



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST BANK AND GAZA'S ASSISTANCE TO AL-QUDS UNIVERSITY, THE ISLAMIC UNIVERSITY IN GAZA, AND AMERICAN NEAR EAST REFUGEE AID

AUDIT REPORT NO. 6-294-08-002-P
DECEMBER 10, 2007

CAIRO, EGYPT



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

December 10, 2007

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Howard Sumka

FROM: Regional Inspector General/Cairo, Lloyd J. Miller /s/

SUBJECT: Audit of USAID/West Bank and Gaza's Assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid (Report No. 6-294-08-002-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on our draft report and have incorporated them where appropriate. We have included your comments in their entirety as appendix II. This report does not include any recommendations to USAID/West Bank and Gaza.

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

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SUMMARY OF RESULTS

The Regional Inspector General in Cairo, Egypt, conducted this audit in response to congressional and USAID concerns that funds were being provided to organizations that support terrorism, as reported in a March 5, 2007, *Washington Times* article entitled “School Linked to Hamas Gets U.S. Cash” (see page 3). The article referenced Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid, stating, in part:

Millions of dollars in U.S. foreign aid have been given in the past several years to two Palestinian universities -- one of them controlled by Hamas -- that have participated in the advocacy, support or glorification of terrorism. The funding -- principally in scholarships to individual students -- is being eyed by several members of Congress and their aides, who say it may violate U.S. law.

The audit’s purpose was to determine whether USAID’s mission to West Bank Gaza (USAID/West Bank and Gaza) provided U.S. assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid in accordance with applicable Federal laws, Executive Order 13224, and USAID policies (see page 6).

Since 2002, USAID/West Bank and Gaza has provided the following assistance:

- Al-Quds University—13 subawards for approximately \$3 million.
- Islamic University in Gaza—16 subawards for approximately \$900,000.
- American Near East Refugee Aid—10 awards (5 prime awards and 5 subawards) for approximately \$27 million (see pages 4 and 5).

Since fiscal year 2003, congressional appropriation acts have required the Secretary of State to take all appropriate steps to ensure that, within the West Bank and Gaza, U.S. assistance is not provided to or through any individual, private or government entity, or educational institution that the Secretary knows or has reason to believe advocates, plans, sponsors, engages in, or has engaged in, terrorist activity. In addition to the legislative requirements, President Bush issued Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism, which became effective on September 24, 2001. The Executive order prohibited transactions with, and provision of support for, individuals or entities listed in or subject to the directive (see page 3).

The audit determined that USAID/West Bank and Gaza did not always follow applicable Federal laws, regulations, or USAID policies when providing assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid. However, 21 of 23 cases of noncompliance that we identified took place between 2003 and 2005, prior to the implementation of current USAID policies that address these issues. Our determinations were based upon the three mechanisms the mission used to implement the law: (1) vetting of organizations and individuals, (2) certifications from organizations that they will not provide support for terrorism, and (3) required clauses in contracts, grants, and cooperative agreements (see page 7). Specifically, our review found that:

- Vetting was not conducted in 2 of 17 required instances (2003);
- Certifications were not obtained in 3 of 14 required instances (2003 and 2004);
- The “prohibition against support for terrorism” clause was not included in 16 of 35 applicable agreements (2003, 2004, and 2005); and
- The “restriction on naming facility” clause was not included in 2 of 9 applicable agreements (2006) (see page 7).

USAID/West Bank and Gaza did not vet American Near East Refugee Aid because it is a U.S.-based organization. For the time periods covered by this audit, USAID did not vet U.S.-based organizations. Since 2002, USAID/West Bank and Gaza have arranged to have Al-Quds University vetted seven times and Islamic University in Gaza vetted eight times. The vetting did not reveal information that would preclude the awards from proceeding (see page 5).

The audit also reviewed six specific statements in the March 5, 2007, edition of the *Washington Times* article concerning Al-Quds University, the Islamic University in Gaza, and American Near East refugee Aid. The audit results are explained in detail beginning on page 16.

Concurrent with this audit, we also conducted an audit of USAID/West Bank and Gaza’s implementation of Executive Order 13224—Blocking Property And Prohibiting Transactions With Persons Who Commit, Threaten To Commit Or Support Terrorism.¹ We made three recommendations in that report:

- USAID/West Bank and Gaza should establish procedures to ensure compliance with existing policy that all subawardees are vetted.
- USAID/West Bank and Gaza should establish procedures to ensure compliance with existing policy that contractors and subcontractors are vetted if they receive contracts or subcontracts over any 12-month period that cumulatively total more than \$25,000.
- In addition to the controls for vetting, the mission should also clarify how antiterrorism provisions apply to assistance-related purchase orders.

As stated earlier, we determined that USAID/West Bank and Gaza did not always follow applicable Federal laws, regulations, or USAID policies when providing assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid. However, we are not making any recommendations here because doing so would be duplicitous of the recommendations made in the audit of USAID/West Bank and Gaza’s implementation of Executive Order 13224.

USAID/West Bank and Gaza accepted the factual findings of the draft report for this audit and has taken action, as noted in USAID OIG Audit Report No. 6-294-08-001-P, to improve monitoring and oversight of its awardees. USAID/West Bank and Gaza provided clarification on some report statements (see pages 20 and 25).

¹ USAID OIG Audit Report No. 6-294-08-001-P, “Audit Of USAID/West Bank and Gaza’s Implementation Of Executive Order 13224—Blocking Property And Prohibiting Transactions With Persons Who Commit, Threaten to Commit, Or Support Terrorism.”

