



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/IRAQ'S ELECTORAL TECHNICAL ASSISTANCE PROGRAM

AUDIT REPORT NO. E-267-12-003-P  
MARCH 22, 2012

BAGHDAD, IRAQ



*Office of Inspector General*

March 22, 2012

**MEMORANDUM**

**TO:** USAID/Iraq Mission Director, Alex Dickie

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

**SUBJECT:** Audit of USAID/Iraq's Electoral Technical Assistance Program  
(Report No. E-267-12-003-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 11 recommendations to help the mission improve various aspects of the electoral program. Based on your written comments in response to the draft report, final action has been taken on Recommendations 1, 2, and 8, and management decisions have been reached on Recommendations 4, 6, 7, 9, and 10. Please provide us within 30 days additional information related to actions planned or taken to implement Recommendations 3, 5, and 11. Please also provide the Audit Performance and Compliance Division with evidence of final action on completion of the planned corrective actions for the five 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
- GEO Governorate Electoral Office
- IFES International Foundation for Electoral Systems
- IHEC Independent High Electoral Commission
- NGO nongovernmental organization
- PDS Public Distribution System
- PMP performance management plan
- U.N. United Nations
- UNAMI United Nations Assistance Mission in Iraq

# SUMMARY OF RESULTS

Since 2005, the Iraqi Government, with the assistance of the United Nations Assistance Mission in Iraq (UNAMI), USAID, and other international organizations, has organized and conducted six electoral events: two parliamentary elections, two governorate elections, an election of the Kurdish Regional President, and a referendum on a draft constitution (all detailed in Appendix III). The most recent of these was an election held in March 2010 to fill 325 seats in the Parliament or Council of Representatives.<sup>1</sup>

In February 2007, Iraqi Law Number 11 established the permanent Independent High Electoral Commission (IHEC) to announce, organize, and supervise Iraqi elections. IHEC has its headquarters in Baghdad and has satellite electoral offices called Governorate Electoral Offices (GEOs) in all 18 Iraqi governorates (shown on page 5) and a Regional Electoral Office in Kurdistan.

To help strengthen the Iraqi electoral system, USAID/Iraq entered into a cooperative agreement, totaling \$40 million, with the International Foundation for Electoral Systems (IFES) to implement the Electoral Technical Assistance Program. The program was intended to coordinate and work closely with UNAMI to establish and strengthen the Iraqi electoral system. The agreement covered the period September 1, 2004, to September 30, 2011. After the program started, USAID/Iraq increased funding to \$103 million. As of September 30, 2011, cumulative obligations under the program totaled approximately \$103 million and expenditures totaled \$102 million. USAID/Iraq signed a follow-on agreement with IFES, totaling \$36 million, for the period October 1, 2011, to October 31, 2014.

The Office of Inspector General's Country Office in Iraq conducted this audit to determine whether the electoral program was achieving its main goals of (1) providing technical assistance to IHEC to conduct elections and (2) building capacity for a sustainable electoral system that would require minimal international assistance.

Regarding the first goal, the audit determined that both the program and UNAMI provided technical assistance to IHEC in support of elections conducted in Iraq between January 2005 and September 2011. Specifically, the program and UNAMI:

- Provided assistance in establishing the voter registration database as well as several supporting registration databases, such as a polling center database and a database that accounts for voters according to occupation.<sup>2</sup>
- Provided assistance in establishing several other databases—e.g., to tabulate election results, register political parties, track complaints, and maintain candidate information.
- Assisted IHEC in conducting two parliamentary elections, two governorate elections, an election of the Kurdish Regional President, and a referendum on the draft constitution. IFES

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<sup>1</sup> The Iraqi people elect the members of the Council of Representatives. In November 2010, the Council of Representatives formed a coalition and nominated Prime Minister Nuri Al-Maliki from the Al Dawaa party.

<sup>2</sup> However, according to IHEC officials, significant problems still exist with the accuracy and sustainability of the voter registration database (discussed on page 6).

officials considered the elections credible because of the presence of international observers and the low percentage of improperly completed ballots.

- Assisted in obtaining training for IHEC's information technology staff in programming software and creating databases.
- Assisted in opening 19 GEOs in all 18 Iraqi governorates.
- Provided training to staff members on the electoral process.
- Held workshops to train GEO staff members in areas such as logistical planning, finance and accounting, resolution of legal disputes, media relations, and information technology.
- Provided training and assisted in writing procedures to support electoral events in accordance with newly enacted election laws.

Nevertheless, the extent to which the program played a role was unclear because the program did not use a performance management plan to define the assistance to be provided and the results to be achieved or to measure what the program actually achieved. Furthermore, because UNAMI provided substantial support to IHEC in conducting elections and training, it was difficult to determine which organization achieved which results without a formal performance management system to track activities and monitor results.

As for the goal to build capacity for a sustainable electoral system, the technical assistance provided built IHEC's capacity to conduct elections to some extent. However, all parties involved acknowledged that IHEC is not sustainable at this point and needs more assistance before it can stand on its own operationally, administratively, and financially.

Weaknesses in measuring achievements and building capacity stemmed from the following problems:

- IHEC did not have a strategic plan to become sustainable (page 6). The organization still lacks a reliable voter registration system, permanent staff, up-to-date computer equipment, plans for training and outreach, financial transparency, and political independence—all prerequisites for sustainability. A strategic plan would focus attention and spending on addressing these needs.
- IFES neglected GEOs in developing sustainability (page 8). In focusing on IHEC's management of electoral events from headquarters, IFES did not provide GEOs the type or amount of training they asked for or considered appropriate. IHEC's sustainability depends on its ability to prepare GEOs for electoral administration.
- Coordination between IFES and UNAMI was insufficient (page 10). Consequently, USAID/Iraq does not know whether the two duplicated efforts or gave IHEC conflicting advice, either of which would have prevented the efficient use of program funds.
- The program did not use a performance management plan to track and report results (page 11). No plan was prepared until 3 years after the program began, and updates were repeatedly delayed, precluding the plan's use for monitoring.

- IFES was not a legally registered nongovernmental organization (NGO) in Iraq (page 12). IFES submitted registration documents to the government after the audit discovered that IFES lacked legal standing. However, approval of the documents has not been granted, exposing program assets to seizure.
- Misaligned and continually changing budget categories and frequent changes in budget amounts hindered oversight of the agreement (page 13). The mission could not compare planned with actual progress on expected results, or planned with actual costs by result. Similarly, auditors could not make comparisons because IFES did not provide a breakdown of cost categories or additional cost data in time for analysis. The lack of transparency persists in the follow-on agreement.

