



Office of Inspector General

ANNUAL PLAN

FISCAL YEAR 2011

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MESSAGE FROM THE INSPECTOR GENERAL

The Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID) is pleased to present the Annual Plan for Fiscal Year 2011.

This plan addresses OIG's oversight agenda for the four organizations under its purview: USAID, United States African Development Foundation (USADF), Inter-American Foundation (IAF), and Millennium Challenge Corporation (MCC).

OIG's work contributes to the economy, effectiveness, and efficiency of foreign assistance programs; protects foreign assistance programs from fraud, waste, and abuse; strengthens the management systems and controls at USAID, USADF, IAF, and MCC, particularly in information technology and financial management; and optimizes OIG management programs and resources. When organizing its work, OIG considers programs that promote peace and security, just and democratic government, investment in people, economic growth and prosperity, and humanitarian assistance.

OIG will continue to provide robust oversight of USAID activities in Afghanistan, Haiti, Iraq, Pakistan, West Bank/Gaza, and the Global Health Initiative, which includes programs to prevent and treat HIV/AIDS, tuberculosis, and malaria. To address these priorities, we have sought U.S. Department of State approval—and congressional support—to place additional personnel in Afghanistan, Israel, and Pakistan. We are building to a presence of 14 positions in Islamabad and 17 in Kabul, and we have 3 positions in Tel Aviv. We also are awaiting U.S. Department of State approval to place six personnel in Haiti, who will supplement ongoing oversight activities performed by our San Salvador and Washington, DC, offices.

In Afghanistan and Pakistan, USAID is channeling increasing levels of development funding to local nongovernmental organizations (NGOs) and to the host governments in the form of project assistance and direct budget support. By leading the development projects, host governments can build public confidence and improve the welfare of the people. However, both countries are still developing the capacity to manage projects and monitor and account for associated resources, and this places U.S. dollars at greater risk of waste, fraud, and abuse. OIG has adjusted its oversight strategy to help ensure that development funds provided to NGOs and host governments are not wasted or channeled to those who wish to do us harm.

OIG will continue to lead the Afghanistan-Pakistan Subgroup in FY 2011. To prevent overlapping or redundant efforts and reduce the burden that the oversight process places on overseas staff, a subgroup of the Joint Planning Group for Southwest Asia was formed to coordinate multiagency work to guard against fraud, waste, and abuse in military and civilian programs implemented in Afghanistan and Pakistan. The Afghanistan-

Pakistan Subgroup comprises representatives of the Offices of Inspector General for USAID, the Departments of State and Defense, the Special Inspector General for Afghanistan Reconstruction, and the Government Accountability Office (GAO). This subgroup acts as the central point for sharing information and coordinating planned and ongoing audits, reviews, and inspections.

Other important continuing work includes programs to combat HIV/AIDS, tuberculosis, and malaria, with funding reauthorized by legislation in 2008.¹ OIG will also perform audits to ensure that its four client organizations meet the requirements of the Federal Information Security Management Act of 2002 (FISMA).² In addition to FISMA audits, OIG will audit its clients' FY 2010 financial statements.

MCC faces the challenge of managing existing compacts as they mature from planning to implementation and producing measurable results. At the same time, the corporation continues to bring new compacts into force. OIG will focus upon risks inherent in project implementation and financial accountability of the compacts that support country programs.

This is an ambitious plan, and we in OIG understand the need to remain flexible to address unanticipated or emerging priorities that may arise during a time when the federal budget deficit is of increasing concern. I believe that OIG's skilled and dedicated staff members are ready for the challenge—in our headquarters office in Washington, DC, in our offices in Kabul, Islamabad, Baghdad, and Tel Aviv, and in our regional offices in Cairo, Dakar, Manila, Pretoria, and San Salvador. I look forward to reporting the results of these plans in future semiannual reports to the Congress.

Donald A. Gambatesa
Inspector General

¹ Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008, Public Law 110-293.

² E-Government Act of 2002, Public Law 107-347, Title III.

INTRODUCTION

OIG's mission is to protect and enhance the integrity of U.S. foreign assistance programs and operations administered by USAID, USADF, IAF, and MCC.

Authority and Responsibility

USAID's OIG was established on December 16, 1980, by statutory amendment³ to the Foreign Assistance Act of 1961.⁴ On December 29, 1981, the International Security and Development Cooperation Act of 1981⁵ brought the USAID Inspector General under the purview of the Inspector General Act of 1978.⁶ OIG assumed audit and investigative oversight of USADF and IAF in 1999,⁷ and of MCC in 2004.⁸

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. As a result of this work, OIG promotes economy, efficiency, and effectiveness and detects and prevents fraud, waste, and abuse in USAID, USADF, IAF, and MCC programs and operations.

Some of our work is mandated by statute or other requirements, and other work is performed at our discretion. When identifying the audits and activities to undertake, and setting priorities in performing them, we consider stakeholder interests and needs, alignment with strategic goals, and anticipated results. Before deciding to perform specific work, we consider the risks associated with agency programs and assess potential vulnerabilities in internal controls.

OIG established this plan of audits and activities to be performed during FY 2011 to support U.S. foreign assistance goals in the following program areas:

- Peace and security—Afghanistan, Pakistan, Iraq, and West Bank/Gaza
- Just and democratic government—rule of law, human rights, and good governance
- Investment in people—health, education, and social and economic services and protection for vulnerable populations
- Economic growth and prosperity—economic security and the environment

³ International Security and Development Cooperation Act of 1980, Public Law 96-533.

⁴ Public Law 87-195.

⁵ Public Law 97-113.

⁶ Public Law 95-452.

⁷ Consolidated Appropriations Act, 2000, Public Law 106-113, Division B, Section 1000(a)(7), Admiral James W. Nance and Meg Donovan Foreign Relations Authorizations Act, Fiscal Years 2000 and 2001.

⁸ Consolidated Appropriations Act, 2004, Public Law 108-199, Division D, Title VI, Millennium Challenge Act of 2003.

- Humanitarian assistance—protection, assistance, and solutions, and disaster prevention and mitigation
- Management capabilities—management accountability and financial management

Areas of Responsibility

Audit. OIG/Audit supervises audit activities relating to worldwide foreign assistance programs and agency operations of USAID, ADF, and IAF. Audit activities include performance audits of programs and management systems, financial statement audits required under the Chief Financial Officers Act of 1990,⁹ and audits related to financial accountability of grantees and contractors. OIG/Audit launched its new Inspections and Evaluations Division, consisting of a director and three employees, in May 2010. The division will perform four types of reviews: quick-response activities, inspections, evaluations, and special assignments (such as monitoring functions).

Investigations. OIG/Investigations investigates activities relating to foreign assistance programs and agency operations. Investigations of criminal, civil, and administrative violations cover all facets of worldwide operations for our client agencies. OIG/Investigations pursues proactive activities and works to identify new areas of focus within multimillion-dollar and high-risk USAID programs, including those in Afghanistan, Pakistan, Haiti, and Iraq. These activities may lead to criminal or civil investigations, which could result in prosecutive or administrative action. In addition to investigations, OIG/Investigations provides fraud awareness training, develops and distributes fraud awareness literature and audiovisual aids, and offers advice on antifraud strategies.

Management. OIG/Management supervises all administrative activities for OIG's headquarters in Washington, DC, and its offices overseas. Administrative functions include human resources, budgeting, contracting, and information management.

Millennium Challenge Corporation. OIG/MCC provides oversight of the corporation's programs and operations worldwide. OIG/MCC has its own performance and financial audit divisions, but it also coordinates with OIG/Investigations for investigative support and with OIG/Audit for supplementary audit support.

⁹ Public Law 101-576.

OIG ACTIVITIES PLANNED FOR FY 2011

USAID

Peace and Security

Afghanistan and Pakistan

Audit of USAID/Afghanistan's Direct Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Services Program.

In July 2008, USAID/Afghanistan and the Government of the Islamic Republic of Afghanistan signed an agreement to increase U.S. assistance programmed through direct Afghan Government implementation mechanisms. USAID/Afghanistan will provide up to \$236 million to the Ministry of Public Health (MOH) to support the Partnership Contracts for Health Services Program, which will support delivery of a standardized package of health services required at each level (district, provincial, and regional) of the national health system.

This audit will determine whether USAID/Afghanistan's assistance to the MOH is implementing the proposed packages of health services in the targeted provinces.

Audit of USAID/Afghanistan's Strategic Provincial Roads—Southern and Eastern Afghanistan Road Project.

The Strategic Provincial Roads Project is a 4-year, \$500 million project designed to improve the quality of Afghanistan's provincial roads in the eastern and southern regions of the country. Under this project, USAID will rehabilitate 1,500 to 2,000 kilometers of provincial roads. The project also includes capacity building for Afghan construction firms and community outreach activities. USAID/Afghanistan hopes that rehabilitating the provincial roads will increase stability and security in eastern and southern Afghanistan. Improved roads are expected to:

- Facilitate efficient movement of goods and people.
- Increase access to government and social services.
- Decrease ethnic divisions between regions.
- Facilitate agricultural development.
- Increase local capacity for sustainable road construction, rehabilitation, and maintenance.
- Provide employment opportunities for the Afghan people.

This audit will determine whether USAID/Afghanistan's Strategic Provincial Roads—Southern and Eastern Afghanistan Road Project is improving the quality of Afghanistan's provincial roads in eastern and southern Afghanistan.

Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program. Since February 2008, USAID/Afghanistan has funded several development programs to support the U.S. Government's counternarcotics strategy in Afghanistan. In March 2009, the mission awarded Development Alternatives Inc. a 5-year, \$150 million cooperative agreement to implement the Incentives Driving Economic Alternatives for the North, East, and West Program. The program's main objective is to create sustainable jobs to help local economies transition away from their dependency on illicit opium production and sales and reduce the number of hectares of opium cultivation.

This audit will determine whether USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program is increasing licit and commercially viable agricultural employment alternatives for rural Afghans.

Audit of USAID/Afghanistan's Afghanistan Stabilization Initiative—Southern Region. In June 2009, USAID signed a 3-year, \$160 million contract with Chemonics International Inc. to support the implementation of the Afghanistan Stability Initiative. This initiative funds small-scale projects that will serve as platforms for longer-term activities and improve the Afghan Government's ability to carry out programs in nonpermissive areas within a counterinsurgency context. The contractor is expected to coordinate implementation of activities with the International Security Assistance Force, the Afghan National Army and Afghan National Police Force, and Afghan Government representatives. As much as possible, activities are expected to be operated and implemented by the Afghan Government. Project activities will provide new furniture and equipment to local schools, dig water wells and provide potable water, and rehabilitate roads.

This audit will determine whether USAID/Afghanistan's Stabilization Initiative—Southern Region is building confidence between communities and the Afghan Government.

Audit of USAID/Afghanistan's Regional Afghan Municipalities Program for Urban Populations for Regional Platforms. In Afghanistan, municipal governments are instrumental in efforts to strengthen governance processes. Unfortunately, the overall governance structure remains highly centralized, and subnational governance institutions, particularly at the municipal level, are often unresponsive to community needs because they lack clarity on their roles and functions. Under this 1-year, \$150 million (estimated) program, activities will be carried out in each of the four regional commands in Afghanistan (RC-North, RC-South, RC-East, and RC-West). The purpose of the project is to create effective, responsive, democratic, transparent, and accountable municipal governance in targeted municipalities throughout the country.

The program will focus on increasing the capacity of Afghan Government municipal officials, improving municipal services to citizens, and increasing municipal capacity to support economic growth.

This audit will determine whether USAID/Afghanistan's Regional Afghan Municipalities Program for Urban Populations is creating governance that is effective, responsive, democratic, transparent, accountable, and gender-sensitive in select municipalities.

Audit of Internal Controls Over the Separate Maintenance Allowance at USAID/Afghanistan. In June 2009, a former USAID contracting officer pleaded guilty to submitting a false claim to USAID and seeking more than \$14,000 in separate maintenance allowance benefits. USAID may grant this nontaxable cost-of-living allowance to "assist an employee to meet the additional expenses of maintaining members of family elsewhere than at the employee's foreign post of assignment." Although USAID has published guidance on the separate maintenance allowance benefit in its Automated Directives System 477, "Allowances and Differentials," this general guidance contains little information concerning USAID procedures and serves more as a tool for referring employees to other substantive guidance, such as U.S. Department of State regulations and manuals.

This audit will determine whether USAID/Afghanistan has adopted appropriate internal controls to prevent improper use of the separate maintenance allowance benefit.

Audit of USAID/Afghanistan's USAID Air Program. When USAID reopened its mission in 2002, much of Afghanistan's infrastructure was in extremely poor condition. In 2004, the mission awarded a contract to provide air transportation consisting of one helicopter and one airplane. Since then, foreign development work has expanded, and the fleet of aircraft has grown to seven. Demand for air transportation in Afghanistan increased after the ramp up of U.S. military forces and civilian assistance in December 2009. To meet this need, USAID/Afghanistan awarded a 2-year, \$221 million contract to Aircraft Charter Solutions Inc. for safe and reliable air service in support provincial reconstruction teams and U.S. assistance programs throughout Afghanistan.

This audit will determine whether USAID/Afghanistan's USAID Air Program is providing safe and reliable air service to enable USAID to supply transportation and freight services in support of provincial reconstruction teams and other U.S. development assistance programs in Afghanistan.

Audit of USAID/Afghanistan's Limited-Scope Grant in Support of the District Development Program. USAID/Afghanistan plans to approve a 2-year, \$60 million limited-scope grant to the Afghan Ministry of Finance in support of the District Development Program. Under the agreement, funds will be furnished to the Government of Afghanistan to finance costs for operations and maintenance and other

recurring expenses. The grant is meant to increase the visibility of the Afghan national and provincial governments within the districts by strengthening governance capabilities and responsiveness. This visibility is intended to increase the public's perception that local, provincial, and national government structures are more capable and responsive than any alternative offered by the insurgency—representing the first step in helping the Government of Afghanistan to assume responsibility for service delivery.

This audit will determine whether USAID/Afghanistan's limited-scope grant supporting the District Development Program is strengthening governance capabilities and responsiveness at the district level.

