



OCT 22 2010

*Office of Inspector General*

**MEMORANDUM FOR THE ADMINISTRATOR**

FROM: [REDACTED]  
Donald A. Gambatesa  
Inspector General

SUBJECT: Office of Inspector General (OIG) Work Identifying USAID Project  
Sustainability Issues

During our last meeting, we discussed the sustainability of USAID programs and you asked whether my office had identified issues with sustainability. My staff has completed an analysis of the 235 USAID-related performance audits and reviews we issued during fiscal years 2007 to 2010. Attached is a summary of our findings with regard to the sustainability of USAID programs along with a brief synopsis of the related findings of the 16 audit reports in which we had identified issues with sustainability.

Should you like additional information on this subject, please contact me.

Attachment

## OIG REPORTS NOTING USAID PROJECT SUSTAINABILITY ISSUES

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### Summary of OIG Findings Regarding USAID Project Sustainability

From fiscal years 2007 to 2010, OIG noted USAID project sustainability problems in 16 reports of performance audits and reviews or approximately seven percent of USAID-related reports issued. In total, the sustainability issues noted in these reports pertained to projects and activities valued at approximately \$661 million.

We observed sustainability issues with greatest frequency in our audits and reviews of USAID information technology (IT) projects and activities in conflict zones. Twenty-seven percent of IT-related audits since 2007 have identified sustainability issues. Over the same period, 24 percent of our Afghanistan audits and 15 percent of our Iraq audits have noted project sustainability problems.

### Synopsis of Sustainability-Related Findings in OIG Reports

*Audit of USAID/Lebanon's Rule of Law Program*, Report No. [6-268-10-006-P](#), August 24, 2010. This audit noted that USAID expected to pay \$1.9 million to remodel judicial training facilities for use by the Government of Lebanon but did not have assurances that these facilities would be used for their intended purposes by the Government.

*Audit of USAID/Afghanistan's Alternative Development Program, East and West*, Report No. [5-306-10-011-P](#), July 29, 2010. This report concluded that reductions in poppy cultivation in some targeted southern and western provinces under the \$75 million program may not be sustainable because (1) no follow-on alternative development activity has been approved beyond March 2011, (2) a critical southern province is not included in the current program, (3) access to markets for cereal crops (such as wheat) is not guaranteed, nor is stability of commodity prices, (4) the success of programs outside the mission's control may affect poppy cultivation and harvest, and (5) the availability of water is uncertain.

*Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System*, Report No. [E-267-10-002-P](#), July 19, 2010. USAID spent \$32.6 million to develop a financial management information system for the Iraqi Government that was incomplete, and users complained that it did not meet their requirements. Consequently, after 6 years of work, the system was not functioning as the system of record for the Iraqi Government.

*Audit of USAID/Afghanistan's Human Resources and Logistical Support Program*, Report No. [5-306-10-007-P](#), March 31, 2010. USAID invested approximately \$3.9 million in a data center with geospatial information on development activities. This facility is ultimately to be taken over by Afghan authorities but USAID had not accounted for the need to train Afghan officials who were to assume responsibility for the data center on its maintenance or instructed other ministries on how to use it.

*Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program*, Report No. [5-306-10-002-P](#), November 10, 2009. This audit observed that Afghan Government was not likely to be able to pay for the fuel to operate the \$261.8 million Kabul Power Plant, and the configuration of the transmission system did not allow for the use of cheaper electricity alternatives.

*Audit of USAID/Honduras' Democracy and Governance Program*, Report No. [1-522-09-009-P](#), June 4, 2009. This audit found that USAID's implementing partner focused \$9.3 million in training and technical assistance activities on municipal employees who were likely to be out of a job following upcoming elections, because Honduras does not have a civil service law to insulate municipal employees from partisan pressures.

*Audit of USAID/Afghanistan's Higher Education Project*, Report No. [5-306-09-002-P](#), December 4, 2008. USAID funded the establishment of professional development centers at client institutions to accomplish a number of higher education goals under the \$38 million dollar program. However, these centers were not designed to be self-sustaining and their closure was expected to negatively affect public perceptions of U.S. assistance.