The report recommends that USAID/Iraq:

1. Require IFES to provide training and advice to IHEC in developing an effective strategic plan to become a sustainable organization (page 8).
2. Require IFES to include capacity-building activities in its work plans that would contribute to sustainability (page 8).
3. Require IFES to work with IHEC to help it perform onsite needs assessments at each of the 19 GEOs so that the assessment results can be incorporated into strategic and operational plans (page 9).
4. Require IFES to perform onsite monitoring at GEOs to assess the effectiveness of training for electoral preparedness and capacity building (page 9).
5. Require IFES to (1) coordinate with UNAMI and IHEC to identify institutional gaps, (2) determine which gaps each organization will work on, and (3) continually coordinate with UNAMI to avoid any duplication of efforts (page 10).
6. Work with IFES to prepare and use a performance management plan for the follow-on agreement to assess and report progress in achieving the program's objectives (page 12).
7. Work with IFES to include capacity-building benchmarks, with targets and time frames, in its performance management plan (page 12).
8. Require IFES to file all required paperwork immediately with the proper Iraqi Government office to become a legally registered NGO in Iraq (page 13).
9. Realign the follow-on agreement's budget by main program expected result, and require IFES to provide quarterly financial reports to the mission showing funds expended by these categories (page 15).
10. Require IFES to provide its organizational staffing chart with its budget to track and monitor the effectiveness and efficiency of labor costs proposed and budgeted for the follow-on agreement (page 15).

11. Require IFES to provide the data requested during the audit and compare current proposed and budgeted costs with recent actual costs to determine the reasonableness of the proposed costs as well as the effectiveness and efficiency of program funds (page 15).

Detailed findings follow. The audit scope and methodology are described in Appendix I, and USAID/Iraq's comments are in Appendix II. Our evaluation of management comments is on page 16.

## Iraqi Governorates



Note: Iraq has 18 official governorates or provinces. To manage elections, IHEC established a satellite office in each of the governorates, with an additional office in Baghdad because of its large population. Therefore, there are 19 GEOs in all and a Regional Electoral Office in Kurdistan.

Source: <http://iraqpictures.org/map-of-iraq/>



# AUDIT FINDINGS

## **Electoral Commission Did Not Have a Strategic Plan to Become Sustainable**

One of the principal objectives of the electoral technical assistance program was to help IHEC become sustainable. For example, Modification 6, dated September 28, 2006, to the cooperative agreement with IFES states that the strategic vision of the assistance program should be process driven and not event driven. The strategic objective of the assistance program was not to provide support on an election-by-election basis; rather, it was to assist the Iraqis in establishing processes and institutions capable of managing electoral events on a regular basis.

Modification 8, dated June 24, 2007, reiterates that one of the objectives of the program is to support IHEC to become a sustainable organization. According to the agreement, IFES would continue to support IHEC on operational planning and management in close coordination with IHEC's Chief Electoral Officer, the election administration, and United Nations (U.N.) officials. Specifically, IFES was supposed to provide support and training to IHEC in developing an effective strategic plan, which would form the basis for detailed operational plans at the institutional and departmental levels.

Although the electoral program provided technical assistance in voter registration and field coordination to IHEC during the various election cycles, the program activities were event driven, and limited attention was given to building IHEC into a sustainable organization. As of September 30, 2011, IHEC did not have a strategic plan to become a self-sufficient entity.

IHEC's Chief Electoral Officer and other high-level officials (including an official from UNAMI) acknowledged that (1) IHEC could not function without the assistance of the electoral program and other assistance from the international community and (2) IHEC did not have a strategic plan to become sustainable. Specifically, officials stated that:

- IHEC did not have an accurate and sustainable permanent voter registration system. IHEC used Iraq's Ministry of Trade's Public Distribution System (PDS) as the initial basis for determining eligible voters.<sup>3</sup> However, the PDS has flaws: it includes invalid voters and excludes valid voters. These flaws have led to inaccuracies in the voter registry—for example, names of eligible voters have been omitted from the registry. Without a credible registry, the electoral process lacks integrity.
- IHEC did not have a permanent staff. All individuals were contract employees, and their prospects for continued employment were uncertain because of the changing composition of the board that appoints them: all nine members of the Board of Commissioners (the board) are replaced every 5 years.<sup>4</sup>

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<sup>3</sup> The Government of Iraq used PDS to register Iraqis to receive food rations in 1995. In January 2005, PDS supplied the data for voter registration and continues to do so. IHEC was attempting to develop its own sustainable voter registry.

<sup>4</sup> Iraq's Council of Representatives confirms board members to serve a 5-year term.

- IHEC did not have job descriptions for its positions; thus, contract employees were placed in jobs that did not match their qualifications.
- IHEC did not have sufficient staff. Department heads complained that they were understaffed and were not able to function as intended.
- IHEC headquarters did not consider GEO training needs in developing its training plan.
- IHEC did not have plans to replace computer equipment. UNAMI donated the current servers and computer terminals several years ago, and there were no plans to replace them.
- IHEC did not obtain licenses for the information technology software currently in use; therefore, it is impossible to upgrade it.
- IHEC did not have a plan to educate the public on the election system and processes. Without such a plan, it would be difficult to provide assurances on the credibility of election results.
- IHEC did not have financial transparency. IHEC had not published its budget with associated expenditures to make its operations transparent. Without openness, the Iraqi public may not perceive IHEC as a credible institution.

In addition to meeting the institutional capacity needs of IHEC, the Chief Electoral Officer stated that the following barriers should be addressed:

- The lack of reliable electricity and Internet services in Iraq, which could hinder fast tallying and reporting of results.
- The lack of expertise among Iraqi judges on election laws and processes, which could lead to judicial mistakes in resolving election disputes and claims and in deciding election outcomes.
- IHEC's dependence on the Council of Representatives and other political entities (the Council selects IHEC's nine board members to 5-year terms), which could influence IHEC's actions.

Furthermore, the audit team noted other structural hindrances to sustainability:

- IHEC's board did not communicate directly with its management staff at headquarters in Baghdad. Instead, the board received requests for training and technical assistance from either UNAMI or IFES, not directly from IHEC's management staff. Without direct communications between management and board members, IHEC cannot become a sustainable electoral entity.
- IHEC did not have a clear separation of authority and reporting between its executive body and board because the Chief Electoral Officer (the head of the executive) is also a member of the board. Without a clear separation of authority and reporting between the executive and the board, IHEC's credibility is questionable.

- Because the program did not provide any capacity-building assistance to any of IHEC's administrative divisions—such as finance, procurement, human resources, information technology, and auditing—it would be difficult for IHEC to continue to conduct and support electoral operations.
- IHEC did not have proper separation of duties and responsibilities at one of the four GEOs visited. The same individual performs accounting, finance, auditing, contracting, procurement, and legal duties.

The program focused on the immediate election cycles instead of devoting sufficient attention to building IHEC's institutional capacity and organizational sustainability. The annual work plans and assistance activities were purposely vague to allow flexibility to support the immediate needs of preparing for and conducting elections. However, without a strategic plan and work plans including capacity-building activities, the program could not have demonstrated success in this area.