Review of USAID/Afghanistan's Preaward Survey and Certification Process. USAID/Afghanistan programs billions of dollars of aid to Afghanistan to help achieve U.S. national security objectives. USAID/Afghanistan plans to increase funding to the Afghan Government and nongovernmental organizations (NGOs) to build their capacity to deliver services at the subnational level in the areas of counternarcotics, conflict mitigation, crime prevention, counterterrorism, and stabilization operations. Before awarding funds to local institutions, USAID policy requires a preaward survey of the prospective recipient's systems to determine whether the recipient has the necessary organizational, accounting, and operational controls, experience, and technical skills—or the ability to obtain them—to achieve the objectives of the program.

This review will determine whether USAID/Afghanistan's preaward survey and certification process needs further strengthening.

Review of Cash-Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees. USAID/Afghanistan uses a multitude of contractors and grantees to implement its multibillion-dollar programs. Contractors and grantees are required to have effective controls and accountability over the funds to ensure that disbursements are reasonable, allocable, and allowable under the agreements. Contractors and grantees must also maintain financial records, supporting documents, statistical records, and all other records pertinent to the award to substantiate charges to this award.

The review will determine whether the cash-disbursement practices employed by selected USAID/Afghanistan contractors and grantees ensure that disbursements are reasonable, allocable, and allowable under the agreements.

Audit of USAID/Afghanistan's Support for Increased Electoral Participation in Afghanistan (IEP) Activity and Support to the Electoral Process (STEP) Activity. USAID/Afghanistan provides extensive support to electoral processes in Afghanistan. The IEP activity, implemented by the Consortium for Elections and Political Process Strengthening and three subawardees, is a program of approximately

\$60 million, with \$37 million in disbursements as of June 30, 2010. It provides assistance to governmental institutions, civil society organizations, and voters. The STEP activity, implemented by the International Foundation for Electoral Systems, is a \$79 million program with \$33 million in disbursements. It is designed to increase the organizational capacity of the Independent Election Commission and help the commission administer transparent election processes.

The audit will assess whether the IEP activity is strengthening the ability of political parties to translate citizen concerns into party platforms and campaigns, helping the media cover elections, and encouraging citizen participation in the election process. It will also determine whether the STEP activity is achieving institutional development of electoral institutions and supporting fair and transparent elections.

Audit of USAID/Pakistan’s Emergency Cash-Transfer Program—University and Technical Education Component. USAID/Pakistan signed a cash-transfer grant agreement in September 2009 with the Government of Pakistan for a \$174 million emergency cash-transfer program. The program includes three separate cash transfers: (1) \$44 million in budgetary support for families displaced by conflict, (2) \$85 million in budgetary support for low-income families across Pakistan, and (3) \$45 million in budgetary support for university and technical education in Khyber Pakhtunkhwa Province, serving students in the Federally Administered Tribal Areas and in other vulnerable areas including southern Punjab. The education program will also expand Pakistan’s relationships with universities in the United States. Some of the program activities developed for funding include providing facilities and equipment for science and technology programs; extending the rollout of the national nursing education program; and financing exemptions from tuition and hostel fees for all university students.

The audit will determine whether the funds provided to the Government of Pakistan under USAID/Pakistan’s Emergency Cash-Transfer Program for the university and technical education component are being used for their intended purpose.

Audit of USAID/Pakistan’s Road Rehabilitation and Reconstruction Activities Under the Quick-Impact Projects in South Waziristan. USAID/Pakistan’s quick-impact projects in South Waziristan are designed to facilitate economic growth and stability through infrastructure projects. USAID’s contribution to infrastructure activities is roughly \$55 million. USAID assistance for reconstruction will be financed through a fixed-amount reimbursement agreement with the Government of Pakistan. According to USAID’s financial plan, \$25 million of the \$55 million is budgeted for road reconstruction and rehabilitation.

This audit will determine whether USAID/Pakistan's road rehabilitation and reconstruction activities under the quick-impact projects in South Waziristan are rebuilding selected roads.

Audit of USAID/Pakistan's Firms Project. In May 2009, USAID/Pakistan signed an \$89.7 million task order with Chemonics International to implement the Firms Project. This project was designed to develop a dynamic, internationally competitive business sector in Pakistan that will increase exports and employ more people, including bringing women into the economic mainstream, while also producing higher-value-added products and services. The main objective is to strengthen Pakistan's economy by creating a strong business sector and improving productivity and quality to promote increased sales and export. The project has three main components: strengthening the private sector, creating a pro-business environment, and providing services for business development. In implementing this project, Chemonics relies on several subcontractors and the Government of Pakistan.

This audit will determine whether USAID/Pakistan's Firms Project is strengthening the business sector and improving productivity and quality.

Audit of USAID/Pakistan's Energy Efficiency and Capacity Program. Pakistani cities experience daily blackouts, often lasting 4 to 16 hours, because Pakistan has not added new power-generation capacity to meet the growing demand. USAID/Pakistan signed a \$23.5 million contract with International Resources Group Ltd. in March 2009 to implement the Energy Efficiency and Capacity Program. To help sustain Pakistan's economic growth, the program aims to improve energy availability, affordability, conservation, and efficiency. The program has two main objectives: (1) promoting energy efficiency and conservation practices to reduce energy demand and (2) building the capacity of public sector organizations to better address the needs of the energy sector to increase supply and reduce demand.

This audit will determine whether USAID/Pakistan's Energy Efficiency and Capacity Program is promoting energy efficiency and conservation practices to reduce demand and building the capacity of public sector organizations to better address the needs of the energy sector.

Audit of USAID/Pakistan's Community Rehabilitation Infrastructure Support Program. USAID/Pakistan signed a \$149.7 million cooperative agreement in February 2009 with Winrock International to implement the Community Rehabilitation Infrastructure Support Program. The program has two main objectives: (1) promoting energy efficiency and conservation practices to reduce energy demand and improve the delivery of basic human services, and (2) building the capacity of public sector organizations to better address the needs of the energy sector to increase supply and reduce demand.

Under the first objective, the program focuses on initiatives to mitigate the economic effects of power shortages by reducing the overall demand for power and using best practices in power rationing. Under the second objective, the program focuses on improving the performance of 300 selected energy officials (150 men and 150 women) at multiple levels of government and in public institutions, universities, and committees. Most program activities are in rural areas.

This audit will determine whether USAID/Pakistan's Community Rehabilitation Infrastructure Support Program is constructing and renovating community infrastructure to improve the delivery of basic human services, such as education, health care, water supply, sanitation, electricity, and transportation, as well as promoting economic growth in rural Pakistan.

Iraq

Audit of USAID/Iraq's Anticorruption Activities and Selected Financial Transactions of Its National Capacity Development Program. USAID/Iraq's National Capacity Development Program is a \$340 million program designed to build capacity in Iraqi ministries by reforming internal operational systems and instituting best practices and international standards.

The program employs a three-pronged approach that incorporates (1) technical assistance to 10 ministries and several executive offices; (2) training for civil servants in planning, management, finance, human resources, and other key topics; and (3) procurement and provision of equipment and other goods and services to equip the Government of Iraq's training centers.

This audit will determine whether USAID/Iraq's National Capacity Development Program is enhancing the anticorruption efforts of the Government of Iraq and building public confidence. The audit will also determine whether the program's financial transactions are supported and allowable.

Audit of USAID/Iraq's Elections Administration Support Program. In September 2004, USAID/Iraq awarded \$40 million to the Consortium for Elections and Political Process Strengthening under a cooperative agreement to provide electoral technical assistance to the Independent High Electoral Commission. The consortium authorized the International Foundation for Election Systems to conduct the program. The agreement was from September 1, 2004, to January 31, 2006. However, the amount and period of the agreement were later modified for a total amount of \$103 million and an end date of December 31, 2010.

The Iraq Elections Administrative Support Program provides technical assistance to the Independent High Electoral Commission, which has exclusive authority in Iraq to announce, implement, and deliver regulations, rules, and procedures related to referendums and elections. The Commission is also responsible for ensuring that Iraqis, including those out of country, can participate in decision-making processes. This audit will determine whether USAID/Iraq's Elections Administration Support Program has increased professional and institutional capacity over the election cycle, thus reducing the need for international assistance.

Audit of USAID/Iraq's Contracting Process. President Obama's memorandum of March 4, 2009, stated that excessive reliance by executive agencies on sole-source contracts (or contracts with a limited number of sources) and cost-reimbursement contracts creates a risk that taxpayers' funds will be spent on contracts that are wasteful, inefficient, subject to misuse, or otherwise not well designed to serve the needs of the Federal Government or the interests of the American taxpayer. The Office of Management and Budget (OMB) issued a memorandum on July 29, 2009, to heads of departments and agencies to implement the March 4, 2009, Presidential initiative. On October 9, 2009, the USAID Administrator issued a general notice regarding the President's call to improve government contracting.

USAID's mission in Iraq has 13 active awards with U.S. organizations; 7 of these active awards are contracts and 3 are cost-plus-fixed-fee, level-of-effort contracts. As of March 31, 2010, the mission had awarded \$1.1 billion to these organizations under contract and disbursed \$619 million.

This audit will determine whether USAID/Iraq is following Federal Acquisition Regulation (FAR)¹⁰ procurement procedures to award contracts and close out awards. In addition, the audit will assess USAID/Iraq's implementation of the President's contracting initiative.

Audit of USAID/Iraq's Legislative Strengthening Program. USAID/Iraq's Legislative Strengthening Program is a \$35 million program that began October 1, 2008, and will end in March 2011. The program was designed to increase the capacity of the staff and members of the Iraq Council of Representatives and to improve institutional oversight of government operation, legislative development, and constituency representation. The program provides technical assistance, training, and limited commodity support to the Council of Representatives to develop and improve its practices, precedents, and institutions.

¹⁰ To illustrate, FAR 16.301-3 states that a cost-reimbursement contract may be used only when the contractor's accounting system is adequate for determining costs applicable to the contract and appropriate government surveillance during performance will provide reasonable assurance that efficient methods and cost controls are used.

This audit will determine whether USAID/Iraq's Legislative Strengthening Program has improved the sustainability of democratic governance in Iraq.

Audit of the Sustainability of Selected USAID/Iraq-Funded Information Technology Systems. A recent audit concluded that, after about 6 years of effort, USAID/Iraq has not succeeded in implementing the Iraq Financial Management Information System and has not achieved its intended results—to help the Government of Iraq formulate, execute, and monitor its central government budgets. The system has not been implemented nor is it being used as the system of record by the Government of Iraq.

Prior OIG audits and other sources indicate that USAID has funded several information technology systems that have been turned over to Iraqi governmental entities. This audit will determine whether past USAID/Iraq-funded information technology activities are being used as intended.

Review of USAID/Iraq Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008. The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 requires OIGs for USAID, the U.S. Department of State, and the U.S. Department of Defense to investigate a sample of high-risk contracts in each of fiscal years 2010 through 2012.¹¹ The types of contracts to be investigated include primary contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons. These acts include the following:

- Confiscation of an employee's passport
- Restriction on an employee's mobility
- Abrupt or evasive repatriation of an employee
- Deception of an employee regarding the work destination
- Acts otherwise described in Section 106(g) of the Trafficking Victims Protection Act of 2000¹²

“Acts otherwise described” include severe forms of trafficking in persons or procuring a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect. They also include using forced labor in the performance of the grant, contract, or cooperative agreement. OIG is required to submit annual reports to Congress on human trafficking, due on January 15 in 2010 and 2011.

The review will determine whether (1) USAID/Iraq and its contractors have established

¹¹ Public Law 110-457, enacted December 23, 2008. OIG interprets the term *contracts* to include other types of awards.

¹² 22 U.S.C. 7104.

sufficient controls to prevent trafficking in persons and (2) USAID/Iraq's contractors and subcontractors engaged in trafficking-in-persons practices.

West Bank and Gaza

Audit of USAID/West Bank and Gaza's Palestinian Health Sector Reform and Development Project. The Palestinian health care sector faces significant challenges, including a complex system with numerous providers, impediments to access and movement, political and economic instability, and little consistency in standards of care. On September 26, 2008, USAID awarded a 5-year, \$56.9 million contract to Chemonics International Inc. to implement the Palestinian Health Sector Reform and Development Project (the Flagship), to be completed by September 2013. The mission later increased the contract to \$85.4 million.

This audit will determine whether USAID/West Bank and Gaza's Palestinian Health Sector Reform and Development Project is supporting selected institutions to strengthen their capacities and performance to support a functional, democratic Palestinian health sector capable of meeting the priority public health needs of its people.

Audit of USAID/West Bank and Gaza's Model Schools Program. USAID is committed to supporting the Palestine Education Development Strategic Plan of the Ministry of Education and Higher Education. To help with institutional capacity in the educational system, USAID issued a \$20 million agreement that will end on June 29, 2012. The program is designed to improve the quality of basic education in the West Bank and Gaza by creating a network of 20 private schools that can design and develop educational concepts and practices to measure students' progress methodically. USAID plans to use these school networks as an expandable and replicable model in other projects.

This audit will determine whether USAID's Model Schools Program is improving the quality of basic education through institutional capacity building in West Bank/Gaza.

Audit of the USAID/West Bank and Gaza's Palestinian Authority Capacity Enhancement Project. In September 2008, USAID awarded a contract to Chemonics International to implement a program to support Palestinian Authority's public sector reform efforts. USAID estimates total costs of \$20 million for this project.

This audit will determine whether USAID/West Bank and Gaza's Palestinian Authority Capacity Enhancement Project is creating a more professional and competent public

administration and civil service that provides more effective, efficient, and responsive services and benefits to the Palestinian people.

Just and Democratic Government

Rule of Law and Human Rights

Audit of USAID/Haiti's Rule of Law and Security Activities. The FY 2010 Haiti Supplemental Justification includes \$44 million for the U.S. Government to help the Government of Haiti strengthen its rule of law and security. The U.S. Government plans to continue its work in developing the judicial sector by establishing a triage system to manage the most critical cases, through temporary or mobile court facilities equipped with generators and communication facilities. This will be followed by support for repairing or reconstructing courts, strengthening court capacity through training judges and court personnel, and strengthening the Haitian Bar Association and legal service organizations to provide legal defense and legal services. Further, the U.S. Government plans to support the reform of Haiti's criminal code and criminal procedure code, as well as civil code and land law reforms.

