action plan revisions.

Recommendation 5

We recommend that USAID/IRAQ (1) provide guidance to International Relief and Development on how to calculate the number of direct beneficiaries and (2) establish written procedures for reviewing and assessing reported results for direct beneficiaries.

The mission agrees with this recommendation. Although IRD has a beneficiary count policy that has been approved by USAID and IRD has been following this policy, USAID has discussed with IRD how to make the documentation more clear for the future. The AOTR has instructed IRD to include a footnote to explain that beneficiaries served by multiple projects may be counted more than once. Based on this, the mission believes that corrective action has been taken.

Recommendation 6

We recommend that USAID/Iraq's Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, \$25,560 in questioned, ineligible costs noted in this finding and detailed in Appendix V.

The agreement officer will gather and examine information and documentations in order to reach a management decision on this recommendation.

Target date for completion of this action is January 31, 2012.

Recommendation 7

We recommend that USAID/IRAQ require IRD to resolve the safety and quality problems noted in this finding and report its corrective actions to the mission in writing.

The mission agrees with this recommendation. Based on the preliminary audit findings, USAID has contacted and discussed this issue with IRD. We agree that any safety or quality problems should be corrected. USAID has instructed IRD to follow up on these specific problems.

Target date for completion of this action is January 31, 2012.

Recommendation 8

We recommend that USAID/Iraq, in conjunction with International Relief and Development, update and approve, in writing, a performance management plan that incorporates Automated Directives System requirements and includes indicators that measure discrete aspects of performance.

The mission agrees with this recommendation. Although IRD has an approved Performance Management Plan (PMP) on file and does meet these standards, USAID will work to make sure changes are better documented and tracked to make it clearer for future. The AOTRs are currently updating PMPs for all the four CAP partners including IRD to be more consistent for all CAP III implementing partners.

Target date for completion of this action is November 30, 2011.

Recommendation 9

We recommend that USAID/IRAQ require International Relief and Development to submit work plans and progress reports that conform to indicators in the approved performance management plan and the cooperative agreement, as applicable.

The mission agrees with this recommendation. Although this is already being done, USAID will work to make sure changes are better documented and tracked to make it clearer for the future. USAID/Iraq is updating its PMP for the four CAP III partners and will ensure that IRD submits work plans and progress reports that conform to indicators in the updated PMP.

Target date for completion of this action is November 30, 2011.

Recommendation 10

We recommend that USAID/IRAQ clarify requirements for calculating cost-sharing contributions for the period of performance covered by Modification 11 to the cooperative agreement.

The mission agrees with this recommendation and has taken steps to clarify the calculations of the cost-sharing contributions. After the issuance of the Discussion Paper, USAID discussed this issue with IRD at the CAP partners meeting held on July 17, 2011. USAID has reviewed cost share policy associated with this agreement and identified means to strengthen the calculations provided. For example, IRD has agreed to use the lowest estimated land value when calculating cost share. USAID intends to focus on the value rather than the percentage of cost-share in order to present a clearer picture of government and community contributions.

Target date for completion of this action is November 30, 2011.

Prioritized Needs of 36 Sampled Neighborhoods and Completed Projects That Met Those Needs

	Neighborhood	Community Plans' Prioritized Needs						Unidentified Need	Projects Completed
		1	2	3	4	5	6		
1	Washwash								0
2	Baya'a								0
3	Al Salam		1						1
4	Mansour						1		1
5	Hadhar							2	2
6	Resala	3							3
7	Waziriya				1	3			4
8	Riydah	1		1					2
9	Qadesiya							3	3
10	Al Jamhuriya							3	3
11	Bub Sham		2	1				4	7
12	Fahama		2	1					3
13	Al Mohamadiya Center	1				1		1	3
14	Al Zahra'a				2	1		1	4
15	Nahyat Al Rasheed	1						3	4
16	Bayda'a							3	3
17	Jame'a	2	3			1			6
18	Al-Salhiya				1			3	4
19	Abu Dsheer			3					3
20	Abu Ghraib Center		5					1	6
21	Tunis					5			5
22	Radhwaneya	1			1			1	3
23	Yarmouk	1						3	4
24	Al Nasr Walsalam				1			1	2
25	Shurta		1					2	3
26	Fajir				3				3
27	Khadra'a	1				1		4	6
28	Sadr City 5		2		3			1	6
29	Baghdad Al-Jadeeda				3				3
30	Sabe'a Qsoor		2						2
31	Al Wehda			1				3	4
32	Kanaan		4						4
33	Al Fedhaliya			4					4
34	Baladiyat		6						6
35	Baquba Center		6	1		1		1	9
36	Khan Dhari		6		4			10	20
	Totals =	11	40	12	19	13	1	50	146