BACKGROUND

On March 5, 2007, the *Washington Times* included an article entitled, "School Linked to Hamas Gets U.S. Cash." The first two sentences in the article stated:

Millions of dollars in U.S. foreign aid have been given in the past several years to two Palestinian universities -- one of them controlled by Hamas -- that have participated in the advocacy, support or glorification of terrorism. The funding - - principally in scholarships to individual students -- is being eyed by several members of Congress and their aides, who say it may violate U.S. law.

Section 559, paragraphs (b) and (c), of the fiscal year 2006 Foreign Operations Appropriations Act stated the following:

(b) VETTING – Prior to the obligation of funds appropriated by this Act under the heading "Economic Support Fund" for assistance for the West Bank and Gaza, the Secretary of State shall take all appropriate steps to ensure that such assistance is not provided to or through any individual, private or government entity, or educational institution that the Secretary knows or has reason to believe advocates, plans, sponsors, engages in, or has engaged in, terrorist activity. The Secretary of State shall, as appropriate, establish procedures specifying the steps to be taken in carrying out this subsection and shall terminate assistance to any individual, entity, or educational institution which he has determined to be involved in or advocating terrorist activity.

(c) PROHIBITION – None of the funds appropriated by this Act for assistance under the West Bank and Gaza program may be made available for the purpose of recognizing or otherwise honoring individuals who commit, or have committed, acts of terrorism.

Provisions similar to paragraph (b) have appeared in each foreign operations appropriations act since fiscal year 2003. Paragraph (c) was added in fiscal year 2005. Provisions similar to paragraphs (b) and (c) were included in the Palestinian Anti-Terrorism Act of 2006 (P.L. 109-446), extending the requirements through fiscal years 2007 and 2008.

Following the events of September 11, 2001, the President Bush issued Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism, which became effective on September 24, 2001. Executive Order 13224 designated certain individuals and entities that commit or pose a significant risk of committing terrorist acts. The Executive order also authorized both the Secretary of State and the Secretary of Treasury to identify additional individuals and entities. The Executive order prohibited transactions with, and provision of support for, individuals or entities listed in or subject to the directive.

Since the September 2001 Executive order, USAID/West Bank and Gaza has issued several notices to USAID contractors and grantees to implement mission policies and

procedures to comply with the order. Two of these notices were comprehensive and provided the principal guidance to USAID contractors and grantees.

- In August 2003, USAID/West Bank and Gaza issued its first comprehensive policy for vetting, certifications, and clauses.
- In March 2006, USAID/West Bank and Gaza issued Mission Order No. 21 establishing the most recent comprehensive requirements for vetting, certifications, and clauses. Mission Order No. 21 superseded the August 2003 mission guidance, providing updated criteria for when non-U.S. organizations and individuals were to be vetted for links to terrorism prior to the awarding of contracts, grants and cooperative agreements. The criteria to determine whether an organization required vetting included dollar thresholds for cumulative contracts, award types (contract, grant, cooperative agreement), and time since the organization was last vetted.

For both prime awards and subawards, USAID/West Bank and Gaza primarily implemented this Executive order through three mechanisms:

- **Vetting:** Screening organizations and individuals to ensure that they are not affiliated with terrorism. The vetting process begins when a non-U.S. awardee submits information to the mission about itself and its key individuals. The mission records this information in a database and forwards it to U.S. officials in the U.S. Embassy in Tel Aviv, Israel, who were responsible for the vetting. In January 2007, the USAID Office of Security assumed the responsibility for vetting all non-U.S.-based West Bank and Gaza awardees.
- **Certifications:** Requiring organizations to certify that the organization does not provide material support or resources for terrorism before being awarded a grant or cooperative agreement by USAID.
- **Clauses:** Requiring clauses in awards and subawards which (1) remind contractors and recipients that U.S. Executive orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism and (2) restrict the naming of facilities in honor of individuals who commit, or have committed, acts of terrorism.

In addition to the two Palestinian universities (Al-Quds University and the Islamic University in Gaza), the article cited an American nongovernmental organization, American Near East Refugee Aid, based in Washington, DC. USAID/West Bank and Gaza has provided the following assistance to each of the three organizations since 2002.²

- Al-Quds University (located in Jerusalem) received 13 subawards (from 7 different USAID prime recipients) for approximately \$3 million, of which 10 were awarded prior to 2006.

² See appendix III, appendix IV, and appendix V for the lists of awards.

- Islamic University in Gaza received 16 subawards (from 8 different USAID prime recipients) for approximately \$900,000, of which 14 were awarded prior to 2006.
- American Near East Refugee Aid received 10 awards (5 prime awards and 5 subawards) for approximately \$27 million.

Maps of West Bank and Gaza



During this time period, USAID/West Bank and Gaza arranged to have Al-Quds University vetted seven times (most recently in December 2006) and Islamic University in Gaza vetted eight times (most recently in February 2006). None of these vetting requests resulted in derogatory information. USAID/West Bank and Gaza did not arrange to vet American Near East Refugee Aid because it is a U.S.-based organization.

According to the mission, in cases where a prime awardee does not follow its responsibilities to ensure that vetting is done, certifications are collected, or mandatory clauses are included in subawards, the mission has several potential methods of recourse to ensure corrective action. The corrective action would depend on the facts and circumstances in each case and could include any of the following:

- Suspension of assistance to the subawardee until corrective action is taken.
- Termination of assistance to the subawardee.
- Refund of all or some of expended monies.
- Termination of the prime award.

AUDIT OBJECTIVE

We conducted this audit in response to congressional and USAID concerns that funds were being provided to organizations that support terrorism as reported in a March 5, 2007, *Washington Times* article. We conducted this audit to answer the following question:

- Has USAID/West Bank and Gaza provided U.S. assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid in accordance with applicable Federal laws, Executive Order 13224, and USAID policies?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

USAID/West Bank and Gaza did not always follow applicable Federal laws, Executive Order 13224, or USAID policies when providing assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid. However, 21 of 23 cases of noncompliance that we identified took place between 2003 and 2005, prior to the implementation of current USAID policies that address these issues.