As a result, after 7 years of program implementation in which the U.S. Government spent more than \$100 million, IHEC continues to require substantial investments by the U.S. Government and other international donors to carry out its mandate to organize, implement, and supervise elections in Iraq. As stated above, USAID/Iraq signed a follow-on agreement with IFES, totaling \$36 million, for another 4 years.

***Recommendation 1.** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to provide and document training and advice to the Independent High Electoral Commission in developing an effective strategic plan to become a sustainable organization.*

***Recommendation 2.** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to include capacity-building activities in its work plans that would contribute to sustainability.*

## **Implementer Neglected Governorate Electoral Offices in Developing Sustainability**

Part of IFES' sustainability mandate was to assist IHEC in assessing what GEOs need to prepare for elections. According to the cooperative agreement, the assistance that IFES provided to IHEC should have resulted in a report assessing the operational readiness of each GEO, continued advice on strategic planning for future electoral events, and continued needs assessments to highlight the areas where extra resources should be focused.

Additionally, from September 2008 until the end of the program in September 2011, the agreement modifications specified the results IFES was expected to achieve in assisting IHEC. For example, in September 2008, IFES was expected to help IHEC establish a mechanism to monitor and evaluate the impact of its policy decisions on GEOs. Furthermore, in April 2010, IFES was supposed to recommend to IHEC headquarters that GEOs report to IHEC periodically on their needs for information technology infrastructure, management systems, and staff so that IHEC could better prepare GEOs for future electoral events.

GEO officials confirmed that IFES provided numerous training sessions and workshops between 2007 and 2011. Although officials did find the training and workshops useful and felt that IFES provided professional technical training, the training provided was not based on an assessment of GEOs' needs or a strategic plan. Instead, IFES provided advice to IHEC's headquarters without knowing what GEOs' needs were.

Additionally, GEO officials stated that:

- IHEC headquarters did not respond to several requests for training on how to train other employees.
- IHEC headquarters did not provide sufficient training on the voter registration database. According to one official, GEOs received instructions to perform certain database tasks from IHEC, but without any training. GEOs submitted several training requests to IHEC, but these requests went unacknowledged.
- IHEC headquarters did not provide sufficient training to GEOs on how to resolve election claims and disputes.
- IHEC headquarters did not have a transparent process for selecting study tour participants. For example, IHEC's board and employees at headquarters travelled abroad to learn about other electoral systems. However, no GEO officials were selected to go on these trips, and information obtained from these trips was not disseminated to GEOs.
- IHEC headquarters did not select low-level employees—who actually perform the work—for training. Instead, IHEC selected only directors and other management employees to attend training. As a result, GEOs have had to establish in-house training for their employees to develop a professional workforce.

IFES did not help GEOs develop capacity for sustainability because the program focused on assisting IHEC with conducting electoral events. In addition, according to IFES, for security reasons, it made trips to only 7 of the 19 GEOs between 2008 and 2010. These trips were not to assess needs in order to build capacity, but rather to understand the operating environment at each GEO.

As a result, the program did not assist IHEC in determining GEOs' staffing, training, logistical, or other organizational needs to strengthen institutional capacity, nor did it provide GEO staff members with the skills necessary for electoral administration.

***Recommendation 3.*** *We recommend that USAID/Iraq require the International Foundation for Electoral Systems to work with the Independent High Electoral Commission to help it perform onsite needs assessments at each of the 19 Governorate Electoral Offices so that the assessment results can be incorporated into strategic and operational plans.*

***Recommendation 4.*** *We recommend that USAID/Iraq require the International Foundation for Electoral Systems to perform and document onsite monitoring at the Governorate Electoral Offices to assess the effectiveness of training for electoral preparedness and capacity building.*

## Coordination Between Implementer and U.N. Organization Was Insufficient

According to the cooperative agreement between USAID/Iraq and IFES, IFES was required to work with UNAMI on a donor coordination team, called the International Elections Assistance Team.<sup>5</sup> The idea was to ensure that the resources provided under the award were used in the most efficient manner and to address the most critical requirements of Iraq's electoral system. In fact, USAID/Iraq designed the electoral program to optimize available resources, including financial and technical support from UNAMI. This close coordination between IFES and UNAMI was supposed to identify institutional gaps in IHEC and to develop an effective strategic plan that would result in a sustainable administrative body for elections.

Despite these requirements, coordination was not sufficient. IFES did not coordinate with UNAMI to identify institutional gaps in IHEC, and did not determine which gaps each organization would work on to develop an effective strategic plan addressing the most critical requirements of Iraq's electoral system. For example, although IFES coordinated with UNAMI to provide technical assistance and training in developing IHEC's voter registration database, IFES did not coordinate with UNAMI to identify gaps in IHEC's administrative support areas, such as financing, procurement, and human resources.

IFES officials stated that they worked with UNAMI to conduct elections, but did not keep track of which tasks each organization performed. UNAMI officials stated that for the past several years they have had only informal discussions with IFES about work plan activities.

Furthermore, in September 2009, IFES broke away from the UNAMI-led donor coordination team and signed a memorandum of understanding with IHEC. In it, IFES agreed to advise IHEC independent of UNAMI. However, USAID/Iraq did not modify its agreement with IFES to revise the relationship between IFES and UNAMI in advising IHEC. The memorandum between IFES and IHEC was nonbinding and ended in December 31, 2010. According to IFES officials, IFES and IHEC verbally extended their memorandum until the end of the program on September 30, 2011. The mission does not have a memorandum of understanding under the follow-on agreement, which began on October 1, 2011.

According to both IFES and UNAMI officials, personality conflicts existed between them, and they disagreed about the roles each party would play in advising IHEC. Additionally, an IHEC official stated that IFES and UNAMI disagreed on how to count votes. USAID/Iraq, IFES, and UNAMI officials did not provide any additional information to the audit team concerning this matter.

As a result, USAID/Iraq does not know whether IFES and UNAMI duplicated efforts, or whether the program's \$102 million spent over 7 years was used efficiently to address the most critical needs of Iraq's electoral system.

***Recommendation 5.*** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to (1) coordinate with the United Nations Assistance Mission in Iraq and the Independent High Electoral Commission to identify institutional

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<sup>5</sup> U.N. Security Council Resolution 1546 established this team to provide election support to the Government of Iraq.