Distribution of Completed Projects Among Neighborhoods by Number and Value

	Neighborhood	Projects Completed	Value (\$)
1	Washwash	0	0
2	Baya'a	0	0
3	Al Salam	1	6,110
4	Mansour	1	16,720
5	Hadhar	2	18,308
6	Resala	3	27,072
7	Waziriya	4	27,710
8	Riydah	2	29,040
9	Qadesiya	3	31,255
10	Al Jamhuriya	3	34,668
11	Bub Sham	7	41,302
12	Fahama	3	53,875
13	Al Mahmodiya Center	3	56,607
14	Al Zahra'a	4	66,475
15	Nahyat Al Rasheed	4	66,645
16	Baydha'a	3	69,406
17	Fajir	3	69,720
18	Jame'a	6	77,105
19	Al-Salhiya	4	77,872
20	Abu Dasheer	3	82,048
21	Abu Ghraib Center	6	97,269
22	Tunis	5	97,871
23	Radhwaneya	3	103,496
24	Yarmouk	4	104,687
25	Al Nasr Welsalam	2	105,025
26	Shurta	3	116,865
27	Khadra'a	6	118,554
28	Sadr City 5	6	125,886
29	Baghdad Al-Jadeeda	3	137,206
30	Sabe'a Qsoor	2	139,665
31	Al Wehda	4	157,790
32	Kanaan	4	157,898
33	Al Fedhaliya	4	176,770
34	Baladiyat	6	302,397
35	Baquba Center	9	430,886
36	Khan Dhari	20	847,046
	Total =	146	4,071,247