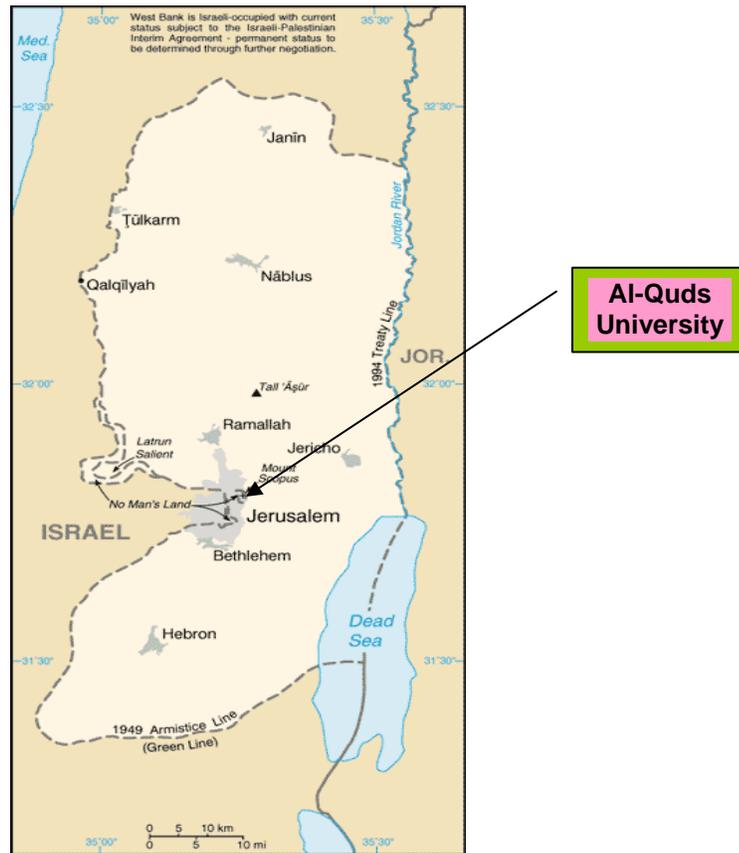
Our determinations were based upon a review of the three mechanisms the mission used to implement the law for both prime awards and subawards: (1) “vetting” or screening organizations and individuals, (2) requiring organizations to certify that the organization does not provide support for terrorism, and (3) including antiterrorism clauses in awards and subawards. Specifically, as discussed in detail in the following sections, our audit found that:

- Vetting was not conducted in 2 of 17 required instances (2003);
- Certifications were not obtained in 3 of 14 required instances (2003 and 2004);
- The “prohibition against support for terrorism” clause was not included in 16 of 35 applicable agreements (2003, 2004, and 2005); and
- The “restriction on naming facility” clause was not included in 2 of 9 applicable agreements (2006).

In addition, we reviewed six statements regarding three organizations reported in the March 5, 2007, edition of the *Washington Times* as follows.

- (1) “USAID has provided more than \$140,000 in assistance to the Hamas-controlled Islamic University in Gaza.”
- (2) USAID has provided more than \$140,000 in assistance to the Hamas-controlled Islamic University in Gaza—“including scholarships to 49 of its students.”
- (3) “USAID continues to fund multimillion-dollar programs through American Near East Refugee Aid (ANERA), which is building a high-tech facility for the school.”
- (4) “USAID also gave \$2.3 million in aid last year to Al-Quds University, which has student groups affiliated with designated terrorist organizations on campus and last month held a week-long celebration of the man credited with designing and building the first suicide belts more than a decade ago.”
- (5) “It (USAID) provided \$12,000 worth of computers and materials to the school’s (Islamic University in Gaza) library.”
- (6) “Unlike other U.S. aid recipients, the scholarship students have not been required to sign pledges not to participate in terrorism.”

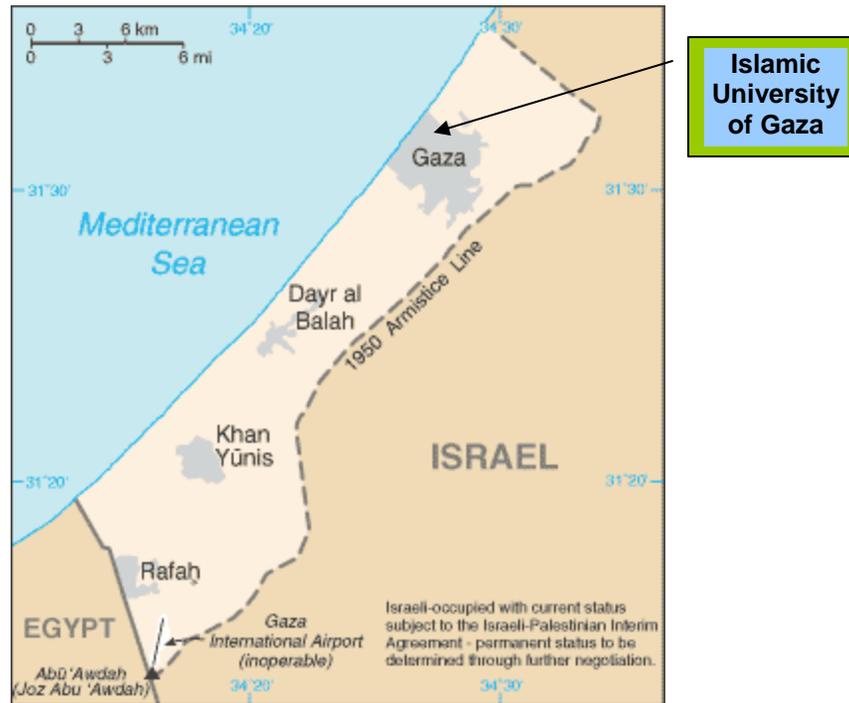
Location of Al-Quds University in the West Bank



Concurrent with this audit, the Regional Inspector General/Cairo also audited USAID/West Bank and Gaza's implementation of policies, procedures and controls to comply with Executive Order 13224 (No. 6-294-08-001-P). As part of that audit's fieldwork, the team tested recent awards from two different samples covering more than just the three organizations. Based on the audit fieldwork examining recent time periods, we determined that the mission has currently implemented policies, procedures, and controls to comply with the Executive order.