This audit will determine whether USAID/Haiti's rule of law and security activities are strengthening the Government of Haiti's judicial sector to improve the rule of law and security.

Review of Selected High-Risk Contracts Issued from USAID/Washington for Compliance with the Trafficking Victims Protection Reauthorization Act of 2008. The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 requires the Offices of Inspector General for USAID, the Department of State, and the Department of Defense to investigate a sample of high-risk contracts in each of fiscal years 2010 through 2012.¹³ The types of contracts to be investigated include primary contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons. These acts include the following:

- Confiscation of an employee's passport
- Restriction on an employee's mobility
- Abrupt or evasive repatriation of an employee
- Deception of an employee regarding the work destination

¹³ Public Law 110-457, enacted December 23, 2008. OIG interprets the term *contracts* as including other types of awards.

- Acts otherwise described in Section 106(g) of the Trafficking Victims Protection Act of 2000¹⁴

“Acts otherwise described” include severe forms of trafficking in persons or procuring a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect. They also include using forced labor in the performance of the grant, contract, or cooperative agreement.

The review will determine whether (1) USAID/Washington’s high-risk contracts contain suitable measures to reduce the risk of trafficking in persons and (2) USAID/Washington’s contractors and subcontractors have engaged in trafficking-in-persons practices.

Audit of USAID/Yemen’s Implementation of Executive Order 13224.

Following the events of September 11, 2001, President Bush issued Executive Order 13224 authorizing the U.S. Government to block the assets of individuals and entities that provide support, services, or assistance to, or otherwise associate with, terrorists and terrorist organizations designated under the order, as well as their subsidiaries, front organizations, agents, and associates.

To implement Executive Order 13224, USAID issued acquisition and assistance policy directives requiring USAID’s contracting officers to ensure that USAID contractors and recipients are aware of the executive order before they receive an award of a grant or cooperative agreement. Contracting officers must also obtain certification from U.S. and non-U.S. NGOs that the organization does not support terrorism. Several USAID missions in the Asia Near East or Middle East Bureaus are not required by law to vet USAID recipients. However, a mission can mitigate the risk that it may inadvertently provide material support and financing to terrorist individuals or organizations by developing mission orders to implement the executive order.

This audit will determine whether USAID/Yemen’s implementation of Executive Order 13224 has prevented USAID funding from being provided inadvertently to terrorists and terrorist organizations.

Audit of USAID/Cambodia’s Program on Rights and Justice II. Over the past year, Cambodian government officials and powerful business interests have increased their use of the courts to discourage dissent and protect their financial positions. As a result, the independence of the judiciary has been called into greater question. The general political climate also remains unfavorable to any far-reaching reform of the judicial sector in the short term. To strengthen support for reform of the judicial sector,

¹⁴ 22 U.S.C. 7104.

in October 2008 USAID/Cambodia awarded a \$20 million cooperative agreement to East-West Management Institute Inc. to implement the 5-year Program on Rights and Justice II.

This audit will determine whether USAID/Cambodia's Program on Rights and Justice II is strengthening the foundation for reform of the judicial sector in Cambodia.

Follow-Up Audit of USAID/Colombia's Rule of Law Human Rights Activities.

As part of the FY 2009 plan, OIG audited USAID's human rights program that was implemented by Management Sciences for Development Inc. under a 5-year, \$38.8 million contract. The audit found that the program had achieved partial success in providing support for the prevention of and protection against human rights abuses and for strengthening government and civil society responses.¹⁵ OIG also found that, in the majority of cases, USAID/Colombia's reporting of its human rights program had provided stakeholders with complete and accurate information on the progress of the program and the results achieved. OIG made nine recommendations to help the mission improve its implementation of the human rights program.

Under Phases II and III of the human rights program, USAID/Columbia plans to fund approximately \$12 million in FY 2010. OIG will conduct a follow-up audit in FY 2011 to determine whether USAID/Colombia's responses to the previous audit recommendations were effective.

Good Governance

Audit of USAID/Haiti's Democracy and Governance Activities. The January 2010 earthquake weakened many key government institutions in Haiti. In response, USAID requested \$65 million to jump-start and build capacity for national and local government. The capacity building is meant to allow national and local government entities to provide relief and essential services. The funds are expected to support the Ministry of Economy and Finance, the Ministry of Interior and Collective Territories, the Parliament, and the Anticorruption Commission, which are critical to an effective and transparent allocation of resources for relief and reconstruction. The activities will also build the capacity of local government authorities that have accepted displaced populations for delivery of essential services.

This audit will determine whether USAID's activities are supporting Haitian ministries in providing essential services, adopting laws and policies essential to relief and reconstruction, and improving perceptions of government capacity and responsiveness.

¹⁵ Audit Report No. I-514-09-007-P, "Audit of USAID/Colombia's Human Rights Program."

Investment in People

Health—Programs to Combat HIV/AIDS, Tuberculosis, and Malaria

HIV/AIDS

USAID works in partnership with the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), an initiative announced in 2003 to stem the growing HIV/AIDS epidemic. The largest such program in the world, it provides essential services for prevention, care, and treatment of HIV/AIDS. It also addresses malaria and tuberculosis—diseases that often afflict HIV-positive people. It was followed by the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, Public Law 108-25. In 2008, legislation reauthorized and expanded the act's programming.¹⁶

As of FY 2009, there is no longer a distinction between focus and nonfocus countries. PEPFAR operates in Angola, Botswana, Cambodia, Caribbean Region, Central Asian Republics, Central America, China, Côte d'Ivoire, Democratic Republic of the Congo, Dominican Republic, Ethiopia, Ghana, Haiti, India, Indonesia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Russia, Rwanda, South Africa, Sudan, Swaziland, Tanzania, Thailand, Uganda, Ukraine, Vietnam, Zambia, and Zimbabwe.

Audit of USAID/West Africa's HIV/AIDS Activities in Côte d'Ivoire. Côte d'Ivoire has the highest national HIV prevalence in West Africa, estimated at 3.9 percent among adults (UNAIDS 2008), with both HIV-1 and HIV-2 viruses present. In 2001, the government created a specific ministry to coordinate the national HIV/AIDS response and mobilize national and international resources. PEPFAR is the main donor supporting services for the prevention of mother-to-child transmission of HIV in Côte d'Ivoire, and the country received more than \$24.3 million in FY 2004, \$44.4 million in FY 2005, \$46.6 million in FY 2006, \$84.4 million in FY 2007, \$120.5 million in FY 2008, and \$124.8 million in FY 2009.

In 2010, OIG conducted an audit covering about 25 percent of USAID/West Africa's implementing partners in Côte d'Ivoire. The audit identified significant issues, including allegations of fraud, and made about 25 recommendations. The mission in Côte d'Ivoire believes that audits of other implementing partners will be beneficial to its HIV/AIDS program. For the FY 2011 audit, the implementing partners selected will include Supply Chain Management System, Abt Associates, Infant & Young Child Nutrition, the QED Group LLC, and Geneva Global.

This audit will determine whether USAID/West Africa's HIV/AIDS selected implementing partners are increasing the prevention of mother-to-child transmission of

¹⁶ Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (the Lantos-Hyde Act), Public Law 110-293.

HIV and antiretroviral therapy services to reduce the HIV prevalence rate in Côte d'Ivoire.

Audit of USAID/Namibia's HIV/AIDS Care Program. The United States provided nearly \$100 million to Namibia in FY 2009 to support HIV/AIDS activities, \$15.3 million specifically for care interventions, including adult and pediatric care, care for tuberculosis and HIV patients, and care of orphans and vulnerable children. This audit will determine (1) whether USAID/Namibia's HIV/AIDS care program is caring for the sufferers of HIV and AIDS, (2) whether reported program results by USAID/Namibia's HIV/AIDS care program are complete and accurate, and (3) whether USAID/Namibia implemented recommendations from Audit Report No. 4-673-08-005-P, July 30, 2008, "Audit of Selected Partners Implementing USAID/Namibia's President's Emergency Plan for AIDS Relief."

Audit of USAID/Vietnam's Social Marketing Prevention and Supportive Services in Vietnam Program. UNAIDS estimates that adult HIV prevalence for injecting drug users in Vietnam is between 23.1 and 70 percent, depending on the province. Additionally, almost 80 percent of Vietnam's reported AIDS cases affect men between the ages of 20 and 39.

To address the problem of widespread infection of young Vietnamese men through tainted drug injections, and to support the U.S. Government's PEPFAR strategy in Vietnam, USAID signed a 5-year, \$15.5 million task order with Population Services International to implement the Social Marketing Prevention and Supportive Services in Vietnam Program. The program aims to expand and strengthen HIV/AIDS prevention, care, and support services in Vietnam. More specifically, the program's goal is to reduce HIV prevalence among the most-at-risk populations through promoting commodities and services, increasing safer behavior practices, and reducing the initiation of drug use among core transmitters and vulnerable populations in Vietnam.

This audit will determine whether USAID's Social Marketing Prevention and Supportive Services Program is expanding and strengthening HIV/AIDS prevention, care, and support services to reduce HIV prevalence in Vietnam.

Audit of USAID/Zambia's Gender-Related HIV/AIDS Activities. The Lantos-Hyde Act recognized that women and girls bear the effects of HIV/AIDS disproportionately compared with men. Accordingly, this legislation requires the new 5-year strategy to address the special needs of women and girls. Built upon the HIV/AIDS program's initial high-priority gender strategies, the new requirements are intended to (1) increase gender equality in HIV/AIDS services, (2) reduce violence and coercion, (3) address male norms and behavior, (4) increase women's legal protection, and (5) increase women's access to income. These five areas contribute to the U.S. Government's gender-framework for international HIV/AIDS efforts. USAID/Zambia's

FY 2010 funding for HIV/AIDS activities (excluding amounts for drug procurement) was \$109.8 million.

This audit will determine whether selected gender-related HIV/AIDS activities implemented by USAID/Zambia are increasing gender equality in HIV/AIDS services, reducing violence and coercion, addressing men's norms and behavior, increasing women's legal protection, and increasing women's access to income. The audit will also determine whether program results reported by USAID for selected gender-related HIV/AIDS activities were complete and accurate.

Audit of USAID/Nigeria's Assistance to Orphans and Other Vulnerable Children. Over 14 million children have lost one or both parents to HIV/AIDS, and most households with orphans cannot meet their basic needs of health care, food, clothing, and education. Funding provided by the U.S. Government for HIV/AIDS activities supports host nations' wide-ranging programs to meet the needs of orphans and vulnerable children. Additionally, the Assistance for Orphans and Other Vulnerable Children in Developing Countries Act of 2005 authorizes assistance for these groups including, but not limited to, school food programs, culturally appropriate psychosocial support, and treatment for HIV/AIDS.¹⁷ Funding in FY 2010 for U.S. Government HIV/AIDS activities in Kenya was \$528.8 million.

This audit will determine whether USAID/Nigeria's activities for orphans and vulnerable children are providing material and psychological support and community care to these targeted groups as well as strengthening the economy. This audit will also determine whether program results reported for these activities are complete and accurate.

Audit of USAID/Southern Africa's Regional HIV/AIDS Program in Lesotho. With nearly a quarter of Lesotho's adult population estimated to be HIV positive, AIDS constitutes an alarming threat. To mitigate the impact of the epidemic and support the country's health system for treatment, USAID's interventions in Lesotho sustain comprehensive HIV/AIDS prevention, treatment, and care programs. USAID's FY 2010 HIV/AIDS budget for Lesotho was approximately \$18 million.

This audit will determine whether USAID/Southern Africa's regional HIV/AIDS program in Lesotho is mitigating the effects of the epidemic and supporting the country's health system for treatment. Also, the audit will assess whether USAID/Southern Africa's regional HIV/AIDS program in Lesotho has reported the results completely and accurately.

Audit of USAID's Social Marketing and Behavior Change Interventions for HIV/AIDS, Reproductive & Sexual Health, and Child Survival Project in Cambodia. Thirty years of conflict and subsequent famine have devastated Cambodia's

¹⁷ Public Law 109-95, as codified in 22 U.S.C. 2152(f).

infrastructure, human resources, and cultural traditions. Despite significant developmental gains and economic growth over the last decade, Cambodia's economic and health indicators remain among the worst in the region. Between 40 and 50 percent of Cambodians continue to live on less than \$1 per day. Only half of the country has access to basic health services, and rural communities, where roughly 84 percent of Cambodia's 13.1 million people live, are disproportionately underserved.

To help combat these problems, in February 2008 USAID/Cambodia initiated implementation of the Social Marketing and Behavior Change Interventions for HIV/AIDS, Reproductive & Sexual Health and Child Survival Project. The \$15.9 million health project's goal is to improve the health of poor and vulnerable Cambodians through increasing the consistent and correct use of high-quality essential health products and services among priority at-risk populations.

This audit will determine whether USAID's Social Marketing and Behavior Change Interventions for HIV/AIDS, Reproductive & Sexual Health and Child Survival in Cambodia Project is improving health for poor and vulnerable Cambodians.

Audit of USAID/Peru's Health Program Relating to Tuberculosis and HIV Infections. In FY 2009, USAID implemented a new project to continue its HIV/AIDS support to national and regional health authorities. Peru reported 35,797 cases of HIV infection and 23,389 cases of AIDS. Prevalence in the general population has been stable in recent years but with an uneven distribution of cases and risk in a concentrated epidemic. In rural Amazonian and urban areas, HIV prevalence is higher (1.5 percent among males 18–29 years old). In most cases, HIV infection is transmitted sexually. The problem of vulnerable children and adolescents living with HIV/AIDS is a growing concern in Peru. In addition, in FY 2009, USAID continued to support the Ministry of Health's efforts to reduce the threat of all forms of TB.

This audit will determine whether USAID/Peru's health program relating to HIV/AIDS and TB is strengthening the Ministry of Health's ability to regulate and oversee the health system in regional and local governments.