*Audit of USAID/Nicaragua's Education Activities*, Report No. [1-524-09-002-P](#), November 19, 2008. This audit found little evidence that a quarter of the \$2 million Alliances program's private-sector alliances were producing significant or sustainable results. Schoolteachers and administrators at schools receiving assistance through these alliances had neither requested nor expected to receive assistance, and the assistance they received did not address their schools' needs.

*Audit of USAID/Iraq's Agribusiness Program*, Report No. [E-267-08-006-P](#), September 30, 2008. USAID funded a \$5 million agribusiness master's degree program to provide opportunities for Iraqis to receive master's degrees from U.S. universities in agriculture-related studies. However, after the first year of the program, no master's degree fellowships had been awarded because the program could not find qualified candidates.

*Audit of USAID/Bolivia's Integrated Alternative Development Program*, Report No. [1-511-08-007-P](#), July 31, 2008. USAID spent \$2.5 million on tea-processing facilities of questionable competitiveness and sustainability but delayed phasing out the facilities despite continuing costs to support them after 5 years of operation.

*Audit of USAID/Philippines' Infrastructure Activities under its Growth with Equity in Mindanao-2 Program*, Report No. [5-492-08-008-P](#), July 31, 2008. This audit noted that local municipalities responsible for providing maintenance and repair for facilities built under the \$126 million program were slow in recognizing the need for maintenance or providing it once the need became clear. The continued operation of some facilities developed under the program was in question as a result. In addition, program subcontractors were required to obtain surety bonds to guarantee repairs of defects in completed infrastructure projects. However, because USAID was not identified as the beneficiary of these surety bonds, its ability to claim and collect on the bonds and use the funds to pay for needed repairs was in question.

*Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund*, Report No. [E-267-08-002-P](#), April 3, 2008. This audit revealed that USAID had not developed a plan to help provide assistance to war victims in Iraq once the \$40 million Marla Fund ended. As a result, Iraq may not be prepared to deal with war-related harm suffered by Iraqi civilians after U.S. assistance has ended.

*Audit of USAID/Indonesia's Tsunami-Related Housing Construction Activities Implemented by Cooperative Housing Foundation International*, Report No. [5-497-08-002-P](#), January 31, 2008. USAID provided \$11.5 million in funding for the construction of new homes for those displaced by the tsunami but many completed homes were unoccupied. New homes did not have access to services such as electricity and adequate water systems and were far removed from employment opportunities. Potential beneficiaries opted to remain in existing barracks to remain close to family members, and some of the houses were completed on land subject to an ongoing title dispute.

*Audit of USAID's Capital Planning and Investment Control for the Foreign Assistance Coordination and Tracking System (FACTS)*, Report No. [A-000-07-006-P](#), September 14, 2007. USAID had not followed capital planning and investment control process requirements for vetting and approving FACTS. After having spent \$2 million on the system, the Agency could not determine whether it was meeting cost and schedule goals or what additional funding would be required for the system's development, support, and operation in the future.

*Audit of USAID's Pre-Deployment Activities for Its Global Acquisition System*, Report No. [A-000-07-004-P](#), July 19, 2007. After \$12.2 million in expenditures on GLAS, USAID had yet to evaluate the overall impact of the integrated product used for the system on the technical infrastructure of the Agency's financial system and other external interfaces. Without an initial assessment of the impact on other applications and overall USAID infrastructure, the Agency could not have confidence that the network would remain stable and that its performance would not be compromised by the introduction of GLAS.

*Audit of USAID/Afghanistan's Urban Water and Sanitation Program*, Report No. [5-306-07-006-P](#), June 7, 2007. Water systems built under this \$37.3 million program lacked proper equipment and did not have an adequate billing structure to ensure fee collection from users. Water meters for measuring water consumption for each user were not available and, under the flat billing rate implemented for the system, users lacked incentives to conserve water. In addition, USAID had not taken measures to ensure that the water systems would be operated and maintained in accordance with system requirements once they were handed over to the Afghan Government. The technical capacity of the two operators assigned to maintain the systems was dramatically less than required to understand the most basic concepts to operate and troubleshoot the water systems.