Our opinion was based on an evaluation of the mission's (1) compliance with obtaining antiterrorism certifications from contractors and grantees, (2) compliance with the inclusion of mandatory antiterrorism clauses in contracts and grants, (3) the correction of vetting database deficiencies previously identified, and (4) compliance with required vetting of organizations and individuals. The concurrent audit made two recommendations to strengthen the effectiveness of mission controls to ensure that vetting is conducted. As a result, we did not include any recommendations to USAID/West Bank and Gaza within this audit report.

Location of Islamic University of Gaza



Subawardees Were Not Always Vetted

Summary: Though required by law and mission procedures, USAID/West Bank and Gaza did not perform vetting for two 2003 subawards—one provided to the Islamic University in Gaza and one provided to Al-Quds University. Given the time lapse since 2003 for both cases, we did not determine the reasons for the missing vetting. In our concurrent audit report (No. 6-294-08-001-P) examining current mission procedures, we reported that USAID/West Bank and Gaza did not vet 2 of 26 prime awardees and subawards in accordance with mission vetting procedures. As a result of these cases, in report no. 6-294-08-001-P we made two recommendations to USAID/West Bank and Gaza to strengthen procedures to ensure that vetting is conducted. Without these additional control procedures, the mission could inadvertently provide support to entities or individuals associated with terrorism.

The Consolidated Appropriations Resolution, 2003, and subsequent appropriations acts have required vetting to ensure that U.S. assistance is not provided to support terrorist activity. USAID/West Bank and Gaza has issued several notices to USAID contractors and grantees. Two of these notices were comprehensive and provided the principal guidance to USAID contractors and grantees.

- In August 2003, USAID/West Bank and Gaza issued its first comprehensive policy for vetting.

- In March 2006, USAID/West Bank and Gaza issued Mission Order No. 21 establishing the most recent comprehensive requirements for vetting. This order superseded 2003 mission guidance and provided updated criteria for when non-U.S. organizations and individuals are to be vetted for links to terrorism prior to the awarding of contracts, grants, and cooperative agreements. The criteria to determine whether an organization required vetting includes dollar thresholds for cumulative contracts, award types (contract, grant, or cooperative agreement), and time since the organization was last vetted. Therefore, mission policy did not require vetting of all awards to the Islamic University in Gaza and Al-Quds University.

Photograph of the Al-Quds University Campus in Jerusalem
Source: USAID/West Bank and Gaza



Table 1 illustrates the results of our review for these three organizations against the criteria in effect at the time of awards. The mission did not conduct the required vetting for one of nine subawards for the Islamic University in Gaza and one of eight subawards for Al-Quds University. The mission was not required to perform vetting for American Near East Refugee Aid (ANERA) because it was a U.S.-based entity and did not do so. The two instances of missing vetting were for 2003 subawards. Given the time lapse since 2003, we did not determine the reasons for the missing vetting.

Table 1: Vetting of Awards and Subawards by USAID/West Bank and Gaza for the Islamic University in Gaza, Al-Quds University, and ANERA

	Islamic University in Gaza	Al-Quds University	ANERA	Totals
Total Awards and Subawards	16	13	10	39
Vetting Not Required	7	5	10	22
Required Vetting Conducted	8	7	0	15
Required Vetting Not Conducted	1	1	0	2

In our concurrent Federal audit report (No. 6-294-08-001-P) examining current mission procedures and organizations, we reported that USAID/West Bank and Gaza did not vet 2 of 26 other prime awardees and subawards in accordance with mission vetting procedures.³ As a result of these cases, we recommended that USAID/West Bank and Gaza (1) establish procedures to ensure compliance with existing policy that all subawardees are vetted and (2) establish procedures to ensure compliance with existing policy that contractors and subcontractors are vetted if they receive contracts or subcontracts over any 12-month time period that cumulatively total more than \$25,000. Without these additional controls, the mission could inadvertently provide support to entities or individuals associated with terrorism. Therefore, we are not making a recommendation in this report.

Photograph of the Islamic University in Gaza Campus in Gaza City
Source: Website for the Islamic University in Gaza



³ The two incidences of non-vetting reported in USAID OIG Audit Report No. 6-294-08-001-P are in addition to the two incidences of non-vetting reported in this audit report.

Antiterrorism Certifications Were Not Always Obtained

Summary: According to USAID Acquisition and Assistance policy directives, U.S. and non-U.S. organizations are required to certify, before being awarded a grant or cooperative agreement, that the organization does not provide support for terrorism. The mission issued guidance for certifications in August 2003 and March 2006 which applied to recipients of grants and cooperative agreements. USAID/West Bank and Gaza's prime recipients did not obtain antiterrorism certifications for three of nine subawards to the Islamic University in Gaza and Al-Quds University. The missing certifications were for subawards in 2003 and 2004.