*gaps in writing, (2) determine and document which gaps each organization will work on, and (3) continually coordinate with the United Nations Assistance Mission in Iraq to avoid any duplication of efforts.*

## **Program Did Not Use a Performance Management Plan to Track and Report Results**

According to USAID's Automated Directives System (ADS), Chapter 203, USAID missions must prepare a complete performance management plan (PMP) for each of their development objectives and involve partners in preparing it. A PMP is a tool to plan and manage the process of assessing and reporting progress toward achieving a development objective. The PMP should be developed at the start of the program and should do the following:<sup>6</sup>

- State the performance indicators used to assess progress throughout the program.
- Provide the baseline and targeted values for each performance indicator included in the PMP.
- Disaggregate performance indicators by sex whenever possible.
- Specify the source and the method for data collection.
- Specify the period the data covered.
- Describe known data limitations.
- Describe data quality assessment procedures.
- Estimate the costs of collecting, analyzing, and reporting data.
- Identify possible evaluation efforts to complement the performance monitoring effort.
- Include a calendar of performance management tasks to be conducted.

Furthermore, the cooperative agreement calls for the continuous monitoring and reporting of program achievements essential for the correct management of the program.

Contrary to the guidance, the program did not use a PMP to track and report results. In October 2007, 3 years after the program began, IFES submitted and USAID/Iraq approved a PMP showing planned results for 2007 and 2008. However, according to IFES officials, they did not report results that could be compared with this plan. Subsequently, USAID/Iraq did not approve an updated PMP until September 2010, 6 years after the program started. In January 2011, because of changes in IFES work plans, the mission asked IFES to update its PMP to bring it in line with its work plans. However, the mission did not approve the revised PMP until June 2011—almost 7 years after the program started and 3 months before it ended on September 30, 2011. In any event, because the PMP was developed so late in program implementation, it was never used.

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<sup>6</sup> ADS 203.3.3.1, effective September 2008.

Neither the mission officials nor IFES could explain why a PMP was not prepared at the start of the program, why they did not update the PMP regularly, or why they did not track and report results against a plan. Mission officials said that IFES reported its results in narrative form in quarterly reports.

Without a PMP, USAID and IFES did not have a systematic, effective way to show what was to be accomplished or to track and report what actually was accomplished through program activities.

**Recommendation 6.** *We recommend that USAID/Iraq work with the International Foundation for Electoral Systems to prepare and use a performance management plan for the follow-on agreement to assess and report progress in achieving the program's objectives.*

**Recommendation 7.** *We recommend that USAID/Iraq work with the International Foundation for Electoral Systems to include capacity-building benchmarks, with targets and time frames, in its performance management plan.*

## **Implementer Was Not a Legally Registered Nongovernmental Organization in Iraq**

On January 25, 2010, the Government of Iraq passed Law No. 12, "Law on Non-Governmental Organizations." Chapter 8 of this law states that a branch of a foreign NGO shall be registered in Iraq and must present the following information and documents for registration:<sup>7</sup>

- (a) The official name of the organization.
- (b) The address of the main office of the foreign NGO branch in Iraq, which is certified by a competent authority.
- (c) A detailed statement of the objectives the organization seeks to fulfill in Iraq.
- (d) The name and contact information of the foreign NGO's current Iraq-based staff members.
- (e) Copies of Iraqi nationality certificates and civil status identity cards for staff members who are Iraqi nationals, and copies of passports and residence documents for staff members who are foreigners.
- (f) The bylaws of the mother organization.
- (g) Duly authenticated documentary proof that the foreign NGO is registered as a nonprofit NGO in its original country.
- (h) A report on the foreign NGO's activities outside Iraq.

Information and documents should be translated into Arabic and approved by an

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<sup>7</sup> Articles 24, 25, 26, and 27.

official body indicating accurate translation.

At the time of the audit in November 2011, the IFES<sup>8</sup> branch operating in Iraq had not submitted its registration package to the Iraqi Registration Office. According to IFES officials, the office did not issue the procedures for registration until early September 2010. Officials said that for much of 2011 they did not know whether IFES would continue to work in Iraq, because the previous program was ending on September 30, 2011.

On December 18, 2011, IFES submitted documentation to begin its registration process with the Iraqi Registration Office. However, after reviewing the submitted documents, the Iraqi Registration Office requested additional information to complete the submission. IFES officials stated that they expected to complete their registration in about 5 months after submission of all required documentation.

Consequently, IFES has been operating in Iraq for about 2 years without being legally registered. Until IFES attains legal status, USAID/Iraq's electoral program and assets provided to IFES are at risk. For example, the Iraqi Government could seize cash held in bank accounts, freeze investments in buildings and other such properties, or ask IFES to leave Iraq with little or no notice. Given the political sensitivities of election activities and outcomes in Iraq and the request by the Iraqi Government in December 2011 for IFES to vacate its living quarters in the International Zone (because of an invalid lease agreement), IFES should become a legally registered NGO as quickly as possible. Becoming legally registered is even more imperative because IFES is no longer part of the donor coordination team led by UNAMI under Security Council Resolution 1830.<sup>9</sup>

***Recommendation 8.*** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to file all required paperwork immediately with the proper Iraqi Government office to become a legally registered nongovernmental organization in Iraq.

## **Misaligned Budget Categories and Frequent Changes in Budget Amounts Hindered Oversight**

ADS 200.3.2 lists "Managing for Results" as one of the five guiding principles for performing work and achieving development results all over the world.<sup>10</sup> Managing for results means that USAID seeks to define and organize its work according to the end results it seeks to accomplish. Additionally, 303.2(f) states that the USAID agreement officer's representative is required to review and analyze reports when monitoring and evaluating the performance of implementing partners. Finally, USAID is responsible for seeing that funds are spent effectively and efficiently.

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<sup>8</sup> IFES is a U.S.-based NGO.

<sup>9</sup> UNAMI operates under Security Council Resolution 1830 (successor to Resolution 1546), which requires it to advise the Government of Iraq and IHEC on holding elections and capacity building. According to Iraqi law, IHEC must seek assistance from UNAMI on the different stages of elections and referenda.

<sup>10</sup> Effective September 2008.



Changes in the cooperative agreement's budget categories and frequent changes to the budget hindered oversight of the IFES agreement. These two issues are discussed below.

**Changes in Budget Categories.** The cooperative agreement budget categories did not align with the results USAID/Iraq sought to accomplish, such as helping IHEC register voters, hold elections, and build institutional capacity and sustainability. Rather, the agreement budget included vague activity categories or cost categories used in the IFES accounting system as follows:

- The original agreement, dated September 1, 2004, included four vague budget categories: technical assistance, emergency procurement, emergency services, and complementary U.N. program funds.
- Agreement Modification 5, dated June 22, 2006, realigned the budget categories with cost categories such as direct and indirect costs.
- Modification 6, dated September 2006, restored the vague budget categories: technical assistance, emergency procurement, emergency services, and complementary U.N. program funds.
- Modification 14, dated March 10, 2008, again realigned the budget with cost categories such as direct labor, consultants, subawards, and special events. These categories remained until the program ended on September 30, 2011.