Malaria

Audit of USAID/Ghana's Malaria Program. In 2005, the President's Malaria Initiative (PMI) was announced, and Ghana was selected as one of the 15 focus countries in a 5-year, \$1.2 billion initiative to rapidly scale-up malaria prevention and treatment interventions in high-burden countries in sub-Saharan Africa.¹⁸ PMI is led by USAID and the Centers for Disease Control and Prevention. Malaria is transmitted throughout Ghana, and the entire population is at risk. According to the Ghana Health Service,

¹⁸ The 15 PMI countries are Angola, Benin, Ethiopia, Ghana, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Rwanda, Senegal, Tanzania, Uganda, and Zambia.

malaria is the primary cause of morbidity, accounting for about 38 percent of all outpatient illnesses, 36 percent of all hospital admissions, and 33 percent of all deaths in children under age 5. Between 3.1 million and 3.5 million cases of clinical malaria are reported in public health facilities each year, of which 900,000 cases are in children under age 5.

Under the 2008 Lantos-Hyde Act, eight countries (including Ghana) were added to PMI, and as of FY 2010 there were 32 “operating units” countries and groups of countries (like the Central Asian Republics) covered under the initiative. PMI funding began with \$30 million in FY 2006, and then increased to \$135 million in FY 2007 and \$300 million in FY 2008 and FY 2009. Funding is expected to reach \$500 million by FY 2010.

This audit will determine whether USAID/Ghana has prevented malaria and provided treatment interventions through the purchase and distribution of insecticide-treated nets, indoor residual spraying campaigns, intermittent preventive treatment in pregnant women, and case management and other monitoring and evaluation plans.

Audit of USAID/Tanzania’s Ongoing Activities Under the President’s Malaria Initiative. In 2006 Tanzania was one of three countries where USAID began its PMI activities, with a goal to reduce malaria deaths by 50 percent by reaching 85 percent of the most vulnerable people (pregnant women and children under age 5) through prevention and treatment activities. First-year key activities focused on spraying indoor residual insecticides and distributing insecticide-treated mosquito nets on the island of Zanzibar. These interventions succeeded in reducing malaria cases on Zanzibar, and PMI activities were extended to the mainland. The PMI budget in Tanzania was \$52 million in FY 2010—\$46.8 million budgeted for the mainland and \$21.3 million for commodities.

This audit will determine whether (1) USAID/Tanzania’s mainland PMI activities are reducing malaria-related deaths by 50 percent by reaching 85 percent of the most vulnerable segments of the population with prevention and treatment interventions, (2) program results reported by USAID/Tanzania’s mainland activities under PMI are complete and accurate, and (3) USAID/Tanzania’s earlier success in reducing malaria cases on Zanzibar has been sustained.

Health Programs in Haiti

Audit of USAID/Haiti’s Health Activities Supporting Long-Term Reconstruction. Before the 2010 earthquake, the Government of Haiti’s health systems were fragile and inefficient; after the earthquake, they became worse. The Ministry of Health (MOH) building was destroyed in the earthquake, as were buildings of the State University Medical School, and many government clinics and hospitals were critically damaged. In its postquake strategy for health, family planning, and nutrition for Haiti, USAID has addressed plans for reconstruction and reform efforts concentrated

on rebuilding human and financial resource management systems and on managerial coordination between the MOH central and provincial directors. USAID requested \$40 million to meet health care needs that increased in rural areas because of the postquake relocation of affected populations.

This audit will determine whether USAID/Haiti's health activities supporting long-term reconstruction and development programming are strengthening Haiti's health care system.

Audit of USAID/Haiti's Leadership, Management, and Sustainability Program. Since 1980, Management Sciences for Health (MSH) has been helping to strengthen Haiti's health system, which has suffered from political instability and severe poverty. In January 2008, the USAID/Haiti Mission funded the Leadership, Management, and Sustainability (LMS) Program, which focused on repairing the "broken" commodity security management and distribution system; addressing the shortage of leadership and management capacity within the Ministry of Public Health and Population; and answering the enormous unmet needs in reproductive health and family planning among the youth in Cité Soleil.

Despite considerable progress in controlling the HIV/AIDS epidemic, the disease continues to spread in the Haitian population, particularly among sexually active men and women. In further response to these challenges, in March 2010, USAID/Haiti awarded a 5-year, \$12 million cooperative agreement to MSH to establish strong program and management systems and train and empower Haitian health managers and related personnel to be effective leaders with the managerial skills to maintain those systems. USAID/Haiti included an additional \$20 million to fund activities for unanticipated events within the overall scope of the program description.

This audit will determine whether USAID/Haiti's Leadership, Management, and Sustainability Program has established strong program and management systems and training and empowered Haitian health managers to be effective leaders with the managerial skills to maintain those systems.

Other Health Programs

Audit of USAID/Guinea's Family Planning and Reproductive Health Activities. Guinea ranks 160 out of 177 countries covered in the UN Development Programme's *Human Development Report*, with life expectancy, literacy rates, and child and maternal mortality rates among the worst in the world.

The U.S. Government provides capacity-strengthening activities to help the people of Guinea develop effective and sustainable services in HIV/AIDS, maternal and child health, and reproductive health and family planning. Particularly for family planning and

reproductive health services, the U.S. Government seeks to build the Government of Guinea's capacity to provide pre-service and in-service training in family planning and to expand the network of community-based distributors who provide contraceptive supplies and services to hard-to-reach populations. In FY 2009, the U.S. Government donated almost \$2.8 million through USAID in support of these activities.

This audit will determine whether USAID/Guinea's Family Planning and Reproductive Health activities are increasing the contraceptive prevalence rate.

Audit of USAID/India's Innovations in Family Planning Services Program.

India's population, already large at 1.2 billion, continues to grow annually at a rate of 1.5 percent. Contraceptive use in India has seen a slow but steady rise over the past several decades, but data indicate that family planning needs are not being fully met because of inadequate service provision and counseling as well as limited access to commodities. In addition, the infant mortality rate—301 maternal deaths per 100,000 live births throughout India—is still unacceptably high.

To assist the Government of India in reducing fertility and increasing contraceptive use in targeted regions, USAID designed the Innovations in Family Planning Services Program. The overall goal of the program is to strengthen health systems to allow the delivery of quality family planning and reproductive health services. The project focuses on strengthening institutions, improving demand and use of family planning services and products, strengthening community-based delivery of such services, and developing public-private partnership models.

This audit will determine whether USAID/India's Innovations in Family Planning Services Program is strengthening health systems to allow for the delivery of quality family planning and reproductive health services.

Audit of USAID/Madagascar's Family Planning and Reproductive Health Activities. In the recent past, USAID supplied 80 percent of the public sector's contraceptive needs in Madagascar; however, a military coup in March 2009 forced USAID to reprogram contraceptive funds rapidly to the private sector, local NGOs, community health workers, and community associations. Because of these frequent changes, as well as a lack of leadership at the central level, Madagascar is at risk of losing recent gains in the use of modern family planning methods. Actual funding for USAID/Madagascar family planning and reproductive health activities in FY 2009 was \$12 million, and \$14 million was requested for FY 2010.

This audit will determine whether USAID/Madagascar's family planning and reproductive health activities are making family planning and reproductive health services more available. The audit will also determine whether the program results reported by USAID/Madagascar's family planning and reproductive health activities are complete and accurate.

Audit of USAID/Egypt's LIFE Integrated Water Resource Management Program II Activities. Because of increases in household incomes and new markets for agricultural production, Egyptian Government officials expect the demand for water to rise sharply. USAID/Egypt awarded a \$3.9 million contract to the International Resources Group to continue to support the Egyptian Government's recent reform efforts to help promote the sustainability of the water and wastewater sector from January 25, 2009, to September 30, 2012. The program aims to increase the number of association and water management districts and to work with Egypt's national, regional, and local institutions to enhance their capacity to plan, construct, rehabilitate, operate, maintain, and finance the country's vast and complex water resources system.

This audit will determine whether USAID/Egypt's LIFE Integrated Water Resource Management II Program is increasing the productivity and efficiency of water resources, improving water quality, and improving equitable allocation of water resources.

Audit of USAID/Lebanon's Small Village Wastewater Treatment Systems Project—Phase II. The Litani River is one of Lebanon's most important freshwater resources. It provides drinking water to more than 350,000 people in more than 161 communities and is the fundamental component of the Bekaa Valley's agricultural and industrial sectors. However, the Litani watershed suffers from serious water pollution, caused primarily by agrochemical contamination and a lack of domestic wastewater treatment. To address the challenges facing the Litani Basin, USAID/Lebanon awarded an \$18 million contract to CDM, which will end in June 2011.

The contractor completed the first phase of the project, which entailed identifying locations that needed wastewater treatment and designing the plants. The second phase is to construct wastewater treatment plants and provide management services, commission the plants, and train designated municipal operators to run and maintain the plants in Southern Baalbek, Northern Zahle, and West Bekaa Cazas.

This audit will determine whether USAID/Lebanon's Small Village Wastewater Treatment Plant System Project (Phase II) is providing training in operations and maintenance to designated municipal operators.

Review of USAID/Egypt's Communication for Healthy Living Program. In July 2003, USAID/Egypt awarded a 5-year, \$8.4 million agreement to Center for Communication Programs, Johns Hopkins Bloomberg School of Public Health, to provide support for the implementation of USAID/Egypt's Communication for Healthy Living Program. Because of activities added after the initial agreement, USAID/Egypt increased the total estimated cost to \$25 million and extended the completion date to February 2011. The goal of the program is to provide cross-cutting communications support for health services and to develop institutional, technical, and financial leadership and systems to implement health communications programs.

This review will determine whether USAID/Egypt's Communication for Healthy Living Program is providing cross-cutting communication support for health services and developing institutional, technical, and financial leadership and systems to implement health communications programs.

Audit of USAID/Jordan's Private Sector for Women's Health Project. Jordan has one of the fastest growing populations in the world. Between the censuses conducted in 1979 and 1994, the population grew from 2.1 million to 5.1 million people—an average increase of 2.7 percent annually. At this rate, the country's population will double in 25 years. Jordan's scarce resources, high fertility rates, and young population (70 percent under 30 years old) demand attention to reduce population growth, improve service delivery, and address emerging challenges, such as breast cancer. USAID/Jordan awarded approximately \$18.9 million in a 5-year, cost-plus-fixed-fee task order to Abt Associates Inc. for the Private Sector for Women's Health Project, with a completion date of January 2012.

This audit will determine whether USAID/Jordan's Private Sector for Women's Health Project is reducing fertility and improving women's health.

Audit of USAID/El Salvador's Maternal and Child Health Activities. Unequal access to quality health services presents a major obstacle to achieving overall health improvements, as well as economic and social development, in El Salvador. This obstacle affects all health indicators, but especially those for maternal and child health, which have been slow to improve among poor, rural, or otherwise marginalized groups.

USAID/El Salvador's Maternal and Child Health Program seeks to improve maternal, child, and infant health through expanded outreach to poor areas. USAID also supports the government in developing a long-term health strategy to address sector integration of major health providers; developing incentive schemes for health care sector personnel; developing public health programs at the municipality level; and identifying potential public-private partnerships. USAID/San Salvador's funding level for Maternal and Child Health Programs covering FY 2009 and 2010 totaled \$4.1 million, distributed through grants and contracts.

This audit will determine whether USAID/El Salvador's Maternal and Child Health Program is improving access to improved maternal and infant care.

Audit of USAID/Cambodia's Better Health Services Project. Poor health limits economic opportunity and contributes to ongoing poverty. Cambodians spend approximately 11 percent of their household income on health care every year, much of it in pharmacies and drug shops. Cambodia also has among the highest maternal mortality and HIV/AIDS prevalence rates in Southeast Asia. Other health indicators, such as life expectancy and child and infant mortality, also lag behind most Asian nations.

Increasing health care efficiency by supporting reform efforts and using partners more effectively would help to improve the lives of Cambodia's poor and vulnerable citizens.

To help tackle these problems, in December 2008 USAID/Cambodia initiated the 5-year, \$33.6 million Better Health Services Project. The project intends to strengthen an integrated, decentralized health care delivery system by institutionalizing better capacity at the provincial and operational district levels. The project will harness the considerable existing resources and expertise of the public, NGOs, and community organizations working together at the operational and service delivery level.

This audit will determine whether USAID/Cambodia's Better Health Services Project is improving health care capacity at the provincial and operational district levels and supporting health care reform efforts to improve the quality and efficacy of key programs.

Audit of USAID/Bolivia's Integrated Food Security Activity. USAID/Bolivia's Integrated Food Security Project is a major new initiative that seeks to empower municipal governments, local organizations, the private sector, and communities in finding technologically appropriate and culturally sensitive solutions to the problems of chronic malnutrition and low levels of food security. The overall goal is to increase food security and decrease chronic malnutrition in rural areas of Bolivia. The project will take an integrated approach that addresses food availability, access, use, and vulnerability in support of the Government of Bolivia's Extreme Poverty Alleviation Program. The \$4.4 million project was initiated by Abt Associates Inc. at the end of FY 2009.

This audit will determine whether USAID/Bolivia's integrated food security project is increasing food security and decreasing chronic malnutrition in rural areas.

Audit of USAID's Food Assistance Under the Multiyear Assistance Program in Niger. USAID provides grants for food assistance to private voluntary organizations and the UN World Food Programme under Title II of Public Law 480.¹⁹ In FY 2008, USAID provided more than 2.6 million metric tons of food, valued at more than \$2.6 billion, benefiting people in 49 countries worldwide. Most of these resources were provided to Chad, Niger, Burkina Faso, and Mauritania. About 1.5 million people were reached by Title II nonemergency assistance in FY 2008, the majority of them women. The project provided a total of \$66 million between FY 2006 and FY 2013 to the three major private voluntary organizations to fund the Niger food assistance activities.

This audit will determine whether USAID food assistance activities under the Multiyear Assistance Program is improving agricultural productivity and maternal and child health.

¹⁹ The Agricultural Trade Development and Assistance Act of 1954, also known as the Food for Peace Act or Public Law 480.

Education

Audit of USAID/Haiti's Education Activities. One challenge to educational development in Haiti is the highly centralized governance of the public school system. Only recently has the government committed to allowing participation of parents and community leaders in school management decisions. However, schools have not yet mastered the participatory procedures for decision making and resource management. The Ministry of National Education and Vocational Training (MENFP) has not put in place systems and procedures to guarantee transparency in the use of public funds, to coordinate across technical departments, or to provide adequate school supervision. The MENFP's departments do not have the capacity to manage the overall education system. In response to this challenge, USAID awarded a task order to provide technical assistance and training to strengthen the capacity of the MENFP to increase access of Haitian children and out-of-school youth to quality basic education. This \$18.2 million award started in May 2008 and is scheduled to end in June 2011.