Results of Site Visits to 51 Sampled Projects

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
1	C0030	Construct 4 classrooms for primary school for boys.	76,701	Finished construction.	Project helped school become more conducive to learning.
2	C0110	Supply medical equipment for health center.	17,950	Supplied medical equipment that was operable, in good condition, and met expectations.	Supplies allowed the medical facility to provide better services.
3	C0394	Supply computer laboratory, student furniture, and office equipment for high school for boys.	13,065	Supplied furniture and equipment in accordance with bill of quantities. Deliverables generally met expectations, but office furniture was substandard.	Project helped school become more conducive to learning.
4	C0357	Supply and lay a 2,550-meter main potable water line to a village.	65,475	Completed work in accordance with bill of quantities. Pipe was of good quality and met expectations.	Project provided drinking water to village citizens.
5	C0008	Establish new public garden in neighborhood.	34,400	Completed garden in accordance with the bill of quantities; garden met expectations.	Project gives families the opportunity for social gathering.
6	C0010	Supply computer lab and office equipment for secondary school for girls.	16,191	Supplied computers, office furniture, refrigerator, air-conditioner, and audio system that benefited school administrators and met expectations.	Project helped school become more conducive to learning.
7	C0069	Construct 4 classrooms for primary school.	103,580	Completed constructed of 4 classrooms that met expectations.	Project helped school become more conducive to learning.
8	C0101	Supply and install solar system in public garden.	26,900	Installed 10 solar panels with solar chargers and lighting poles.	Street lighting provided security and increased social gatherings.
9	C0213	Supply kindergarten with equipment.	8,283	Supplied air-conditioner, water dispenser, computer, toys, and games. Toys and games were of low quality.	Project provided opportunities for children to improve their learning skills.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
10	C0235	Supply computer lab and office equipment for primary school.	12,485	Supplied computer, water dispenser, air-conditioning, and audio system. Deliverables satisfied needs of school administrative staff.	Project helped school become more conducive to learning.
11	C0364	Construct computer and physics labs and supply student furniture and office equipment for secondary school for girls.	43,967	Built computer lab and provided student furniture and office equipment. Deliverables such as cabinet drawers were substandard, and computer laboratory work was not finished.	Project helped school become more conducive to learning.
12	C0406	Construct new bathrooms in secondary school for boys.	17,756	Constructed 6 bathrooms, but building material and construction of a walkway and door locks were substandard. Overall, deliverables were accepted by end users.	Project helped school become more conducive to learning.
13	C0486	Supply student furniture and office equipment to primary school.	10,614	Delivered student furniture and office supplies in accordance with bill of quantities. Student desks and office furniture were substandard.	Project did not have expected impact because deliverables were substandard.
14	C0518	Supply student furniture and office equipment and furniture to high school for girls.	10,328	Supplied student furniture and office equipment that did not meet end users' expectations because they were substandard.	Project helped school become more conducive to learning.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
15	C0080	Rehabilitate mixed primary school.	91,636	Replaced doors and main gate; rehabilitated sewerage system, and provided school supplies. Substandard workmanship seen in blockage in sewerage and rainwater networks; and electricity issues.	Project did not have expected impact, and faulty electrical work exposed students to hazards.
16	C0122	Add 2 classrooms; rehabilitate the bathrooms and supply office for secondary school for girls.	52,504	Demolished existing bathrooms and built new ones; rehabilitated 2 classrooms. Construction was of acceptable quality except rainwater system was broken, and electrical wiring issues in water coolers might be dangerous.	With the exceptions noted, project generally met end users' expectations.
17	C0134	Supply desks and other equipment to intermediate school for boys.	6,600	Supplied student desks of acceptable quality and met expectations.	Project helped school become more conducive to learning.
18	C0242	Rehabilitate the classrooms, demolish and reconstruct the bathrooms, and supply office equipment for mixed primary school.	97,476	Rehabilitated classroom and reconstructed bathrooms. New doors and bathrooms were substandard, and the electrical wiring issues in water cooler might be dangerous.	Project did not have expected impact because work was substandard, and faulty electrical work exposed students to danger.
19	C0248	Supply 50 wheelchairs for handicapped recipients.	4,150	Delivered 50 wheelchairs according to specifications, meeting users' expectations.	Wheelchairs helped persons with disabilities as result of conflict.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
20	C0350	Supply secondary school with student furniture and office equipment.	7,665	Provided school supplies that met expectations.	Project helped school become more conducive to learning.
21	C0096	Construct 4 classrooms in coed primary school.	55,754	Completed construction of 4 classrooms in accordance with bill of quantities. New classroom's low floor will expose classes to flooding during the rainy season.	Project alleviated the seating problem.
22	C0368	Construct 1 classroom and a new computer laboratory for secondary school.	30,148	Completed construction of 1 classroom in accordance with bill of quantities; classroom accepted by end users.	Project helped school become more conducive to learning.
23	C382	Supply student furniture and office equipment for primary school.	15,508	Provided student and office furniture in accordance with the bill of quantities; deliverables met expectations.	Project helped school become more conducive to learning.
24	C0514	Provide 200 orphans with uniforms and school supplies.	12,225	Supplied uniforms and school supplies in accordance with bill of quantities and met expectations.	Project provided assistance to persons in need.