**Changes in Budget Amounts.** USAID/Iraq changed budgets for cost categories throughout the program, as follows:

- The budget for consultants and professional services changed four times: from \$1.7 million in March 2008, to \$23.6 million in September 2008, to \$4.7 million in April 2010, and finally down to \$1.8 million in September 2010.
- The budget for subawards changed from \$44.5 million in March 2008, to \$35.4 million in September 2008, to \$57.2 million in April 2010, and finally to \$64.3 million in September 2010.
- The budget for special events changed from \$6.9 million in March 2008, to \$2.5 million in September 2008, to \$3.5 million in April 2010, and finally to \$2.3 million in September 2010.

Because of the vague budget categories and frequent changes to budgetary amounts, we requested a breakdown of several cost categories (such as consultants and subaward costs) from IFES on September 6, 2011. We also asked IFES to provide data (such as its organizational chart and staffing pattern) to support the \$6.9 million in budgeted direct labor costs during the 7-year period. Despite several attempts to obtain the data requested over the past 4 months, IFES did not provide the audit support requested during the audit and stated on January 10, 2012, that it had other priorities and expected to provide the data requested by the end of January 2012.

Mission and IFES officials could not sufficiently explain why the agreement budget included vague activity categories or cost categories, or why the mission significantly changed budgetary amounts for certain cost categories.

The budgetary practices above hindered program oversight and did not enable USAID/Iraq to compare actual progress and costs with planned progress and planned costs by expected result. In other words, these practices hindered USAID/Iraq in determining the effectiveness, efficiency, and economy of the program that expended \$102 million over the past 7 years. Because IFES did not provide the requested information until after audit fieldwork had been completed (four months after our initial request), we too were prevented from assessing the efficiency and economy of the program. We mention this as a scope limitation in Appendix I.

Because the mission aligned the follow-on agreement budget in a similar fashion, we make the following recommendations so that USAID/Iraq can properly monitor funds to help ensure that they are spent effectively and efficiently.

***Recommendation 9.*** We recommend that USAID/Iraq realign the follow-on agreement's budget by main program expected result and require the International Foundation for Electoral Systems to provide quarterly financial reports to the mission showing funds expended by these categories.

***Recommendation 10.*** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to provide its organizational staffing chart with its budget to track and monitor the effectiveness and efficiency of labor costs proposed and budgeted for the follow-on agreement.

***Recommendation 11.*** We recommend that USAID/Iraq require the International Foundation for Electoral Systems to provide the data requested during the audit and compare current proposed and budgeted costs with recent actual costs to determine the reasonableness of the proposed costs as well as the effectiveness and efficiency of program funds.

# EVALUATION OF MANAGEMENT COMMENTS

USAID/Iraq agreed with all but Recommendation 3. For example, for Recommendations 1 and 2, the mission stated that under the new Elections Support Program, IFES is required to provide training and advice to IHEC in developing an effective strategic plan to build sustainability in administration and financial management. In addition, IFES is required to include capacity-building activities in its work plans that would help contribute to sustainability. Moreover, related to Recommendation 4, USAID/Iraq will require IFES to perform periodic onsite monitoring at GEOs to assess the effectiveness of training for electoral preparedness and capacity building. For Recommendation 8, the mission stated that IFES has filed all legally required paperwork with the Iraqi Government to become a legally registered NGO in Iraq. Based on the information provided in the mission's response, final action has been reached on Recommendations 1, 2, and 8, and management decisions have been reached on Recommendations 4, 6, 7, 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.

**Recommendation 3.** The mission disagreed with the recommendation as stated in the draft report requiring IFES to perform onsite needs assessments at each of the 19 GEOs and incorporate the assessment results into IHEC's strategic and operational plans. Rather, the mission stated that USAID and IFES prefer to work with IHEC to help it assess onsite needs because IHEC should own and implement the process.

We agree with the mission's proposed action and have modified the recommendation. A management decision can be reached when USAID/Iraq provides an action plan with a target completion date for the proposed action.

**Recommendation 5.** The mission stated that it agreed with the recommendation and stated that under the new Elections Support Program, UNAMI and IHEC have identified institutional gaps and determined which institutional gaps each organization will work on to avoid duplication of effort. A management decision can be reached once the mission provides a specific plan showing the institutional gaps identified and the organizations that will take the lead on filling the gaps to avoid duplication of effort.

**Recommendation 11.** USAID/Iraq stated that IFES provided the data requested in February 2012; however, it was unclear what analysis the mission performed of the data. For example, we recommended a comparison of the actual costs of the electoral technical assistance program with the proposed costs of the current follow-on program to determine the reasonableness of such proposed costs. Instead, the mission compared actual costs of other current awards in Iraq that were unrelated to the follow-on program. A management decision can be reached when the mission provides a plan to address the recommendation along with a target completion date.

In its comments on the draft, USAID/Iraq disagreed with some statements included in the report. For example, while not disputing that significant problems remain with the accuracy and sustainability of the voter registration system, the mission stated that these problems are outside the manageable interest of USAID and IFES. The mission also disagreed with

statements that IHEC is not sustainable at this point and that more assistance is needed before it can stand on its own operationally, administratively, and financially. The mission stated that the intent of the program is to build capacity for sustainability, not necessarily to achieve sustainability. USAID/Iraq believes that IHEC has made remarkable progress, especially given that it has had to run three electoral events in its first 4 years of existence. Regarding the finding on the coordination between IFES and UNAMI, the mission requested that we delete “unilaterally” from the sentence: “Furthermore, in September 2009, IFES unilaterally broke away from the UNAMI-led donor coordination team and signed a memorandum of understanding with IHEC.” The mission said that IFES does not unilaterally do anything and that USAID was part of this decision.

While we acknowledge USAID/Iraq’s comments, the mission’s cooperative agreement (Modification 8, dated June 24, 2007) with IFES includes an objective (the fifth of five objectives listed) to support IHEC with the development of plans for the establishment of an accurate and sustainable permanent voter registry. Obviously, USAID and IFES could not accomplish this objective alone, but would need the support and cooperation of the Government of Iraq to effect this change. In the report, we acknowledged that the program provided technical assistance to establish a voter registration database. However, without a credible registry, the electoral process lacks integrity.

As stated in the report, Modification 8 to the cooperative agreement with IFES reiterates that one of the objectives (the first of five objectives listed) of the program was to support IHEC to become a sustainable organization. One of the main program goals stated in the report—building capacity for a sustainable electoral system that would require minimal international assistance—was based on the mission’s own cooperative agreement and modifications with IFES and was confirmed by mission program officials and IFES officials during fieldwork. The fact that the mission entered into a follow-on agreement with IFES, totaling \$36 million, for 3 years starting in October 2011 is evidence that IHEC does not yet have the capacity to sustain itself.