This audit will determine whether USAID/Haiti's education activities are strengthening the capacity of the Ministry of National Education and Vocational Training to increase access to quality basic education for Haitian children and out-of-school youth.

Audit of USAID's American Schools and Hospitals Abroad Program. USAID's American Schools and Hospitals Abroad Program awards grants to academic institutions that serve as study and demonstration centers for ideas and practices of the United States. These grants can be used to address such issues as infrastructure, teaching, and research. In 2008, 25 academic institutions received grants totaling \$12.7 million. Over 5 years, about 100 academic institutions will be granted approximately \$63 million.

This audit will determine whether USAID's American Schools and Hospitals Abroad Program has awarded grants to institutions abroad that promote the ideas and practices of the United States.

Audit of USAID's Higher Education for Development Program. USAID's Higher Education for Development Program administers educational partnerships to strengthen institutional capacity. The program has developed over 300 university partnerships since 1998, involving more than 190 U.S. colleges and universities from 44 states and the District of Columbia. In FY 2009, USAID committed \$11 million toward the Higher Education for Development Program.

This audit will determine whether USAID's Higher Education for Development Program has effective processes and assessment tools in place to properly monitor and evaluate its educational partnerships.

Audit of USAID/Jordan's Education Reform Support Program. Jordan's educational system faces multiple challenges: a region in social and cultural crisis, a regional and global economy that requires Jordan to compete beyond its borders for resources and to use them wisely, and a recent flood of Iraqi refugees. On May 13, 2009, USAID/Jordan awarded a 5-year, \$42 million contract to Creative Associates International Inc. to implement the education reform program. The estimated completion date is May 12, 2014.

This audit will determine whether USAID/Jordan's Education Reform Support Program is providing technical assistance, training, and classroom renovation to improve early childhood and youth education in Jordan's public school system and complementing the government's efforts for education reform.

Audit of USAID/Yemen's Basic Education Support and Training Project.

Yemen's literacy, student enrollment, and retention rates are among the worst in the world, particularly for girls in rural areas. USAID/Yemen issued a 5-year, \$20 million agreement to the Academy for Educational Development to implement the Basic Education Support and Training (BEST) Program. The agreement period is September 30, 2007, to December 31, 2012.

This audit will determine whether USAID/Yemen's BEST Program is strengthening the capacity of communities, schools, and the Ministry of Education to improve and sustain education for Yemen's children.

Audit of USAID/El Salvador's Basic Education Activities. USAID/El Salvador reported that in FY 2010 it would address educational needs at the secondary level—particularly at the lower secondary level (equivalent to U.S. middle school). USAID's activities would try to keep youth in school while increasing their leadership potential, specifically by providing scholarships to students to attend public or private lower secondary institutions linked to youth leadership activities. USAID also planned to support after-school activities that provide remedial academic skills and workforce readiness. USAID/San Salvador awarded cooperative agreements to the Academy for Educational Development and the Business Foundation for Educational Development to implement its education program activities. The mission's total planned funding for this program element was \$2.2 million for FY 2009 and \$7.3 million for FY 2010.

This audit will determine whether USAID/El Salvador's education activities are supporting educational polices and increasing and improving basic education opportunities.

Social and Economic Services and Protection for Vulnerable Populations

Audit of USAID/Lebanon’s Landmines and War Victims Program. Southern Lebanon, including the District of Jizzine, has been particularly affected by the country’s ongoing strife. Military activities and the neglect of key infrastructure have seriously damaged the local economy. To address these issues, USAID/Lebanon awarded a cooperative agreement in September 2006 to the War Rehabilitation Fund to support the program Expanding Economic Opportunities for Victims of War in the District of Jizzine—South Lebanon. Originally scheduled to end in August 2007, the mission extended the program through August 2012 and increased the estimated budget from \$2.8 million to \$5.7 million.

The fund supports financial and technical assistance for people living with disabilities, particularly those who have sustained mobility-related injuries from unexploded ordnance and antipersonnel landmines. In addition, the fund supports the design and enforcement of international standards to ensure that practitioners who provide care to survivors are competent and that treatment and equipment are used effectively to increase the mobility of people with disabilities.

This audit will determine whether USAID/Lebanon’s Landmines and War Victims Program is expanding viable and sustainable economic opportunities for victims of war in the District of Jizzine, Lebanon.

Economic Growth and Prosperity

Economic Security

Audit of USAID/Haiti’s WINNER Program. To reduce economic and environmental vulnerability in Haiti, USAID initiated the Watershed Initiative for National Natural Environmental Resources (WINNER) Program. This program seeks to increase agricultural productivity and generate alternative income sources; improve critical infrastructure; and reduce the risk of flooding by stabilizing hillsides to restore the plain’s irrigation capacity. A key feature of the program is the \$100 million Watershed Investment Fund. The fund will support key watershed activities, help build capacity, and collaborate with other projects and donors.

This audit will determine whether USAID/Haiti’s WINNER Program is reducing economic and environmental vulnerability in Haiti.

Audit of USAID/Jordan’s Youth: Work Jordan Program. As part of the ongoing cooperation between Jordan and the United States in addressing the needs of vulnerable Jordanian youth, the two countries launched the Youth: Work Jordan Program in 2009.

This 5-year, \$30 million project funded by USAID and administered by the International Youth Organization will help the Government of Jordan partner with the private sector and civil society organizations to institutionalize a responsive, demand-driven program that will meet the needs of vulnerable youth and their communities.

Initially, the program will target six communities in Jordan to provide opportunities for marginalized youth 15–24 years of age who are out of school and unemployed. The program will equip them with the skills to find employment, become active and positive agents of change within their communities, adopt healthier lifestyles, and gain access to the public services that they need.

This audit will determine whether the Youth: Work Jordan Program is providing disadvantaged youth with basic employment skills and entrepreneurial training that result in employment and the establishment of enterprises and businesses.

Audit of USAID/Rwanda’s Agricultural Activities. Four out of five Rwandans rely on subsistence agriculture. For that reason, USAID’s agricultural activities in Rwanda seek to increase agricultural productivity and improve the livelihoods of previously underserved small landholders. Implementing a multifaceted approach across the farming cycle, USAID’s activities help connect farmers to markets by improving rural farm-to-market roads, enhancing the land available for farming, and strengthening postharvest handling, storage facilities, and management capacity. Approximately \$27 million was obligated to Rwanda’s agricultural activities in FY 2010.

This audit will determine whether USAID/Rwanda’s agricultural activities are contributing to sustained rural economic growth and whether the reported results are complete and accurate.

Follow-Up Audit of USAID/Sudan’s Road Infrastructure Activities. Upgrading the 192-kilometer Juba–Nimule road in southern Sudan is the principal road infrastructure activity under the Sudan Infrastructure Services Project, a 5-year, \$700 million indefinite quantity contract through September 2011 with the Louis Berger Group Inc. OIG’s initial audit of the mission’s road infrastructure activities found that while the Juba–Nimule road was likely to achieve its main goals, the project was over budget and behind schedule.²⁰ At the time of the audit, the road was already 8 months behind schedule, and the cost had risen from an initial estimate of \$87 million to \$163.8 million. Concerns remain that design and security issues could cause additional construction delays and cost increases.

This audit will determine whether the Juba–Nimule road has been completed according to schedule and budget.

²⁰ [Audit Report No. 4-650-09-009-P](#), September 2009.

Audit of USAID/Bolivia’s Integrated Alternative Development Program.

Since the 1980s, Bolivia has been a major producer of cocaine; in addition, the country serves as a major transshipment point for narcotics from Peru and other South American countries. Combating international narcotics production and trafficking in Bolivia is a key component of the U.S. national drug control strategy. In support of this strategy, the USAID/Bolivia initiated a program that includes interdiction, eradication, demand reduction, law enforcement training, and alternative development. To support this strategy, USAID’s Integrated Alternative Development Program attempts to diversify the economies of coca-growing regions, strengthen productive capacities, improve access to essential social services, and improve rural road infrastructure.

This audit will determine whether USAID/Bolivia’s Integrated Alternative Development Program is providing alternatives to reduce communities’ dependence on coca as an income source and establish a sustainable basis for long-term growth.

Audit of USAID/Southern Africa’s Bilateral Economic Growth Program.

USAID/Southern Africa’s economic growth program is designed to mirror the South African Government’s strategy for job creation and growth with equity, focusing on creating employment and income for historically disadvantaged people through the development of small and medium-sized enterprises in the manufacturing, services, and agricultural sectors. Specifically, USAID technical assistance and training helps black-owned-and-managed small businesses to identify new markets, increase production, improve management capacity, and secure financing to expand and create sustainable private sector employment. Funding for FY 2010 funding is estimated at \$11.9 million.

This audit will determine whether USAID/Southern Africa’s bilateral economic growth activities are promoting job creation and growth with equity. The audit will also determine whether program results reported by USAID/Southern Africa’s bilateral economic growth activities are complete and accurate.

Audit of Participant Training Programs in USAID’s Bureau for Economic Growth, Agriculture, and Trade. Each year, USAID supports training for hundreds of thousands of host-country participants—478,000 in 2007 alone. The training includes study tours, conferences, and academic training. U.S.-based training exposes foreign participants to American expertise and ideas that can be taken back to their home countries for developmental purposes. USAID manages participant training programs under individual technical projects in all sectors.

This audit will determine whether specific participant training programs in USAID’s Bureau for Economic Growth, Agriculture, and Trade are achieving sustainability by strengthening the abilities of host-country partner organizations.

Audit of USAID/Philippines’ Growth With Equity in Mindanao (GEM) Program. The southern Philippines island of Mindanao, home to about 22 million

people, has been the site of an extensive antigovernment armed conflict for more than three decades. Mindanao remains the least developed region of the Philippines, with the lowest levels of per capita income and education and the highest levels of endemic disease, illiteracy, and unemployment.

Since the early 1990s, USAID has been allocating large amounts of assistance to Mindanao to help break the cycle of poverty. The GEM Program is the largest, and it serves as an umbrella program that allows USAID to support a wide range of activities in Mindanao, all intended to contribute to peace and development in this region. Program activities seek to grow businesses and build infrastructure, train the workforce, improve governance, and reintegrate former combatants. The program was conceived as a 5-year program, from 1996 to 2001; however, USAID has extended the program twice, and the current \$126 million program (known as GEM-3) covers a 4-year period from January 1, 2008, to December 31, 2012.

This audit will determine whether USAID/Philippines GEM Program is helping to establish peace and promote development in Mindanao.

Audit of USAID/Senegal's Economic Growth Activities. Senegal has tremendous potential for economic growth, but the country also faces significant threats to its stability. Senegal has long been considered one of the most stable countries in West Africa and is one of the only West African countries that has not experienced a coup d'état. It has developed into one of the strongest economies in the region, in part because of its relatively strong economic growth—greater than 6 percent per year. In fact, a recent study published by the African Development Bank and the Organization for Economic Cooperation and Development states that Senegal could replace pre-crisis Côte d'Ivoire as the motor for growth in West Africa.

However, Senegal's stability is threatened by high unemployment, weak institutions, a lingering 23-year separatist rebellion in the Casamance region, and potential collapse in the neighboring states of Guinea, Guinea-Bissau, and Mauritania. USAID's strategy in Senegal seeks to boost economic growth by improving the business environment to attract more investment, increasing the volume of trade, and creating wealth through better management of Senegal's natural resources. USAID's funding for Senegal's economic growth program has increased from \$31 million to \$32 million requested in FY 2010.

This audit will determine whether USAID/Senegal's economic growth program has increased economic growth.

Audit of USAID/Tajikistan's Productive Agriculture Program. Half of the people in Tajikistan depend on agriculture for their livelihood. Because most farmers cannot obtain adequate materials, resources, or technology, however, their yields and incomes are low. Over the past 15 years, agricultural reform has made little progress,

causing production to decline and rural livelihoods to deteriorate. The steady decline culminated during the food and energy crisis in the winter of 2007–8 with an appeal to donors from the Government of Tajikistan for emergency assistance. Since the winter of 2009, people’s reliance on food aid has increased significantly, as agricultural production has remained low. To address this problem, USAID/Tajikistan has signed a 5-year, \$9.8 million contract with ACDI/VOCA to implement the Productive Agriculture Program in Tajikistan. The program aims to increase the productivity of traditional agricultural crops and raise farmers’ incomes by giving farmers access to new technologies, improving processing techniques, and establishing market linkages between farmer and consumer.

This audit will determine whether USAID/Tajikistan’s Productive Agriculture Program is increasing the productivity of traditional agricultural crops and expanding the agricultural profitability of farmers.

Audit of USAID/Liberia’s Energy Assistance Program. Liberia was in a constant state of conflict from 1989 to 2003. The years of conflict destroyed the social, political, and economic structures and left the government unable to provide basic services (including electricity) and security to its 300 million people. After 14 years of darkness, lights came on in Liberia’s capital city on July 26, 2006. USAID, under the Liberia Energy Assistance Program (LEAP), funded the first few months’ fuel supply for the Liberia Electricity Corporation. Other goals of the \$11 million program were to (1) promote and provide solar energy at schools, clinics, and other public institutions, particularly in rural areas, and (2) provide access to modern energy services to people living in urban poor neighborhoods and rural areas.

The LEAP Project ended in 2009 but was never audited. A new \$5 million project, the Liberia Energy Sector Support Program, will continue U.S. support for modern energy services. Procurement and implementing partner selection are under way.

This audit will determine whether the project supported modern energy activities and promoted and provided solar energy at schools, clinics, and other public institutions, particularly in rural areas in Liberia. The audit will also examine whether the program provided access to modern energy services to people living in poor urban neighborhoods and rural areas.

Audit of USAID/Morocco’s Agriculture Programs. The Government of Morocco launched a new growth strategy for its agriculture sector in 2009 called “Plan Maroc Vert”—the Green Morocco Plan. The strategy aspires to increase food security, boost Moroccan agricultural exports, and conserve water. Significant institutional reforms are proposed, including a shift within the Ministry of Agriculture and Fisheries from a production-centered orientation to one that is driven by global agricultural markets and value chains. One important aspect of the new strategy concentrates on organizing

producers in the agriculture sector to reduce poverty, ensure stable rural employment, enhance productivity, and increase incomes.