25	C0109	Rehabilitate intermediate school for boys.	95,043	Replaced bathroom tiles, painted, repaired doors, and provided student furniture. Met expectations.	Project helped school become more conducive to learning.
26	C0120	Add 4 new classrooms and cast the yard with concrete at coed primary school.	59,848	Constructed 4 classrooms complete with plumbing and electrical work, and cast yard with concrete. Work was acceptable to users.	Project made school more conducive to learning.
27	C0107	Spread road subbase for 3 kilometers in village.	82,875	Performed work according to specifications and met expectations.	Project facilitated commuting to surrounding areas.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
28	C0157	Construct 6 new classrooms and new bathrooms, and rehabilitation of primary school.	156,715	Constructed 6 classrooms and rehabilitated 2 bathrooms in accordance with bill of quantities and to users' satisfaction.	Project made school more conducive to learning.
29	C0201	Pave 600 meters of village streets.	55,860	Completed paving in accordance with bill of quantities and to users' satisfaction.	Project facilitated commuting to surrounding areas.
30	C0393	Establish drinking water pipe for village.	60,000	Installed pipes, valves, and manholes according to bill of quantities and met expectations.	Project provided village with drinking water.
31	C0154	Spread 7 kilometers of road subbase.	152,250	Completed work in accordance with the bill of quantities and to the satisfaction of users.	Project facilitated commuting to surrounding areas.
32	C0181	Spread 5 kilometers of road subbase.	135,000	Completed work in accordance with bill of quantities and to users' satisfaction.	Project facilitated commuting to surrounding areas.
33	C0207	Construct 4 classrooms in primary school.	77,833	Completed construction of 4 new classrooms, along with plastering, tiling, steel doors, electric work, and windows, in accordance with the bill of quantities and to users' satisfaction.	Project made school more conducive to learning.
34	C0322	Renovate primary coed school and supply student furniture and office equipment.	13,892	Completed in accordance with bill of quantities except the installation of a window air-conditioner, which was substandard work.	Project made school more conducive to learning.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
35	C0453	Supply student computer laboratory and office equipment to high school.	8,745	Supplied student desks, cooler, file cabinet, office furniture, and chairs in accordance with the bill of quantities and to users' satisfaction.	Project made school more conducive to learning.
36	C0417	Spread 1.6 kilometers of road subbase in village.	25,920	Completed road construction in accordance with bill of quantities and met expectations.	Project facilitated commuting to and from surrounding areas.
37	C0512	Supply student furniture and office equipment for primary school.	12,725	Supplied student furniture and office equipment in accordance with the bill of quantities.	Project did not have the desired impact, and administrators expressed dissatisfaction with substandard student desks.
38	C0087	Construct 2 classrooms and complete rehabilitation for mixed primary school.	90,993	Completed work, but work was less than acceptable as the roof of one classroom leaked.	Except for the item noted, in general, project met the expectations.
39	C0168	Spread 5 kilometers of road subbase that connects two villages.	110,000	Completed in accordance with the bill of quantities and to users' satisfaction. Project costs were 10 percent over market price.	Project facilitated commuting to surrounding areas.
40	C0169	Spread 3 kilometers of road subbase in a village.	60,000	Completed construction in accordance with the bill of quantities, but project costs were 10 percent over market price.	Project facilitated commuting to surrounding areas.
41	C0226	Establish 2,000-meter pipe for drinking water for village.	20,000	Completed work in accordance with the bill of quantities and met expectations.	Project provided drinking water to village.
42	C0304	Spread and compact 6 kilometers of road subbase in neighborhood.	60,180	Performed work in accordance with the bill of quantities and met expectations.	Project facilitated commuting to surrounding areas.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
43	C0359	Construct 3 classrooms for coed intermediate school.	37,500	Completed construction of 3 classrooms in accordance with the bill of quantities and met expectations.	Project made school more conducive to learning.
44	C0135	Rehabilitate primary coed school.	75,881	Completed work according to the bill of quantities and met expectations.	Project made school more conducive to learning.
45	C0162 A-B	Supply health center with medical and office equipment.	72,325	Supplied equipment costing \$57,615 according to bill of quantities and met expectations. A different supply of equipment costing \$14,710 (C0162A) was overcharged by \$8,560 for items not delivered.	Project expanded the health center's capacity and improved the quality of services available to residents.
46	C0133	Renovate and expand kindergarten, add new classroom, and supply play equipment and games.	68,847	Completed renovation in accordance with the bill of quantities and met expectations.	Project helped kindergarten management provide children with care and opportunities for learning.
47	C0205	Construct 4 new classrooms and bathrooms in primary school.	83,391	Completed construction in accordance with the bill of quantities and met expectations.	Project helped school become more conducive to learning.
48	C0001	Add 8 new rooms and supply medical equipment for health center.	62,751	Completed construction of 8 new rooms at health center after 2 years. (Project started under prior Community Action Program.)	New facility provided services to residents.
49	C0191	Pave 1 kilometer of street	89,140	Completed work in accordance with the bill of quantities and to the satisfaction of users.	Project facilitated commuting to surrounding areas.
50	C0186	Supply and install electrical irrigation pump with pipes in village.	23,058	Completed work in accordance with the bill of quantities and met expectations.	Project contributed to improved farming and the farm economy in the village.