As for the statement that IFES unilaterally broke away from the UNAMI-led coordination team, we asked mission officials several times during the audit to provide evidence that the mission was part of and authorized this decision. However, the mission did not provide evidence. Subsequent to issuance of the draft report, the mission did provide emails showing communication between mission officials and IFES discussing the difficult relationship with UNAMI. The emails provided did not show that USAID/Iraq directed IFES to break away from UNAMI and establish a memorandum of understanding with IHEC. However, we agreed to remove the word “unilaterally” from this report because the mission was made aware of the difficulties between IFES and UNAMI.

Regarding other statements that the mission disagreed with, although we appreciate the mission’s additional information and points of view, we believe we have sufficient and appropriate evidence for these statements. Thus, no changes to the report are necessary.

# SCOPE AND METHODOLOGY

## Scope

We 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. Except for any adverse effects of not being able to review documentation requested from IFES (page 14), we believe that the evidence obtained provides that reasonable basis. The purpose of this audit was to determine whether USAID/Iraq's electoral program provided technical assistance to IHEC to conduct elections and built capacity for a sustainable electoral system that would require minimal international assistance.

To implement the program, USAID/Iraq signed a \$40 million cooperative agreement with IFES. The mission modified the agreement to increase the authorized funding level to \$103 million and extend the program from 1 to 7 years. As of September 30, 2011, cumulative obligations and expenditures under the program totaled approximately \$103 million and \$102 million.

The audit covered activities since the inception of the program in September 2004 and involved (1) validating technical assistance to IHEC to conduct elections in Iraq, (2) assessing capacity-building activities that would lead to a sustainable electoral organization, (3) making site visits to assess the level of assistance provided to IHEC employees in satellite offices in Baghdad, Erbil, and Sulaymaniyah, and (4) visiting UNAMI's capacity-building office in Baghdad to discuss IHEC's sustainability.

The audit team assessed controls used by the mission to manage the program. These controls included contracting for program evaluations, approving annual work plans, and reviewing quarterly progress reports. Additionally, the auditors examined the mission's fiscal year 2011 annual self-assessment of management controls to check whether the assessment cited any relevant weaknesses. The audit did not determine whether elections held were credible. IFES did not provide the financial data requested during the audit, so we could not assess the efficiency and economy of the program.

We performed fieldwork from September 28 through December 20, 2011, at USAID/Iraq and IFES' main program office, both located in the International Zone in Baghdad. To interview recipients about the technical assistance and capacity-building activities provided, we also made eight field trips to IHEC's headquarters in Baghdad; three GEOs in Baghdad, Erbil, and Sulaymaniyah; and the Kurdistan Regional Electoral Office in Erbil.

The audit team interviewed:

- IHEC's Chief Electoral Officer
- Three section heads in IHEC's Operations Department
- One section head in IHEC's Capacity Building Department
- One section head in the Administrative Department
- The head of IHEC's Department of Controller and Auditing
- Deputy directors of three GEOs in Baghdad, Erbil, and Sulaymaniyah
- General Manager of the Kurdistan Regional Electoral Office in Erbil

In addition, the audit team traveled to UNAMI's compound in the International Zone in Baghdad to interview the senior capacity-building adviser for UNAMI regarding the status of coordination efforts between IFES and UNAMI, and IHEC's progress toward becoming a sustainable organization.

## **Methodology**

To determine whether the program was achieving its main goals, the audit team initially interviewed staff members of USAID/Iraq's Office of Democracy and Governance and IFES personnel to gain an understanding of the program, the key players, their roles and responsibilities, and the reporting procedures and controls in place for monitoring the program.

We reviewed the goals established in the cooperative agreement and modifications and obtained agreement from the mission and IFES that the two main program goals were (1) to provide technical assistance to IHEC to conduct elections and (2) to build capacity for a sustainable electoral system that would require minimal international assistance. IFES did not use a PMP to report actual results for comparison with planned results for either goal. As a result, we focused our audit fieldwork on interviewing IHEC officials and validating information by cross-checking information between what IFES reported in narrative form and what IHEC's employees reported, including verifying database training. In addition, we visited 3 of the 19 GEOs as well as the Kurdistan Regional Electoral Office and made eight visits to IHEC's headquarters in Baghdad to determine what kind of assistance the program provided to IHEC.

We interviewed IFES officials and the senior capacity-building adviser for UNAMI to determine the status of coordination efforts between IFES and UNAMI. We interviewed mission and IFES officials, reviewed the Iraqi law on registration requirements for foreign NGOs, and obtained documentation showing the status of IFES registering to become a foreign NGO in Iraq. Finally, we reviewed the budget categories listed in the agreement to determine whether they were aligned with the primary activities and intended results of the program.

# MANAGEMENT COMMENTS



February 26, 2012

**MEMORANDUM**  
**UNCLASSIFIED**

**TO:** Darren Roman, 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 Electoral Technical Assistance Program’ transmitted to the Mission Director on February 2, 2012.

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.

Please see below the mission’s general comments regarding the draft audit report:

- We disagree with the problems cited in footnote 2 on page 1 – **“However, according to IHEC officials, significant problems still exist with the accuracy and sustainability of the voters’ registration system.”**

The problems cited in the footnote are outside of the manageable interests of USAID and IFES. In order to have a more accurate and sustainable voter registry, the Government of Iraq (GOI) needs to do a census to get updated and accurate population data. To do a census they need to come to a political agreement on internal boundaries and other politically sensitive and volatile issues. This is the root of the voter registry challenge for Iraq and it is entirely outside of IFES or USAID’s control. The voter registry is as accurate as it possibly can be with the population data we have.

- We disagree with the statement on page 2 – **“Nevertheless, the extent to which the program played a role was unclear.”**

This statement refers to the bullets that precede it and those bullets clarify specifically what IFES did, so their role is described in those bullets.

- We disagree with the paragraph on page 2 – **“As for the goal to build capacity for a sustainable electoral system, the technical assistance provided built IHEC’s capacity to conduct elections to some extent. However, all parties involved acknowledged that IHEC is not sustainable at this point and that more assistance is needed before it can stand on its own operationally, administratively, and financially.”**

The goal of the program is to build capacity for sustainability of the electoral system. The intent of the program is to build capacity for sustainability, not necessarily to achieve sustainability.

At present, the electoral system in Iraq has proven to be sustainable, especially since Iraq has had at least eight election events, all of which led to peaceful transfers of power and government considered to be legitimate by Iraq’s people.

With regard to the institution, the IHEC was created in 2007. By 2011, IHEC had gone from nothing but legislation to becoming a fully functioning elections commission. Compared to newly formed election commissions in other countries IHEC has made remarkable progress, especially given that it has had to run three elections events in its first four years of existence.

- We disagree with the paragraph on Page 5 - **“While the Electoral Program provided technical assistance to IHEC during the various election cycles in the areas of voter registration, and field coordination, the program activities were event driven, and limited attention was given to build IHEC into a Sustainable organization. In addition, as of September 30, 2011, IHEC did not have a strategic plan to become a self-sufficient entity.”**

The mission disagrees with the finding that the IHEC is not sustainable. IHEC is a sustainable institution. When we talk about building sustainable institutions we talk about having organic laws that establish these institutions within a sound legal framework: IHEC has such a law. We also talk about having yearly budgets that cover costs of staffing, buildings, assets and the like: IHEC has those budgets.