Although these reforms could result in long-term improvements in agricultural environments overall, some farmers and workers on small, subsistence-level holdings risk falling further behind economically if they do not adapt to the new agricultural environment. Also, agriculture and water management policy and institutional support are critical for the successful implementation of Morocco's new strategy and to ensure that gains are seen by all segments of the agriculture sector.

This audit will determine whether USAID/Morocco is improving the efficiency of water use and management for increased agricultural growth and productivity.

Audit of USAID/Vietnam's Competitiveness Initiative Phase II Program.

Vietnam's rapid growth has outpaced its infrastructure, creating cost and efficiency issues for businesses. Many foreign investors—such as Nike, which employs over 200,000 Vietnamese workers—are encouraging the Vietnamese Government to accelerate planning and investments in infrastructure so that large investors can expand exports and create more jobs. If infrastructure is not improved soon, foreign investors will not be able to sustain the projected 25 percent export growth per annum or the increased employment that are so important to this country of 85 million people.

To assist in tackling these issues, USAID/Vietnam launched the Competitiveness Initiative Phase II Program. Implemented by Development Alternatives Inc., this \$12.4 million, 4½-year project will support private sector growth. The program will aim to support legal and regulatory reform, introduce new financing models for infrastructure development, and provide education to key stakeholders regarding alternative mechanisms for infrastructure financing.

This audit will determine whether USAID/Vietnam's Competitiveness Initiative Phase II Program is assisting in removing constraints to growth and competitiveness affecting the private sector.

Environment

Audit of USAID’s Controls to Protect the Environment Under Its Malaria Prevention and Treatment Programs. The President’s Malaria Initiative is a \$1.2 billion, 5-year initiative with the goal of reducing malaria-related deaths by 50 percent in 15 countries. The initiative aims to reduce malaria-related mortality with malaria prevention methods that have proven effective, including insecticide-treated bed nets and indoor residual spraying with insecticides. Though approved for use, these insecticides could have lasting effects on the environments and communities in which they are used if not properly managed and monitored.

This audit will determine whether USAID’s controls under its malaria prevention and treatment programs are effective in protecting the environment and surrounding community.

Audit of USAID/Bangladesh’s Integrated Protected Area Co-Management Program. Bangladesh sits in the largest delta in the world, and nearly all of its land is less than 10 meters above sea level. This geographical feature and the dense population make Bangladesh highly vulnerable to global climate change. Moreover, the country has lost over 50 percent of its forests in the last 30 years, and the remaining forests, even in protected areas such as sanctuaries and national parks, are critically threatened. To address these environmental issues, USAID/Bangladesh initiated implementation of the \$12.8 million Integrated Protected Area Co-Management Project in June 2008. This project was designed to promote and institutionalize an integrated co-management system for sustainable natural resources management and biodiversity conservation in protected areas.

This audit will determine whether USAID/Bangladesh’s Integrated Protected Areas Co-Management Program is increasing responsible, equitable economic growth and good environmental governance.

Audit of USAID/Ecuador’s Environment Program. Conserving biodiversity is a longstanding U.S. foreign assistance priority in Ecuador, as it is one of the world’s most biodiverse countries. Protected areas and indigenous territories, which cover one-third of Ecuador’s territory, are home to some of the world’s richest biodiversity—but also to some of the most impoverished communities in the country. This fascinating diversity is under threat. Ecuador has one of the highest rates of deforestation in Latin America and releases significant amounts of carbon dioxide. Ecuador’s unique biodiversity is also being wasted by poor governance.

USAID/Ecuador planned to invest \$5.1 million of FY 2010 funds in conserving biodiverse habitats in and around protected areas and indigenous territories. The mission aimed to increase the participation of Ecuadorians in management of their natural resources,

improve governance in national parks or indigenous territories, and reduce poverty by generating economic benefits for local residents through environmentally friendly and sustainable agro-forestry practices, tourism, and fisheries.

This audit will determine whether USAID/Ecuador's environment program is helping to conserve biodiverse habitats in and around protected areas and indigenous territories.

Audit of USAID/Peru's Environment Activities. Within the Environment Program, USAID/Peru's efforts are designed to improve the Government of Peru's environmental policy and strengthen the ability of environmental institutions to promote sustainable forest management and protect biodiversity. USAID/Peru's assistance, expected to total over \$42 million through FY 2012, will help build the Peruvian Government's capacity to enforce environmental laws and prosecute environmental crimes. Additionally, USAID will strengthen systems for meaningful public participation in environmental and natural resources policy and regulatory decisions, including the establishment of a trade and environmental advisory committee.

This audit will determine whether USAID/Peru's environmental activities are helping to improve the Government of Peru's environmental policy and strengthen the ability of environmental institutions to promote sustainable forest management and protect biodiversity.

Humanitarian Assistance

Protection, Assistance, and Solutions

Audit of USAID/Haiti's Shelter and Supporting Infrastructure Activities. As a result of the devastating earthquake that hit Haiti in January 2010, millions of people needed emergency shelter assistance and other relief items. Relief agencies estimate that nearly 2.1 million internally displaced persons (IDPs) are scattered among an estimated 1,325 settlements. To provide immediate shelter and support the long-term repatriation of these IDPs, the FY 2010 Haiti Supplemental Justification included \$313 million for a settlement strategy that would complement the work of others and focus U.S. shelter reconstruction efforts in and around Port-au-Prince with some investment in basic services in targeted secondary cities. These funds support economic growth opportunities and service the estimated 480,000 people who fled Port-au-Prince to towns in the north and west.

This audit will determine whether USAID/Haiti's shelter and supporting infrastructure activities are providing emergency shelter and supporting infrastructure.

Audit of USAID's Office of U.S. Foreign Disaster Assistance Activities in Sudan. With the responsibility of facilitating and coordinating U.S. Government

emergency assistance overseas, USAID's Office of U.S. Foreign Disaster Assistance (OFDA) provides humanitarian assistance to save lives, alleviate human suffering, and reduce the social and economic impact of humanitarian emergencies worldwide. More than 4.7 million people, including nearly 2.7 million IDPs, have been affected by the complex emergency in Sudan's western region of Darfur since 2003. In response to the conflict, displacement, and insecurity, OFDA provided \$93.3 million for programs throughout Darfur in FY 2009 and has obligated \$11.64 million for programs in Sudan in FY 2010.

This audit will determine whether OFDA's activities in Sudan are providing humanitarian assistance and whether program results reported by OFDA are complete and accurate.

Audit of Humanitarian Response to the 2008 Conflict in Georgia by USAID's Office of U.S. Foreign Disaster Assistance. The August 2008 Georgian-Russian conflict and its aftermath created a need to assist the Government of Georgia with its efforts to feed, house, and rebuild the lives of thousands of displaced persons. In FY 2009, as part of the U.S. Government's \$1 billion pledge to support Georgia's postconflict economic and reconstruction recovery, OFDA provided \$20.5 million in funds to provide food, infrastructure, education and agricultural assistance.

This audit will determine whether USAID's humanitarian efforts in Georgia are assisting and supporting the country's postconflict economic and reconstruction recovery.

Disaster Prevention and Mitigation

Audit of USAID's Famine Early Warning System Information Network. The Famine Early Warning System is a specialized information network that contends with chronic food insecurity in developing countries. Its primary function is to provide early warning and food security information to prevent famine and mitigate the effects of food insecurity. Initiated by Title II of Public Law 480, the program receives annual funding from Food for Peace nonemergency funds.

The audit will determine whether USAID's Famine Early Warning System Information Network is supplying decision makers with the best information available to address incipient emergency and chronic food security problems.

Management Capabilities

Financial Management

Monitoring and Reporting on the American Recovery and Reinvestment Act (ARRA).²¹ The ARRA as well as OMB memorandum M-09-10 require inspectors general to provide oversight to agencies receiving ARRA funds. USAID received \$38 million of ARRA funds from the Department of State to complete the development of the Global Acquisition and Assistance System. Reviews or audits will track the resources that USAID expends to determine whether (1) the recipients and the use of the funds are transparent to the public, (2) funds are used for authorized purposes, (3) project delays and cost overruns are prevented, (4) program goals are achieved, and (5) reports are compliant and submitted in a timely manner.

Audit of USAID's FY 2011 Financial Statements. In accordance with the Government Management Reform Act of 1994 (GMRA), OIG will conduct an audit of USAID's consolidated financial statements.²²

The audit will determine whether USAID's FY 2011 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-136, *Financial Reporting Requirements*. OIG will obtain an understanding of USAID's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

The multicountry audit of USAID's FY 2011 financial statements will incorporate audit work overseas and in Washington, DC.

Review of USAID's Efforts to Reduce Obligations for High-Risk Contracting Authorities. Noncompetitive contracting, cost-reimbursement contracts, and time-and-material and labor hour (T&M/LH) contracts pose special risks of overspending. Noncompetitive contracts present a risk because there is no direct market mechanism for setting the contract price. Cost-reimbursement contracts and T&M/LH contracts pose a risk because they provide no direct incentive to the contractor for cost control.

While these contract authorities are important tools when used appropriately, reports from GAO, agency inspectors general, and agency management indicate that they are often used without an appropriate basis or sufficient management and oversight to limit taxpayer risk. In response to a Presidential initiative, USAID set a goal to reduce by

²¹ Public Law 111-5.

²² Public Law 103-356.

10 percent the share of dollars obligated in FY 2010 under new contract actions that are awarded with high-risk contracting authorities.

The review will determine whether USAID reduced obligations by 10 percent for high-risk contracting authorities for new contract actions.

Review of USAID's Administrative Costs for Implementing MCC's Threshold Program. In cooperation with the Millennium Challenge Corporation (MCC), USAID is the primary agency implementing the Threshold Program, and the Office of Development Partners is responsible for the overall management of the program.²³ USAID's participation has expanded from no countries in September 2004 to 23 countries in 2010, and it has obligated about \$495 million as of September 30, 2010. In addition to directing up to 10 percent of total MCC funds to the Threshold Program, MCC compensates USAID for the cost of administering this program through a transfer of an administrative fee equal to 7 percent of the Threshold Program's funding.

The review will determine whether the administrative fee received from MCC is adequate for USAID to recover administrative costs associated with implementing threshold programs at selected overseas missions.

Audit of USAID's Consolidation of Vendor Codes within Phoenix and GLAAS. USAID uses an Agency-wide integrated core financial system called Phoenix and an Agency-wide system called the Global Acquisition and Assistance System (GLAAS) to manage awards throughout the acquisition and assistance lifecycle. To eliminate the use of duplicate vendor codes, the Agency synchronized the vendor codes used in both systems in March 2010 and marked duplicate vendors from being used on future awards.

We are conducting this audit to ensure that the controls over vendor codes in the Phoenix and GLAAS systems are promoting tracking and reporting of vendor financial information within the systems.

Oversight of OMB Circular A-133 Audits; Defense Contract Audit Agency (DCAA) Audits; Enterprise Fund Audits; Audits Contracted by USAID; and Audits Contracted by Overseas Contractors and Grant Recipients. Annual audits are required pursuant to OMB Circular A-133, the Support for Eastern European Democracy Act, the Federal Acquisition Regulation (FAR), and terms of grant and cooperative agreements. USAID relies on nonfederal auditors to audit the operations of nonprofit grantees and USAID Enterprise Funds; federal auditors audit the operations of its for-profit contractors. The audits are conducted in accordance with generally

²³ The Threshold Program assists countries that are committed to undertaking the reforms necessary to improve policy performance and eventually qualify for MCC assistance. Threshold program assistance will be used to help such countries address the specific policy weaknesses indicated by the country's scores on the 16 policy indicators that are central to the MCC eligibility criteria and methodology.

accepted government auditing standards, and OIG oversees the audit activities to ensure that:

- Nonfederal auditors have adequately assessed allowability of USAID awards expended.
- Federal audits meet USAID's needs.
- Bills are reviewed before being paid to federal auditors.
- Adequate internal control assessments have been made.
- Nonfederal auditors are familiar with the compliance auditing requirements of the Enterprise Fund programs.
- The independence of nonfederal auditors has not been compromised, in appearance or fact.

Quality-Control Reviews of Audits Performed by Independent Public Accountants. OIG conducts quality-control reviews to ensure that nonfederal auditors are independent and familiar with compliance auditing requirements of USAID's programs and that they have addressed applicable federal and AICPA audit standards in determining the allowability of USAID-funded activities.

Review of Management's Discussion and Analysis Section in USAID's Financial Statements for Fiscal Year 2011. The GMRA requires the annual preparation and audit of organizationwide financial statements for certain departments and agencies of the Federal Government. These financial statements must include a section titled "Management's Discussion and Analysis," which briefly describes the reporting entity and its mission, activities, program and financial results, and financial condition.

This review will examine certain USAID controls related to this section of the financial statements and determine whether the section meets form and content standards.

Management Accountability

Audit of USAID's Compliance with the Federal Information Security Management Act of 2002 for FY 2011. The Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to develop, document, and implement an agencywide information security program. The purpose of the program is to provide information security for the data and information systems that

support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.²⁴

This audit will contribute to the protection of data, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether USAID's information system security program meets FISMA requirements. Results of the audit will also be used to support the OIG's annual financial statements audit required by GMRA and USAID's compliance with the Federal Financial Management Improvement Act of 1996.²⁵

Review of USAID's Risk Management in High-Threat Environments. The difficulties of implementing and monitoring programs in high-threat environments or "HTEs" were first recognized in USAID's 2005 *Performance and Accountability Report*. Four locations were highlighted: Afghanistan, Iraq, Pakistan, and West Bank/Gaza. In these environments, program managers were hampered in their ability to conduct site visits and inspect deliverables, meet with counterparts and beneficiaries, and observe results. USAID has taken steps to manage risks and improve the ability to operate in HTEs, such as strengthening recruitment of staff for critical priority countries, developing guidance on alternative approaches to monitoring in HTEs, and launching a Web site on monitoring and evaluation in HTEs called "M&E Portal." New agency policy on monitoring in HTEs was approved in October 2008.