In September 2006, the Government Accountability Office (GAO) reported that USAID/West Bank and Gaza did not have a process to verify that prime awardees collected antiterrorism certifications from subgrantees.⁴ Consequently, subawardees may not have been aware of nor reconfirmed that they would not provide resources to any individual or entity that supports terrorist activity. In October 2006, USAID/West Bank and Gaza implemented a new process to ensure that for subawards, the mission received the antiterrorism certifications. Our review of these new procedures showed that they were working, and, consequently, we are not making a recommendation.

USAID issued Acquisition and Assistance policy directives 02-19 and 04-14 in December 2002 and September 2004, respectively, requiring all U.S. and non-U.S. nongovernmental organizations to certify before being awarded a grant or cooperative agreement that the organization does not provide material support or resources for terrorism. The mission issued implementing guidance for these certifications in August 2003 and March 2006. This certification applied to recipients of grants and cooperative agreements. The 2006 guidance clarified that certifications were not required for individuals, public international organizations, the host government, contractors, and subcontractors.

Table 2 illustrates the results of our review for these three organizations against the criteria in effect at the time of awards. The mission's prime recipient did not obtain the required certifications for two of five awards for the Islamic University in Gaza and one of four awards for the Al-Quds University. The mission did obtain the required certifications for the 5 applicable awards for American Near East Refugee Aid (ANERA). The three instances of missing certifications were for awards in 2003 and 2004. Given the time lapse since 2004, we did not determine the reasons for the missing certifications.

⁴ Government Accountability Office, "Foreign Assistance: Recent Improvements Made, but USAID Should Do More to Help Ensure Aid Is Not Provided for Terrorist Activities in West Bank and Gaza" (GAO-06-1062R, September 29, 2006).

Table 2: Certifications Received by USAID/West Bank and Gaza for the Islamic University in Gaza, Al-Quds University, and ANERA

	Islamic University in Gaza	Al-Quds University	ANERA	Totals
Total Awards and Subawards	16	13	10	39
Certification Not Required	11	9	5	25
Required Certification Obtained	3	3	5	11
Required Certification Not Obtained	2	1	0	3

In September 2006, GAO reported that USAID/West Bank and Gaza did not have a process to verify that prime awardees collected antiterrorism certifications from subgrantees (GAO-06-1062R). Consequently, subawardees may not have been aware of nor reconfirmed that they would not provide resources to any individual or entity that engages in or supports terrorist activity.

As a result of the GAO report, in October 2006 USAID/West Bank and Gaza implemented a new process to ensure that for subawards, the mission received copies of required antiterrorism certifications and mandatory clauses. On a monthly basis, the mission requires prime recipients to submit a monthly listing of all new subawards to the Office of Contracts Management along with copies of the antiterrorism certifications and required clauses. The Office of Contracts Management reviews the documents to ensure that they comply with mission requirements for antiterrorism certifications and required clauses.

In order to test the effectiveness of these new procedures, we reviewed 89 subawards (from a universe of 204) with award start dates from January 1 through April 29, 2007. For the 89 subawards, 15 required antiterrorism certifications, and all had the appropriate documentation. Given the results of our audit review of the new mission procedures, we are not making a recommendation.

Required Clauses Were Not Always Included In Awards and Subawards

Summary: In accordance with legislative requirements, USAID/West Bank and Gaza included two different antiterrorism clauses within its awards and subawards.

- The first is an antiterrorism clause. It is intended to appraise awardees of their contractual responsibility to comply with executive orders and laws that prohibit transactions with, and provision of resources and support to, individuals and organizations associated with terrorism.
- The second is a “naming clause.” It prohibited the use of assistance to recognize or honor individuals by name who commit, or have committed, acts of terrorism.

For the majority of subawards to the Islamic University in Gaza and the Al-Quds University, the antiterrorism clause was missing. Of the 29 subawards to the Islamic University in Gaza and Al-Quds University, 25 took place before the second required clause (the naming clause) was required. According to a 2006 GAO report (GAO-06-1062R), the mission did not have a process to verify that prime awardees included the required clauses in subawards. As a result, some prime awardees and subawardees may not have been aware of their responsibilities outlined within these clauses.

In October 2006, USAID/West Bank and Gaza implemented a new process to ensure that subawards included the necessary antiterrorism clauses. Our concurrent audit (No. 6-294-08-001-P) reviewed these new procedures and showed that they were working; consequently, we are not making a recommendation.

To implement Executive Order 13224 and the antiterrorism provisions in the various laws, USAID has issued several Acquisition and Assistance policy directives since 2002 that require an antiterrorism clause in all USAID awards. The antiterrorism clause applied to all prime awardees and subawardees. It is intended to familiarize recipients with Executive Order 13224 and apprise them of their contractual responsibility to comply with executive orders and laws that prohibit transactions with, and provision of resources and support to, individuals and organizations associated with terrorism.

Table 3 illustrates the results of our review of applicable awards and subawards to the Islamic University in Gaza, Al-Quds University, and American Near East Refugee Aid (ANERA). Mission awards did not include the required clause in 7 of 13 subawards for the Islamic University in Gaza, 7 of 13 subawards for the Al-Quds University, and 2 of 9 awards and subawards for ANERA.

Table 3: Clause—Prohibition Against Support for Terrorism in USAID/West Bank and Gaza Awards and Subawards for the Islamic University in Gaza, Al-Quds University, and ANERA

	Islamic University In Gaza	Al-Quds University	ANERA	Totals
Total Awards and Subawards	16	13	10	39
Clause Not Required	3	0	1	4
Required Clause Included	6	6	7	19
Required Clause Not Included	7	7	2	16

According to the mission, the “naming” clause was required in all prime awards initiated after December 2004. A provision was included in the 2005 appropriations law prohibiting the use of assistance to recognize or honor individuals who commit, or have committed, acts of terrorism. Subsequently, the mission’s March 2006 guidance (Mission Order No. 21) extended this “naming” clause requirement to all subawards. Of the 29 subawards to the Islamic University in Gaza and Al-Quds University, 25 took place before the clause was required.