Despite political pressure from an immature political spectrum in Iraq, IHEC is not imploding nor is it losing staff. It continues to function in every way - administratively, operationally and in terms of elections event planning, implementation and results announcement.

What this audit is referring to as sustainability of the institution is actually what USAID would call sustainability of skills transfer from expatriate experts to local Iraqi IHEC staff. Nearly all of what IFES has done is actually this kind of skills transfer. It is fair to state that



skills transfer has disproportionately focused on operations rather than administration and finance. The follow-on program is addressing the need for additional training.

- We disagree with the paragraph on Page 5 – **“IHEC does not have an accurate and sustainable permanent voters’ registration system. IHEC used Iraq’s Ministry of Trade’s Public Distribution System (PDS) as the initial basis for determining eligible voters in Iraq. However, the PDS has flaws, i.e. includes invalid voters and excludes valid voters. This has led to inaccuracies in the voters’ registry, e.g. names of eligible voters omitted from the registry. Without a credible registry, the electoral process will lack integrity”**

The IHEC needs accurate population data and accurate population data has to come from a census. The GOI has yet to do or plan a census. IHEC cannot carry out a census on its own. The voter registry is only able to be as accurate as the population data it is checking its voter registration against. The GOI needs to carry out the census.

- We disagree with the paragraph on Page 5 –**“IHEC did not have permanent staff. All individuals were contract employees, and uncertainties exist for IHEC staff due to the replacement of all nine Board of Commissioner (BOC) members (responsible for approving staff positions) every five years.”**

IHEC staff are covered under the civil service law and as such, if they have worked for IHEC more than one year they are eligible for civil service status. This is something that IHEC as an institution has been pursuing for its staff for years, but the GOI (specifically the Council of Ministers) is not moving forward on it and holds these applications, and those of the entire institution of the IHEC, denying staff access to rightful civil service entitlements. This audit finding is related to matters within the control of the GOI, specifically the Council of Ministers, rather than the IHEC. This is outside of the manageable interest of USAID and IFES.

- We disagree with the statement on Page 6 –**“IHEC is not independent of the parliament and other political influences. The Iraqi parliament selects IHEC’s nine BOC members to five-year terms.”**

The Parliament selects the Board of Commission members for the IHEC just as it does for the other independent commissions – the Human Rights Commission, the Integrity Commission. Legislative bodies around the world are responsible for nominating independent commission Boards and Commissioners. This is not a feature that signifies a lack of independence. Independence is established within the Constitution, the organic law and any subsequent legislation as well as the practices of the three branches of government with respect to the independent Commission. While there has been an attempt at undue influence on the IHEC by the Executive here in Iraq and there has been political pressure from the Parliament with regard to the IHEC, the IHEC remains an independent institution by law and by its own practices. The IHEC Board of Commissioners has pushed back against both the Executive and the Legislature in asserting that independence.

- Comment on the paragraph on Page 7 – **“IHEC did not have a clear separation of authority and reporting between its executive body and BOC because the Chief Electoral Officer (the head of the executive) (also is a member of the board. Without a clear segregation of authority and reporting between the executive and the board, the credibility of IHEC is questionable.”**

Yes, similar to many corporations where the CEO is also on the board, but the CEO is not a voting member. His presence does not contribute to quorum and he does not vote on decisions. Also, the CEO position rotates around the Board so one Commissioner does not have the position throughout the five year period.

- We disagree with the paragraph on page 7 - **“The program focused its attention on the immediate election cycles instead of devoting sufficient attention on building IHEC’s institutional capacity and organizational sustainability. The annual work plans and assistance activities were vague and nonspecific to allow flexibility to support the immediate needs of preparing for and implementing the individual elections. However, without work plans that included capacity-building activities, the program could not have succeeded in this area.”**

There has been a tremendous focus on capacity building with IHEC from the USAID project in the last seven years – evidence for this is the number of people trained and the fact that some of those people have gone on to provide technical assistance in other elections around the world. Most recently, IHEC has been invited to serve as observers for the Russian presidential elections; they were observers and technical assistance providers to the Tunisian elections as well as the South Sudan referendum.

As a direct result of the USAID Electoral Technical Assistance Project, Iraq has 16 facilitators for the Building Resources in Democracy and Governance (BRIDGE) methodology – that is the single biggest number of domestic, Arabic speaking facilitators in the entire Middle East and North Africa region. This contributes to the sustainability of skills building, the sustainability of the institution and the electoral system over all. This is a direct result of this IHEC-USAID project. So, it is incorrect to say that work plans did not include capacity building activities; they included this BRIDGE training, which is, by its very definition, capacity building training. In fact, most of what USAID did under the Project was partnering with the Capacity Building Department within the IHEC. It is true that this work did not focus on administration and finance, but that is only one aspect of the institution’s capacity building.

This paragraph would be more accurate if it specified that USAID’s program concentrated and targeted capacity building in many areas although admittedly did not focus on administrative and financial management.

- Comment on the following paragraph on Page 9 – **“Furthermore, in September 2009, IFES unilaterally broke away from the UNAMI-led donor coordination team and entered into a memorandum of understanding (MOU) with IHEC to advise IHEC independent of UNAMI. However, USAID/Iraq did not modify its agreement with IFES to revise the relationship between IFES and UNAMI in advising IHEC. The**

**memorandum between IFES and IHEC was nonbinding and ended in December 31, 2010. According to IFES officials, IFES and IHEC verbally extended the MOU until the end of the program on September 30, 2011. Currently the mission does not have a MOU under the follow-on agreement, which began on October 1, 2011.”**

We request that OIG delete the word “unilaterally”. IFES does not unilaterally do anything. USAID was part of this decision.

Comment on the following paragraph on Page 10 - **“According to Automated Directive Systems (ADS) 203.3, USAID missions must prepare a complete performance management plan (PMP) for each of their development objectives and missions should involve its partners in its preparation. A PMP is a tool to plan and manage the process of assessing and reporting progress toward achieving a development objective. The PMP should be developed at the start of the program....”**

OIG is correct in quoting the ADS to assert that the Mission is required to have a Performance Management Plan (PMP). Specifically, ADS 203.3.3.4 states:

"Performance Management Plans - MANDATORY. DO Teams must prepare a complete Performance Management Plan (PMP) for each DO for which they are responsible. The purpose of this requirement is to establish indicators that will provide accurate baseline data on the initial program or project/activity conditions. As the project unfolds, the DO Team can measure the degree of change. While a solicitation instrument may include a preliminary PMP, once the award is executed the project staff must complete the PMP, with relevant indicators and baseline data, within the first few months and before major project implementation actions get underway."