The review will determine whether USAID has designed its activities in selected high-threat environments in Asia and the Middle East to manage risk effectively.

Review of USAID's Staffing for High-Threat Missions. As security in Afghanistan and Pakistan has deteriorated, these countries have become the two most critical recipients of U.S. aid. In FY 2008 and 2009, they received almost \$2 billion, and the budget request for FY 2010 was \$4.4 billion. This heightened focus by the Agency and others has led to the creation of the Afghanistan-Pakistan Task Force and to an unprecedented recruitment effort by USAID. In 2009, USAID had to fill over 300 positions in Afghanistan, and more positions are expected to be filled in 2010 in both countries.

The quick ramp-up in support of activities in these high-threat missions has presented many challenges. One is finding qualified staff for intense, 1-to-2-year hardship assignments. Concerns for Afghanistan and Pakistan are detailed in "Management and Performance Challenges" in the USAID *Fiscal Year 2009 Agency Financial Report*. The report states that "USAID faces operation issues such as staffing challenges and difficulties obtaining housing and office space for personnel."

²⁴ Public Law 107-347.

²⁵ Public Law 104-208.

The review will determine whether USAID has prepared, supported, and sustained staff adequately for the increasingly high-threat missions of Afghanistan and Pakistan.

Review of USAID's Use of Performance-Based Contracting by its Europe and Eurasia Bureau. To measure progress and success concretely, most federal entities are required to follow guidelines set forth in the FAR for performance-based contracting. Subpart 37.6 of the FAR prescribes policies and procedures for the use of performance-based acquisition methods. Overall, the regulation emphasizes the necessity for clear and concise contract agreements that include requirements for measuring results. For contracts for services, Subpart 37.6 specifically requires the inclusion of measurable performance standards (e.g., quality, timeliness, or quantity) in the contract.

USAID's Europe and Eurasia Bureau provides vital assistance to developing countries and to emergency and conflict situations through implementing partners, many of which are procured through contracts for services. This review will determine whether USAID's Europe and Eurasia Bureau successfully used performance-based contracting, as outlined in the FAR, to obtain needed services and execute its mission.

Review of Compliance with Requirements to Safeguard Classified Material by USAID's Office of Security. Chapter 12 of the Foreign Affairs Manual (FAM), Subchapter 530, provides requirements for storing and safeguarding classified materials and contains many subsections. This review will focus on 12 FAM 532, regarding locks, and the requirement for ensuring that safe combinations are changed annually.

The review will determine whether USAID/Office of Security ensured that safe combinations have been changed annually in accordance with 12 FAM 532.2.

Audit of USAID's Controls for Detecting and Preventing Intrusions of the Internal Computer Network. Government information systems (computers and networks) increasingly are the targets of attacks ranging from vandalism to cyber attacks. Systems to detect and prevent intrusion have become a necessary addition to the security infrastructure of nearly every organization to protect information systems. Intrusion detection is the process of monitoring the events occurring in a computer system or network and analyzing them for signs of violations or threats of violations of computer security policies, acceptable-use policies, or standard security practices. Intrusion prevention is the process of attempting to stop potential incidents. USAID systems may be especially vulnerable because they are distributed over many locations and must be accessible to a wide range of people.

This audit will determine whether USAID has implemented computer security intrusion and prevention systems for its internal computer network (AIDNet) using National Institute of Standards and Technology (NIST) guidance and industry best practices.

Survey of USAID’s Internet-Based Computing Initiatives. In Internet-based computing (also known as “cloud computing”), shared resources, software, and information are provided to computers and other devices on demand, like a public utility. The use of Internet-based computing represents a significant paradigm shift that may lower overall IT costs by reducing capital expenditures on hardware, software, and services. To realize these cost savings, OMB has called for a greater adoption of the cloud computing model.

This survey will identify USAID’s Internet-based initiatives and their anticipated benefits.

Survey of USAID’s External System Service Provider Agreements. USAID’s network provides connections to several external computer systems that are under the control of other parties. To help protect data that is hosted by external providers, NIST provides guidance for organizations in addressing security requirements that include system interconnections to outside parties.

This survey will determine whether USAID has service agreements that address information security practices and service levels for its external systems.

Audit of USAID’s Implementation of Logical Access Controls as Required by Homeland Security Presidential Directive 12. In August 2005, the President signed Homeland Security Presidential Directive 12 (HSPD-12). This directive requires agencies to develop and implement a mandatory, governmentwide standard for secure and reliable forms of identification for federal employees and contractors to gain physical access to federally controlled facilities and logical access to federally controlled information systems.²⁶

In accordance with HSPD-12, NIST issued Federal Information Processing Standards (FIPS) 201, “Personal Identity Verification (PIV) of Federal Employees and Contractors.” FIPS 201 has two major sections—PIV Phases I and II. PIV I requires agencies to develop policies and procedures to determine that the personal identities of employees are verified and registered before they receive ID cards. PIV II requires controls to secure physical access to buildings and for logical access to information systems. OMB issued implementing instructions for agencies to begin complying with PIV I and II by October 27, 2005, and October 27, 2006, respectively. OIG conducted an audit of PIV I in 2007, which included a review of USAID’s progress in implementing PIV II.

²⁶ As used here, *logical access* refers to an electronic means of controlling a user’s access to computer-based information systems using the personal identity verification card.

This audit will evaluate USAID's progress in implementing logical access using the PIV identification cards.

Audit of USAID's Warehouse Security Practices. USAID stores high-value, sensitive equipment in warehouses within the Washington, DC, area. The equipment must be stored properly and safeguarded physically.

This audit will determine whether USAID has implemented physical security controls over sensitive equipment stored in its warehouses.

Audit of USAID's Implementation of the Development Leadership Initiative.

In its FY 2009 Congressional Budget Justification, USAID requested more than \$92 million to support implementation of the Development Leadership Initiative. Launched in 2008, the initiative is a multiyear effort to strengthen USAID's Foreign Service workforce. To increase the size of USAID's overseas presence and enhance the Agency's capacity to deliver foreign assistance effectively, USAID plans to double the number of Foreign Service employees by 2012.

This audit will determine whether USAID's Development Leadership Initiative has met its objective of revitalizing the Foreign Service workforce.

OIG ACTIVITIES PLANNED FOR FY 2011

United States African Development Foundation

Management Capabilities

Financial Management

Audit of the United States African Development Foundation's FY 2011 Financial Statements. The GMRA and the Accountability of Tax Dollars Act of 2002²⁷ require OIGs to conduct audits of federal agencies' consolidated financial statements. An independent audit firm contracted and monitored by OIG will conduct the audit of the United States African Development Foundation's FY 2011 financial statements. The objective of the audit is to determine whether USADF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-136. The auditors will obtain an understanding of USADF's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and Required Supplementary Information.

Management Accountability

Audit of the United States African Development Foundation's Compliance with the Federal Information Security Management Act of 2002 for FY 2011. FISMA requires each agency to develop, document, and implement an agencywide information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether USADF's information system security program meets FISMA requirements.

²⁷ Public Law 107-289.

OIG ACTIVITIES PLANNED FOR FY 2011

Inter-American Foundation

Management Capabilities

Financial Management

Audit of the Inter-American Foundation's FY 2011 Financial Statements. The GMRA and Accountability of Tax Dollars Act of 2002 require OIGs to conduct audits of federal agencies' consolidated financial statements. An independent audit firm monitored by OIG will conduct the audit of the Inter-American Foundation's FY 2011 financial statements. The objective of the audit is to determine whether IAF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-136. The auditors will obtain an understanding of IAF's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

Management Accountability

Audit of the Inter-American Foundation's Compliance with the Federal Information Security Management Act of 2002 for FY 2011. FISMA requires each agency to develop, document, and implement an agencywide information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether IAF's information system security program meets FISMA requirements.

APPENDIX I

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OIG ACTIVITIES PLANNED FOR FY 2011

MILLENNIUM CHALLENGE CORPORATION

Economic Growth and Prosperity

Audit of MCC's Funding of Activities in Tanzania. In February 2008, MCC signed a 5-year, \$698 million agreement with Tanzania. The MCC compact in Tanzania entered into force in September 2008, formally initiating the timeline for project implementation. The agreement seeks to reduce poverty and stimulate economic growth by increasing household incomes through targeted investments in transportation, energy, and water. Specifically, the investments in three projects are intended to help Tanzanians enhance their transportation network by improving roads to increase commerce and help connect communities with markets, schools, and health clinics; improve the reliability and quality of electric power and extend electricity service to unserved communities; and make potable water more available and reliable for domestic and commercial use.

This audit will determine whether the major risks related to the Tanzania compact have been identified and addressed in order to help achieve program success. This work began in August 2010 and will carry over into FY 2011.

Audit of MCC Private Sector Initiatives. MCC conducts private sector initiatives to increase private sector activity and investment in MCC partner countries. MCC hopes to achieve the most benefit from its programs by supplementing U.S. taxpayer dollars with outside donor support from the private and public sector. To this end, MCC has signed memorandums of understanding (MOUs) with organizations that also work to reduce global poverty, including Microsoft Corporation, Department for International Development (United Kingdom), General Electric Company, Phelps Stokes Fund, Alliance for a Green Revolution in Africa, Danish Ministry of Foreign Affairs, Agence Française de Développement (France), and the World Food Programme. The MOUs are tied to tangible outcomes such as increasing agricultural productivity for farmers, expanding water and sanitation facilities, securing property rights, and engaging women in development.

The objective of this audit will be to determine whether MCC efforts to promote private and public sector activities and investments through the MOU process has helped the corporation maximize the effects of its limited financial resources and prevent unnecessary duplication of development work.

Audit of the MCC-Funded Program in El Salvador. In November 2006, MCC and the Government of El Salvador signed a 5-year, \$461 million compact to advance

economic growth and reduce poverty in the Northern Zone of El Salvador. The agreement aims to (1) increase the number of households with access to basic services such as water, sanitation, and electricity; (2) improve community infrastructure to facilitate greater access to health and education facilities as well as to jobs and markets; (3) increase the number of local people with the necessary skills to drive a growing and diversified economy; and (4) provide modern connections to link local and regional producers with national, regional, and global markets via the northern transnational highway and a proposed network of complementary feeder roads. The MCC compact entered into force in September 2007 and will end in September 2012.

The objective of this audit will be to determine whether the three compact projects are achieving their goals, including expanding the quality and access to education, constructing water and sanitation systems, and extending electricity to rural areas. OIG will report whether the compact can serve as a model for future compact activities in other countries.

Investment in People

Education

Audit of the Education Project in Namibia. MCC signed a compact with the Government of the Republic of Namibia in July 2008 for \$304.5 million. The compact entered into force in September 2009. Nearly half of the compact's funding (\$145 million) is for the Education Project, which aims to spur economic growth led by the private sector. The project will strengthen the workforce by enhancing the equity and effectiveness of basic, vocational, and tertiary education.

The objective of this audit will be to determine whether the Education Project activities are improving the quality of education through rehabilitation and renovation of school infrastructure and improving vocational and skills training by establishing a training fund to award education grants. In 2010, OIG conducted an audit of the educational projects in Burkina Faso and noted lessons learned. OIG will determine whether MCC has applied these lessons to mitigate similar problems that might be identified in the Namibia Education Project.

Management Capabilities

Information Technology

Audit of MCC's Compliance with Provisions of the Federal Information Security Management Act of 2002 (FISMA) for FY 2010. FISMA requires each agency to develop, document, and implement an agencywide information security program for information systems that support the operations and assets of the agency,

including those provided or managed by another agency, contractor, or other source.

This audit will determine whether MCC's information system security program meets FISMA requirements for program management and information security controls. The audit will test areas of repeated weakness in MCC management of information security, and it will recommend ways to protect data files, computer equipment, and resources from unauthorized activity.

A contractor is performing this audit, which began in 2010, and the audit will be completed in FY 2011 in accordance with OMB timeframes.

Audit of MCC's Compliance with Provisions of the Federal Information Security Management Act of 2002 (FISMA) for FY 2011. FISMA requires each agency to develop, document, and implement an agencywide information security program for information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether MCC's information system security program meets FISMA requirements for program management and information security controls. The audit will test areas of repeated weakness in MCC management of information security and recommend ways to protect data files, computer equipment, and resources from unauthorized activity.

A contractor will perform this audit, beginning in FY 2011 and ending in FY 2012 in accordance with OMB timeframes.

Risk Assessment of MCC Governance of Its Information Technology Investments. The Clinger-Cohen Act of 1996²⁸ requires the heads of executive agencies to implement a process that maximizes the value of information technology (IT) investments and assesses and manages their risks. The process includes (1) procedures to select, manage, and evaluate investments and (2) a means for senior managers to monitor costs, system capabilities, timeliness, and quality.

IT governance provides the structure that links IT processes, resources, and information to enterprise strategies and objectives. The objectives are to align IT with the business, enable the business, and maximize resources; use IT resources responsibly; and manage IT risks appropriately.

This risk assessment will seek to identify possible vulnerabilities in MCC's selection, management, and control of its IT investments. Armed with this knowledge, MCC can then make smarter IT investments in the future, and OIG can better determine where to focus its limited auditor resources.

²⁸ Public Law 104-106.

Audit of MCC's Implementation of Key Project Controls for the MCC Integrated Data Analysis System. MCC is developing the MCC Integrated Data Analysis System (MIDAS) to improve financial reporting and further integrate program, performance, and financial information. The system is intended to improve the timeliness and use of financial and performance data to better manage program costs and support decision making.

This audit will determine whether MCC has implemented key project controls to meet cost, schedule, and performance goals for the MIDAS project. In particular, this audit will focus on the following key project controls: (1) a risk management plan, (2) an earned-value management system, and (3) requirements specifications. This audit will also assess areas that MCC should focus on for a successful project. MCC can then apply the results of this audit to other planned IT investments. Additionally, the results will give OIG more detailed knowledge of MIDAS project activities, which will aid in planned monitoring efforts in FY 2011 and future audits. This audit began in FY 2010 and will be completed in FY 2011.

Audit of MCC's Monitoring of the Implementation of Its Integrated Financial and Contract Management System. MCC officials requested OMB approval to use approximately \$2 million in administrative funds to implement an integrated financial and contract management system. Specifically, MCC plans to implement an integrated financial and contract management system to improve efficiency, effectiveness, and accuracy of (1) financial management, (2) contract management and (3) financial reporting.