Sampled Project	Project Number	Project Description	Cost (\$)	Conclusion	Impact
51	C0043	Build new bathrooms and rehabilitate teachers' bathrooms at secondary school.	29,980	Completed work in accordance with bill of quantities and met expectations.	Project helped school become more conducive to learning
		Total =	2,652,113		

Analysis of Eight Indicators Used by International Relief and Development

	Indicator	Issues
1	Number of community projects completed	<p>(1) IRD quarterly programmatic report issued at the end of Year 2 used a different indicator wording (priority community infrastructure and supply projects) than the Year 2 work plan.</p> <p>(2) End-of-Year 2 report did not report against targets for Year 2 or baselines.</p> <p>(3) IRD's reported results in the end-of-Year 2 report (439 projects) differed from the Project Data Table (368 projects) used by IRD and the AOTR.</p>
2	Number of projects with community cost share as a percent of total number of projects implemented (Cumulative)	<p>(1) This being a percentage, the numerator is number of projects receiving community contribution, and the denominator is the total number of projects implemented. Since it is expressed in percentage, the value will be less than or equal to 100." However, IRD reported a percentage over 100 percent.</p> <p>(2) According to IRD officials, there were 12 projects without community cost sharing, indicating that the reported result of over 100 percent was overstated.</p> <p>(3) The reported result of 524 in the end-of-Year 2 report does not reconcile with the table of the status of projects in the same document. In addition, the denominator (total number of projects implemented) incorrectly used the target number of 500.</p> <p>(4) The reported total of 524 does not agree with Project Data Table, which shows 502 (101%). The provided Project Data Table was dated about 1 month later than the end-of-Year 2 report.</p> <p>(5) The baseline and target in the Project Data Table were the same.</p>
3	Number of projects with Government of Iraq cost share as a percent of total number of projects implemented	<p>(1) This being a percentage, the numerator is number of projects approved with Government of Iraq cost-share and the denominator is the total number of projects implemented. Again the value will be less than or equal to 100." However, IRD reported a percentage over 100 percent.</p> <p>(2) According to IRD officials, there were 4 projects without Government of Iraq cost sharing, indicating that the reported result of over 100 percent was overstated.</p> <p>(3) The reported result of 531 in the end-of-Year 2 report does not reconcile with the table of the status of projects in the same document. In addition, the denominator (total number of projects implemented) incorrectly used the target number of 500.</p> <p>(4) The reported total of 531 does not agree with the Project Data Table, which shows 510 (102%). The provided Project Data Table was dated about 1 month later than the end-of-Year 2 report.</p> <p>(5) The baseline and target in the Project Data Table were the same.</p>

	Indicator	Issues
4	Community Action Group members trained	(1) Baseline and life of project target values are the same in the Year 2 work plan. (2) No end-of-Year 2 results were reported. (3) Year 2 and Year 3 work plan definitions are different. The Year 3 work plan added community members to members of community action groups (CAGs) to derive the reported result.
5	Number of Local Government Councils trained	(1) No end-of-Year 2 results were reported. (2) Baseline values in the Year 2 work plan and PMP are not defined.
6	Number and percent of CAP III-assisted Nahiya and Qada councils that have implemented a formal community-driven needs assessment, project design, and implementation process into their work.	(1) The end-of-Year 2 results were measured differently from the indicator definition. This indicates that the activity was not being conducted, although expected by the PMP and the Year 2 work plan. (2) Year 2 results reflected a changed wording of the indicator, from “councils implementing a community-driven needs assessment” to “including a community-driven needs assessment.” (3) The wording of the indicator in the Project Data Table did not feature “implementing” or “including” but “formalized.” (4) PMP has the word “formal” before community-driven needs assessment, but this word does not appear in subsequent documents.
7	Number of USG-assisted civil society organizations that engage in advocacy and watchdog functions (CAGs providing project oversight)	(1) Baseline and target values are the same in the Year 2 work plan. (2) According to IRD’s chief of party, advocacy is measured by CAG member approval of projects, and watchdog functions are measured by CAG members monitoring the implementation of the projects. (3) Indicator essentially measures CAG formation. Indicator does not differentiate expected performance and results from other indicators. (4) According to the chief of party, the result would be 115, but this indicator is measured by the number of CAGs formed with at least one project completed. Because 9 neighborhoods did not have a project completed, the result was 106, not 115. This is less than the target of 121.
8	Number of local mechanisms supported by USG assistance for citizens to engage their subnational government	(1) According to the IRD chief of party, this indicator is measured by the number of CAGs formed with at least one project completed. Nine neighborhoods did not have a project. However, IRD reported 117 in its Year 3 work plan. This is less than the target of 121 in Year 2 work plan. (2) The unit of measure is supposed to be the number of local mechanisms, but it was reported as number of CAGs with at least one project completed.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel.: 202-712-1150
Fax: 202-216-3047
www.usaid.gov/oig