Although this portion of the ADS applies to mission-level (and objective-level) PMPs, the intent is clear that projects must also report on implementation. This is usually accomplished by reporting against a project-level results framework (i.e., logical framework), according to ADS 201.3.11, which requires a "plan for monitoring performance" at the project level. The project had a detailed monitoring and evaluation plan meant to satisfy the requirement for a "plan for monitoring performance." If a mission level PMP did not exist, against which a project level plan for monitoring performance would be measured, the issue would have been at the mission level and not the project level.

In an effort to improve compliance with our reporting requirements at both the objective and project levels, USAID/Iraq recently issued two revised Mission Orders: Project Design (01-26-2012) and Performance Management (01-30-2012).

***Recommendation 1:*** *We recommend that USAID/Iraq require IFES to provide training and advice to IHEC in developing an effective strategic plan to become a sustainable organization.*

The mission concurs with this recommendation. Under the new Elections Support Project (ESP), IFES is required to provide training and advice to IHEC in developing an effective strategic plan

to build sustainability in administration and financial management. (Attachment I, Page 19 of the ESP Cooperative Agreement)

***Recommendation 2:*** *We recommend that USAID/Iraq require IFES to include capacity-building activities in its work plans that would help contribute to sustainability.*

The mission concurs with this recommendation. Under the new Elections Support Project (ESP), IFES is required to include capacity-building activities in its work plans that would help contribute to sustainability of administration and financial management. (Attachment I, Page 19-20 of the ESP Cooperative Agreement)

***Recommendation 3:*** *We recommend that USAID/Iraq require IFES to perform on-site needs assessments at each of the 19 GEOs and incorporate the assessment results into IHEC's strategic and operational plans.*

The mission disagrees with this recommendation. IFES is working with the IHEC to improve its relationships and communications with, as well as general management of, the GEOs. In this vein, IHEC should perform the needs assessment and IFES can work with IHEC to support that. USAID and IFES prefer to work with IHEC to help them to assess on site-needs. IHEC staff whom are responsible for the GEOs, as well as GEO staff and management themselves, can and should conduct these assessments. What IFES can do is provide training and technical assistance as well as good methodology to help IHEC and the GEOs with this process. It should be, however, IHEC's process to own and implement.

***Recommendation 4:*** *We recommend that USAID/Iraq require IFES to perform on-site monitoring at the GEOs to assess the effectiveness of training for electoral preparedness and capacity building.*

The mission concurs with this recommendation. The mission will require IFES to perform periodic on-site monitoring at the GEOs to assess the effectiveness of training for electoral preparedness and capacity building. Target date for completion of this action is March 31, 2013.

***Recommendation 5:*** *We recommend that USAID/Iraq require IFES to: (a) coordinate with UNAMI and IHEC to identify existing institutional gaps, (b) determine what institutional gaps each organization will work on, and (c) continually coordinate with UNAMI to avoid any duplication of efforts.*

The mission concurs with this recommendation. Under the new Elections Support Project, UNAMI and IHEC have identified existing institutional gaps and determined what institutional gaps each organization will work on to avoid duplication of effort. This will be a continuous effort throughout the life of the project.

***Recommendation 6:*** *We recommend that USAID/Iraq work with IFES to prepare and use a performance management plan for the follow on Elections Program to assess and report progress in achieving the program's objectives.*

The mission concurs with this recommendation. IFES is in the process of preparing its PMP for the new Elections Support Program. Target date for completion of this action is March 31, 2012.

***Recommendation 7:*** We recommend that USAID/Iraq work with IFES to include capacity-building benchmarks, with targets and timeframes, in its performance management plan.

The mission concurs with this recommendation. Capacity-building benchmarks, with targets and timeframes, are included in the PMP for the new Elections Support Program. Target date for completion of this action is March 31, 2012.

***Recommendation 8:*** We recommend that USAID/Iraq require IFES to immediately file all legally required paperwork with the proper Iraqi government office to become a legally registered nongovernmental organization in Iraq.

The mission concurs with this recommendation. IFES has already filed all legally required paperwork with the proper Iraqi government office to become a legally registered nongovernmental organization. The process is pending with the relevant Iraqi government office, the NGO Directorate.

***Recommendation 9:*** We recommend that USAID/Iraq re-align the follow-on agreement budget by main program expected result, and require IFES to provide quarterly financial reports to the mission showing funds expended by these categories.

The mission concurs with this recommendation. DGO is working with OAA and IFES to re-align the agreement budget by main program expected result and to report accordingly. Target date for completion of this action is June 30, 2012.

***Recommendation 10:*** We recommend that USAID/Iraq require IFES to provide its organizational staffing chart with its budget to track and monitor the effectiveness and efficiency of labor costs proposed and budgeted for the follow-on agreement.

The mission concurs with this recommendation. Mission has already requested IFES to provide its organizational staffing chart with its budget to track and monitor the effectiveness and efficiency of labor costs proposed and budgeted for the follow-on agreement. IFES is expected to provide this with its quarterly reports. Target date for completion of this action is April 30, 2012.

***Recommendation 11:*** We recommend that USAID/Iraq: (a) require IFES to provide the data requested during the audit, and (b) compare actual historical costs to the current proposed and budgeted costs to determine reasonableness of the proposed costs as well as effectiveness and efficiency of program funds.

The mission concurs with this recommendation. (a) IFES has already provided the data requested on February 1, 2012. (b) Mission has compared actual historical costs for current awards in Iraq (Access to Justice and Health Program), as well as thresholds established per AIDAR and Department of State (for allowances and per diem) to determine the reasonableness of the proposed costs.

## History of Iraq's Current Electoral System

The interim Independent Electoral Commission of Iraq was established in 2004 to conduct elections as required by Iraq's Transitional Administrative Law and U.N. Security Council Resolution 1546.

In February 2007, when the Iraqi Council of Representatives voted to establish a permanent electoral administration, the interim commission became a permanent institution and changed its name to IHEC. In April 2007, the Council of Representatives selected nine members to serve on IHEC's Board of Commissioners for a term of 5 years.

Between 2005 and 2010, Iraq had six elections:

- January 30, 2005—Elections for the Transitional National Assembly, along with elections for the Kurdish Regional Parliament and Iraq's 18 Governorate Councils
- October 15, 2005—A national referendum on a draft constitution
- December 15, 2005—Election of 325 members to Iraq's Council of Representatives
- January 31, 2009—Election of the Governorate Councils for 14 of Iraq's 18 governorates (excluding Kirkuk and the three Kurdish governorates—Dohuk, Erbil, and Sulaymaniyah)
- July 25, 2009—Election of the Kurdish Regional Parliament, held in conjunction with the direct election for the regional presidency
- March 7, 2010—Election of 325 members to Iraq's Council of Representatives

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