OIG will monitor MCC's activities to assess progress in implementing the system and to identify areas that need further attention. As MCC takes steps to implement the system, MCC officials must employ effective controls to ensure project success, use resources responsibly, and manage risks appropriately. This monitoring effort began in FY 2010 and will continue until MCC implements the new system. OIG will inform MCC management of noted issues so that problems can be addressed appropriately.

Follow-Up Audit of MCC's Implementation of Key Components of a Privacy Program for Its Information Technology Systems. Congress and OMB have instituted laws, regulations, and directives governing the protection of individual privacy, and privacy breaches in recent years have increased public interest in individual privacy protections.

In FY 2010, OIG identified significant weaknesses in MCC's privacy program. Those weaknesses could have serious consequences for the organization, such as violations of laws and regulations or damage to its reputation. To prevent such consequences, MCC must correct the identified weaknesses in its privacy program.

The objective of this audit will be to assess whether MCC took corrective action to address the weaknesses that OIG had identified in its previous audit report on the corporation's privacy program. OIG will perform this work accordance with OMB Circular A-50. All fieldwork will be performed in Washington, DC.

Audit of MCC's Implementation of an Earned-Value Management System.

OMB's Memorandum M-05-23, *Improving Information Technology (IT) Project Planning and Execution* (August 5, 2005), outlines steps that federal agencies must take before receiving funding for all new major IT projects, ongoing major IT development projects, and high-risk projects. One of the required steps is to fully implement an earned-value management system to improve execution and performance as well as promote effective oversight of IT projects. The system informs project managers and others about the cost, scheduling, and progress of their projects and contracts. It integrates the investment's scope of work with schedule and cost elements for better investment planning and control.

The objective of this audit is to determine whether MCC has implemented an earned-value management system for its IT projects as required by OMB Memorandum M-05-23. OIG will contract with an external auditor to perform this audit.

Financial Management

Audit of MCC's FY 2010 Financial Statements. In accordance with the Government Corporation Control Act and the Chief Financial Officer's Act, MCC must have its consolidated financial statements audited by OIG or an independent external auditor.²⁹ OIG contracted with an independent external auditor to audit MCC's FY 2010 financial statements.

This audit will determine whether MCC's principal financial statements present the financial condition of MCC fairly in all material respects and whether they conform to generally accepted accounting principles. The external auditor will perform tests of MCC's internal control structure and compliance with laws and regulations that could have a material effect on the principal financial statements. OIG will supervise audit work, brief MCC on the findings, and recommend ways to correct indentified weaknesses. This process will provide stakeholders with an evaluation of the integrity of MCC's accounting systems.

²⁹ 31 U.S.C. 9101-10.

This audit began during FY 2010 and will be completed during the first quarter of FY2011.

Audit of MCC's FY 2011 Financial Statements. In accordance with the Government Corporation Control Act and the Chief Financial Officer's Act, MCC must have its consolidated financial statements audited by OIG or an independent external auditor. OIG will contract with an independent external auditor to review MCC's FY 2011 financial statements. This audit will determine whether MCC's principal financial statements present the financial condition of MCC fairly in all material respects and whether the financial statements conform to generally accepted accounting principles. OIG will obtain an understanding of MCC's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

Oversight of Contracted Financial Audits of MCC Program Implementing Entities (Fund Accountability Statement Audits). Each country that receives an MCC compact must establish an "accountable entity" to manage the implementation of the compact. This accountable entity is generally referred to as a "Millennium Challenge Account" (MCA). MCC compacts require MCAs to perform financial audits of funds provided under the compact, at least annually. These financial audits are referred to as "fund accountability statement audits" and must include a specific audit of the recipients of MCC-funded programs.

This OIG review will establish whether there is reasonable assurance that fund accountability statement audits of MCC-funded programs meet set standards. These standards relate to the independence of nonfederal auditors, accuracy of accounts, adequacy of internal controls, and compliance with compact terms.

OIG will review the audit firms' fund accountability statement audits to ensure that their quality-control standards and professional capabilities are sufficient.

Quality-Control Reviews of Audits Performed by Independent Public Accountants. OIG will conduct quality-control reviews of audit firms to establish reasonable assurance that nonfederal auditors are independent, are familiar with compliance auditing requirements of MCC's projects, and have adequately followed applicable generally accepted government auditing standards in determining the allowability of MCC-funded activities. OIG plans to carry out these reviews in Benin, Georgia, Morocco, Mozambique, Namibia, and Nicaragua.

Limited-Scope Reviews. OIG plans to conduct limited-scope reviews in the areas of procurement, expenditure, and other areas agreed to by MCC. These reviews typically focus on narrow issues and, unlike audits, do not require adherence to government auditing standards.

MCC procurement. Procurement reviews will assess whether MCC and MCAs have procedures in place to assess risk of their contracts and obtain and use independent audits (e.g., DCAA and A-133 audits and audits conducted by independent audit firms) when appropriate.

MCA expenditures. Expenditure reviews will assess whether MCAs are complying adequately with the terms of their compacts, fiscal accountability plans, and cost principles.

As needed, these reviews will also include elements normally found in a performance audit, such as (1) identifying the reasons for changing the scope of projects and associated costs and (2) issues that could affect the compact's success.

OIG plans to conduct these reviews in Benin, Georgia, Ghana, Morocco, Mozambique, Namibia, and Nicaragua.

Review of Independent Auditors. OIG will visit Moldova, Jordan, and the Philippines during FY 2011 to vet independent audit firms. Selected firms will be placed on a list of qualified audit firms eligible to conduct fund accountability statement audits.

Management Accountability

Risk Assessment of MCC's Compact Development and Implementation in Senegal. In September 2009, MCC signed a 5-year, \$540 million compact with the Republic of Senegal aimed at reducing poverty and investing in economic growth by improving the country's agricultural productivity, rehabilitating major national roads, and investing in strategic irrigation and water resources management. OIG visited Senegal to assess MCA policies to support good governance. In particular, this assessment was to identify the status of compact implementation, key controls for each business process and function, relevant criteria, and reporting policies. This work began in late FY 2010 and will be completed during the first quarter of FY 2011.

Risk Assessment of MCC's Compact Development and Implementation in Moldova, Jordan, and the Philippines. MCC signed a 5-year, \$262 million compact with the Government of Moldova in January 2010. In September 2010, MCC's board of directors approved 5-year compacts with the governments of Jordan (\$275.1 million) and the Philippines (\$434 million). OIG will assess the MCA policies to support good governance. In particular, the assessment will identify the key controls for each business process and function, relevant criteria, and reporting policies.

Audit of MCC Branding and Labeling Practices. The United States has an interest in accurately representing the benefits it provides other countries through U.S. foreign

assistance. Without the application of appropriate branding and labeling practices, U.S. assistance may be understated or unnoticed and, as a result, the generosity of the American people may not be fully recognized abroad. Although MCC has committed more than \$7.8 billion to foreign assistance activities, it cannot determine the extent to which compact projects and activities are branded or labeled as being provided by U.S. foreign assistance dollars. In some cases, the source of MCC assistance is not even acknowledged. In Lesotho, for example, the government held a press conference at an MCA site without an MCA representative present or without any acknowledgment that the site had been sponsored by U.S. assistance. In Benin and Georgia, MCC/MCA branding has been absent from several projects.

This audit will assess MCC's efforts to brand and label its activities in compact countries. Specifically, OIG will gain an understanding of MCC's policies and procedures regarding branding and labeling. Then, we will determine the extent to which MCC projects are marked in compact countries, the type and amount of guidance compact countries receive on branding MCC projects, and the effect, if any, of MCC's country ownership model on the local government's branding of MCC projects.

Assessment of MCC's Approach in Addressing and Deterring Trafficking in Persons. The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 requires the Offices of Inspector General of the Department of State, Department of Defense, and the U.S. Agency for International Development to examine a sample of contracts at heightened risk of human-trafficking violations.³⁰

OIG issued its "Survey of MCC's Policies and Procedures to Address U.S. Anti-Trafficking Policy" on March 17, 2010. The survey identified areas in which MCC could improve its internal controls when developing policies and procedures related to country projects in which trafficking could be a risk. In addition, the survey noted that some MCC countries could risk losing U.S. foreign assistance if their efforts to address human trafficking are not improved. Each year, the State Department evaluates and rates countries' anti-trafficking efforts. Tier 2 countries are those in which the government does not fully comply with the minimum standards. Countries listed as Tier 2 for 2 consecutive years risk losing U.S. foreign assistance.

This review will be conducted to meet the requirements of the act and will report on whether infrastructure projects contractually adhered to trafficking-in-persons policies. It will also report on the status of MCC countries that have received Tier 2 status for 2 consecutive years.

Evaluation of MCC's Efforts to Complete Major Infrastructure Projects. Previous OIG audits have identified problems with MCC infrastructure projects. In Cape Verde and Georgia, for example, we noted that:

³⁰ Public Law 110-457.

- Monitoring and evaluation plans did not measure the success of the programs.
- Prefeasibility studies did not adequately conclude before award, thereby ignoring risks of incomplete specifications, agreements, scope additions, or costs incurred. (Cape Verde).
- Quarterly reporting data used to provide financial results and monitor progress were inaccurate, and credit was taken for results that could not be attributed completely to MCC (Cape Verde).
- Disbursement of and accountability for advance payments used in mobilization of contracts could not be supported adequately.

This audit will determine whether MCC infrastructure projects were completed within time and budget projections and whether they have achieved economic and social benefits. OIG will review a sample of infrastructure projects. This audit will be performed by a contractor.

Audit of MCC’s Human Capital Resources. Creating a more effective government depends on attracting, developing, and retaining quality employees from diverse backgrounds and ensuring that they perform at high levels. Sound investments in human capital are essential for agencies to achieve their missions. Human capital models and guides have been developed to help agencies in this regard. The Human Capital Assessment and Accountability Framework—developed by OMB, GAO, and OPM—contain best-practice standards in this area.

This audit will determine whether MCC has implemented a process to marshal, manage, and maintain human capital levels to bring about the best compact results while sustaining accountability and effective use of resources.

Evaluation of MCA Accountable Entities. To implement a compact, MCC requires that the host government establish an MCA to:

- Serve as the central point of contact for MCC, other donors, contractors, consultants, and the country’s citizens;
- Establish financial and reporting systems and manages procurements.
- Draft and execute work plans for compact programs, with MCC assistance.
- Create a Web site for posting project status, news, and procurements.
- Develop a unique logo to identify projects as both an MCA project and as a grant from the American people.

Accountable entities are responsible for implementing the compact. Staffing at an MCA varies but typically includes a chief executive officer; managers for project activities, fiscal accountability, procurement, monitoring and evaluation, environment, and IT; and support staff.

In some countries, MCA program management and oversight costs account for a significant share of total compact expenditures, whereas in others MCAs may not have sufficient resources to provide appropriate oversight of project activities. This audit will compare accountable entities' organizational alignment and financial resources (such as overhead ratios) and assess whether dissimilarities are justified.

Review of MCC Information System Interventions. MCC interventions via compact or threshold programs often include project activities for developing and implementing information systems. Previous OIG audits have shown serious problems with the design, implementation, and sustainability of these systems.

This audit will determine whether MCC has established standards for systems development and implementation and controls to ensure that useful and sustainable information systems have been funded. OIG will conduct a comparative analysis of guidance for development and implementation used by other donors and will use the results to critique MCC guidance. This audit will help ensure that standards and controls are in place for successful MCC information system interventions.

Audit of MCC Follow-Up on Audit Recommendations. OMB Circular A-50, "Audit Follow-Up," requires follow-up action on past audit recommendations. This audit will determine whether MCC is acting on past audit recommendations and correcting problems previously identified, as required.

Fraud Awareness and Prevention Outreach. OIG will conduct briefings for MCC program recipients and staff regarding the role of OIG, its audit and investigative functions, common indicators of fraud, examples of fraud, waste, and abuse, and actions required when fraud is suspected. These briefings will take place in Washington, DC, as well as overseas, with participants from U.S. embassies, MCC, host governments, and the private sector. Private sector participants will include audit firms that may want to bid on contracts to conduct compact audits as well as contractors who are receiving compact funds. OIG will also contact professional associations and host government audit and law enforcement officials to build awareness of OIG programs.

Investigations. OIG will conduct investigations of MCC program and employee integrity as needed and will give priority to high-risk program and major fraud allegations that could involve large monetary losses. Employee integrity investigations will address allegations of employee misconduct. Investigative results involving criminal

or civil matters will be referred to the U.S. Department of Justice or host country law enforcement or prosecution organization. Administrative matters will be referred to MCC for action as it deems appropriate.

Other Direct Activities. OIG conducts activities that directly support the review and oversight of MCC activities. These include management meetings, planning sessions, and liaison activities. OIG provides training to MCC and recipient country staff as well as to overseas audit firms that audit MCC-funded programs.

APPENDIX II

OIG ACTIVITIES PLANNED FOR FY 2011

Millennium Challenge Corporation

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APPENDIX III

| ABBREVIATIONS | |
|----------------------|--|
| AICPA | American Institute of CPAs |
| ARRA | American Recovery and Reinvestment Act (Public Law 111-5) |
| DCAA | Defense Contract Audit Agency |
| FAM | Foreign Affairs Manual |
| FAR | Federal Acquisition Regulation |
| FISMA | Federal Information Security Management Act of 2002, Title III of the E-Government Act of 2002, Public Law 107-347 |
| FY | fiscal year |
| GAO | Government Accountability Office |
| GMRA | Government Management Reform Act of 1994 (Public Law 103-356) |
| HIV/AIDS | human immunodeficiency virus/acquired immunodeficiency syndrome |
| IAF | Inter-American Foundation |
| IDP | internally displaced person |
| Lantos-Hyde Act | Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (the Lantos-Hyde Act), Public Law 110-293 |
| MCA | Millennium Challenge Account |
| MCC | Millennium Challenge Corporation |
| NGO | nongovernmental organization |
| OMB | Office of Management and Budget |
| PEPFAR | President's Emergency Plan for AIDS Relief |
| PMI | President's Malaria Initiative |
| TB | tuberculosis |
| USADF | United States African Development Foundation |