Table 4 illustrates the results of our review of applicable awards and subawards to the Islamic University in Gaza, Al-Quds University, and ANERA. The mission awards did not include the required clause in 1 of 2 subawards for the Islamic University in Gaza and 1 of 2 subawards for the Al-Quds University. The mission did include the required clause for the 5 applicable awards and subawards for ANERA.

Table 4: Clause—Restriction on Naming Facility in USAID/West Bank and Gaza Awards and Subawards for the Islamic University in Gaza, Al-Quds University, and ANERA

	Islamic University In Gaza	Al-Quds University	ANERA	Totals
Total Awards and Subawards	16	13	10	39
Clause Not Required	14	11	5	30
Required Clause Included	1	1	5	7
Required Clause Not Included	1	1	0	2

In September 2006, GAO reported (GAO-06-1062R) that USAID/West Bank and Gaza did not have a process to verify that prime awardees included the required clauses in subawards. As a result, some prime awardees and subawardees may not have been aware of their responsibilities within these clauses.

In October 2006, USAID/West Bank and Gaza implemented a new process to ensure that for subawards, the mission received copies of required antiterrorism certifications and mandatory clauses. On a monthly basis, the mission required prime recipients to submit a listing of all new subawards to the Office of Contracts Management along with copies of the antiterrorism certifications and contract clauses. The Office of Contracts Management reviews the documents to ensure that they comply with mission requirements for antiterrorism certifications and contract clauses. In order to test the

effectiveness of these new procedures, in our concurrent audit (No. 6-294-08-001-P) looking at awards and subawards beyond our three organizations, we reviewed 89 subawards (from a universe of 204) with award start dates from January 1 through April 29, 2007. For the 89 subawards,⁵ all required and appropriately included the mandatory clauses. Given the results of our audit review of the new mission procedures, we are not making a recommendation in this report to address the problems identified above with the older awards.

Review of Six Statements Reported in the *Washington Times*

In addition to determining whether assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid was provided in accordance with applicable Federal laws, Executive Order 13224, and USAID policies, we reviewed concerns expressed in a March 5, 2007, article in the *Washington Times* entitled, "School Linked to Hamas Gets U.S. Cash." We reviewed six of the reported statements in regard to these three organizations.

⁵ None of these 89 subawards were provided to Al-Quds University, the Islamic University in Gaza, or ANERA.

Table 5: Results of Review of Statements Reported in the March 5, 2007, Edition of the *Washington Times*

	Reported Statement	Review Result
1	“USAID has provided more than \$140,000 in assistance to the Hamas-controlled Islamic University in Gaza.”	Since 2002, USAID/West Bank and Gaza has provided funding for 16 subawards (from 8 different USAID prime recipients) for approximately \$900,000 to the Islamic University in Gaza, 14 of which were awarded prior to 2006. Also since 2002, USAID/West Bank and Gaza arranged to have the Islamic University in Gaza vetted eight times—most recently in February 2006. None of these vetting requests resulted in derogatory information. Of these 16 subawards, 2 subawards totaling approximately \$87,000 were awarded after Hamas claimed a parliamentary majority in the election of January 2006. In each of these cases, vetting was conducted.
2	USAID has provided more than \$140,000 in assistance to the Hamas-controlled Islamic University in Gaza—“including scholarships to 49 of its students.”	USAID funded, through the Academy for Educational Development’s Higher Education Support Initiative, 49 local scholarships valued at \$93,000 to students of the Islamic University in Gaza during the academic years from 2003 through 2005. USAID/West Bank and Gaza vetted 86 students of whom 49 received scholarships. The Islamic University in Gaza was also vetted and cleared for this award.
3	“USAID continues to fund multimillion-dollar programs through American Near East Refugee Aid (ANERA), which is building a high-tech facility for the school.”	USAID is not a participant in the project referred to in the <i>Washington Times</i> article. According to mission information, the INTEL Corporation funded the creation of an Information Technology Center of Excellence at the Islamic University in Gaza, and ANERA was involved in the implementation of this project. USAID/West Bank and Gaza has had an association with ANERA since 2002. ANERA is a U.S.-based non-governmental organization that was founded in 1968 and specializes in economic development, education, health and relief, and public education. Since 2002, USAID/West Bank and Gaza has funded 10 awards (5 prime awards and 5 subawards) for approximately \$27 million to ANERA. During this time period, USAID/West Bank and Gaza did not arrange to vet ANERA because it is a U.S.-based entity, and, therefore, not covered by mission policy which applies vetting to non-U.S. organizations. The mission did obtain the required certifications for the five applicable awards for American Near East Refugee Aid.

	Reported Statement	Review Result
4	<p>“USAID also gave \$2.3 million in aid last year to Al-Quds University, which has student groups affiliated with designated terrorist organizations on campus and last month held a week-long celebration of the man credited with designing and building the first suicide belts more than a decade ago.”</p>	<p>USAID funded, through the Academy for Educational Development’s Higher Education Support Initiative, approximately \$2.3 million for the local scholarships of 1,960 students and to pay the arrears for 894 students. The scholarship assistance took place in August and September 2006. According to the mission, the arrears were for students who could not pay their tuition for the previous academic year of 2005 because of economic hardships. The difficult political and economic situation at that time impacted students who could no longer pay tuition fees and universities that could no longer pay staff salaries. The breakdown of the \$2.3 million was as follows.</p> <ul style="list-style-type: none"> • \$1,849,692 covered scholarships to 1,960 students. The range of scholarships varied from \$382 to \$1,840, depending on the field of study, with arts being the least expensive and dentistry the most expensive. • \$426,894 covered arrears to 894 students who also received the scholarship. The range of arrears varied from \$106 to \$1,412. <p>The individual students were vetted as was the organization, and no derogatory information was reported. We could not verify if students associated with these scholarships took part in the celebration identified in the <i>Washington Times</i> article. Since 2002, USAID/West Bank and Gaza has provided funding for 13 subawards (from 7 different USAID prime recipients) for approximately \$3 million to Al-Quds University. Ten of the subawards were issued prior to 2006. Since 2002, USAID/West Bank and Gaza has arranged to have Al-Quds University vetted seven times, most recently in December 2006. None of these vetting requests resulted in derogatory information.</p>

	Reported Statement	Review Result
5	<p>"It (USAID) provided \$12,000 worth of computers and materials to the school's (Islamic University in Gaza) library."</p>	<p>USAID funded, through the Academy for Educational Development's Higher Education Support Initiative, \$11,995 of assistance—\$6,500 for five computers to the university library and \$5,455 for electronic journals during 2005 and 2006. The \$5,455 for electronic journals is in reference to a 1-year subscription to Academic Search Premier of EBSCO Publishing, which provides online access to a database of more than 4,000 academic journals. This assistance was part of a bundled purchase for a consortium of 11 Palestinian universities under the Higher Education Support Initiative of the Academy for Educational Development.</p>
6	<p>"Unlike other U.S. aid recipients, the scholarship students have not been required to sign pledges not to participate in terrorism."</p>	<p>USAID/West Bank and Gaza does not have a requirement for students to sign pledges. In addition, the mission is not aware of any awardees or subawardees that require pledges. The mission does require antiterrorism certifications from organizations as a condition of receiving grants or cooperative agreements.</p>

EVALUATION OF MANAGEMENT COMMENTS

In its response, USAID/West Bank and Gaza accepted the factual findings of the draft report and has taken action, as noted in the companion Regional Inspector General/Cairo audit report on the mission's implementation of Executive Order 13224 (No. 6-294-08-001-P), to improve monitoring and oversight of its awardees. Even though the report includes no recommendations, the mission believed that certain findings and statements required further clarification. We considered each of the mission's comments and modified the final report as appropriate. In particular, USAID/West Bank and Gaza noted that the required clause cited in the draft report—the prohibition on cash assistance to the Palestinian Authority—was technically an anticorruption measure and not an antiterrorism measure. We agree and dropped our analysis of this required clause from the final report. USAID/West Bank and Gaza's comments are included in their entirety in appendix II.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo conducted this audit in accordance with generally accepted Government auditing standards, performing the fieldwork for this audit at USAID/West Bank and Gaza from April 29 to June 7, 2007. We conducted this audit in response to congressional and USAID concerns that funds were being provided to organizations that support terrorism as reported in a March 5, 2007, *Washington Times* article. We conducted this audit to determine whether USAID/West Bank and Gaza provided U.S. assistance to Al-Quds University, the Islamic University in Gaza, and American Near East Refugee Aid (ANERA) in accordance with applicable Federal laws, Executive Order 13224, and USAID policies. We did not determine whether the organizations cited in the *Washington Times* article were terrorist organizations, were controlled by terrorists, or were supporting terrorism. We did verify whether the organizations were vetted in accordance with Executive Order 13224, and we relied upon the outcome of the vetting results.

In planning and performing the audit, we assessed the effectiveness of the following significant USAID/West Bank and Gaza controls for implementing Executive Order 13224 on terrorist financing:

- **Vetting:** Screening organizations and individuals to ensure that the organizations or individuals are not affiliated with terrorism.
- **Certifications:** Requiring organizations to certify that the organization does not provide material support or resources for terrorism before being awarded a grant or cooperative agreement by USAID.
- **Clauses:** Requiring clauses in awards and subawards which (1) remind contractors and recipients that U.S. Executive orders and U.S. law prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism and (2) restrict the naming of facilities in honor of individuals who commit, or have committed, acts of terrorism.

The audit examined all the subawards provided to Al-Quds University and the Islamic University in Gaza and all prime awards and subawards provided to ANERA for the period 2001 through April 2007. In addition, we reviewed concerns expressed in a March 5, 2007, article in the *Washington Times* entitled, "School Linked to Hamas Gets U.S. Cash." Specifically, we reviewed six of the reported statements in regard to three organizations.

Initially, our audit scope included 20 subawards to Al-Quds University. However, the mission informed us that 7 of these 20 subawards were given to the Center for Development in Primary Health Care (CDPHC) for approximately \$800,000 between 2001 and 2006. CDPHC has an academic and professional relation with Al-Quds University—including a memorandum of understanding—to enhance the university's academic credibility. USAID/West Bank and Gaza determined that CDPHC is a nongovernmental organization that is administratively and financially independent of Al-Quds University. Accordingly, we excluded the subawards to CDPHC within the section of our report

addressing Al-Quds University. If these seven subawards had been included, the results would have been as follows:

Table 6: Vetting Conducted, Certifications Received, and Required Clauses Included for USAID/West Bank and Gaza Subawards for the Center for Development in Primary Health Care (CDPHC)

	Vetting Conducted	Antiterrorism Certification Obtained	“Prohibition Against Support for Terrorism” Clause Included	“Restriction on Naming Facility” Clause Included
Total	7	7	7	7
NA	2	3	0	5
Yes	2	2	3	2
No	3	2	4	0

For our concurrent audit report looking at current USAID/West Bank and Gaza procedures (No. 6-294-08-001-P), we reviewed 89 subawards, from a universe of 204 subawards, with award start dates from January 1, 2007, through April 29, 2007. The results of our review of the new mission procedures were the basis for not making recommendations in this report.

We considered prior audit findings of the USAID OIG and GAO in planning and conducting our work.⁶

Methodology

To form a conclusion about the audit objective, the audit team examined mission documents and interviewed mission staff including the USAID/West Bank and Gaza Deputy Director, the Regional Legal Advisor, and contracting officers and staff. The audit team also examined the history of the implementation of the mission policies and procedures since Executive Order 13224 became effective on September 24, 2001. In addition, the audit team examined (1) the mission’s vetting documentation and (2) procurement records to determine if antiterrorism certifications had been signed and whether the required clauses were included in the awards and subawards.

⁶ See the following USAID OIG and GAO reports:

- Inspector General, “Survey of USAID/West Bank and Gaza’s Implementation of Executive Order 13224—Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism” (Report No. 6-294-05-004-S, March 30, 2005)
- Inspector General, “Quick Response Review of Vetting Procedures at USAID/West Bank and Gaza” (Report No. 6-294-06-001-S, June 19, 2006) (SBU)
- Government Accountability Office, “Foreign Assistance: Recent Improvements Made, but USAID Should Do More to Help Ensure Aid Is Not Provided for Terrorist Activities in West Bank and Gaza” (GAO-06-1062R, September 29, 2006)

Concurrent with this audit, the Regional Inspector General/Cairo audited the USAID/West Bank and Gaza current policies, procedures and controls to comply with Executive Order 13224 (No. 6-294-08-001-P). As part of that audit's fieldwork, the audit team tested recent awards from two different samples covering more than the just the three organizations.

- The audit team tested 62 awards from January 1, 2005, through December 31, 2006, consisting of all 42 prime awards and 20 randomly selected subawards from a universe of 202 subawards. The audit team reviewed these 62 prime and subawards for compliance with vetting, certifications, and contract clauses.
- The audit team tested 89 subawards from January 1 to April 29, 2007, from a universe of 204 subawards. From January 1 to April 29, 2007, the mission issued no prime awards. The audit team reviewed these 89 subawards for compliance with the certification and contract clause requirements.

In 2006, the mission implemented a new process and control to ensure that subawards included the necessary antiterrorism certifications. In order to test the effectiveness of these new procedures, the audit team reviewed the additional 89 subawards with award start dates from January 1 to April 29, 2007. These additional awards were selected on a random basis from a total universe of 204 subawards obtained from the monthly submissions by the prime awardees. Of these 89 subawards, 15 required the antiterrorism certifications and 89 required the mandatory clauses.

We developed the universe of awards and subawards to the three organizations with the assistance of USAID/West Bank and Gaza and verified the information against supporting documents.

With regard to the vetting of organizations and individuals, we discussed the vetting process with mission staff in order to understand the process and the changes in the vetting process. We reviewed all 13 subawards to Al-Quds University, all 16 subawards to the Islamic University in Gaza, and all 10 awards (5 prime awards and 5 subawards) to ANERA for the period between October 2001 and April 2007. The five prime awards to ANERA represented all prime awards during this period. In evaluating the vetting of awards, we reviewed each award to determine (1) whether the award was to a U.S. or non-U.S. organization or individual, (2) the type of award, (3) the period of the award, and (4) the vetting criteria applicable during the award period. We also reviewed the vetting request and the response to the request for both the key individuals associated with the award, as well as the organizations themselves. From this information, we determined whether the vetting of the organizations complied with applicable Federal laws, Executive Order 13224, and USAID policies.

With regard to antiterrorism certifications and contract clauses, we discussed the certification process with mission staff in order to understand the process and the changes in the certification process. We reviewed all 13 subawards to Al-Quds University, all 16 subawards to the Islamic University in Gaza, and all 10 awards (5 prime awards and 5 subawards) to ANERA for the period between October 2001 and April 2007. The five prime awards to ANERA represented all prime awards during this period. In evaluating the antiterrorism certifications and contract clauses we reviewed the awards against the relevant time period when the specific certification or contract clause became a requirement. We examined procurement documentation and required clauses to verify that the required certifications and clauses were received or included in the awards and subawards. From this information, we determined whether the antiterrorism

certifications and required clauses complied with applicable Federal laws, Executive Order 13224, and USAID policies.

In regard to the review of six statements reported in the *Washington Times*, we substantiated whether the assistance cited was provided, as well as the amounts and other details of the assistance.

MANAGEMENT COMMENTS



USAID
FROM THE AMERICAN PEOPLE

WEST BANK/GAZA

MEMORANDUM

Date: November 1, 2007

To: Lloyd Miller, Regional Inspector General - Cairo

From: Howard J. Sumka, Mission Director /s/

Subject: Audit of USAID/West Bank and Gaza's Assistance to Al Quds University, Islamic University in Gaza, and American Near East Refugee Aid (Audit Report No. 6-294-08-00X-P)

The Mission is pleased to provide its management comments on the subject draft audit report entitled "Audit of USAID/West Bank and Gaza's Assistance to Al Quds University, Islamic University in Gaza, and American Near East Refugee Aid" (ANERA). The Mission appreciates the opportunity to comment on the draft report and clarify certain findings and statements as the RIG prepares the final report.

The draft report includes no recommendations for further action, but it does include certain findings and statements that the Mission believes require further clarification. These findings and statements are addressed in the comments below:

1. The Mission provided assistance in accordance with applicable law and substantially in accordance with its internal policies: The summary finding in the draft report states that "USAID/West Bank and Gaza did not always provide assistance to Al Quds University and Islamic University in Gaza in accordance with applicable federal laws, regulations and USAID policies." The finding, as written, could carry with it an implication that USAID/West Bank and Gaza did on occasion provide assistance in contravention of the law. Such an implication is not supported by the underlying facts. Congress first included language in the fiscal year 2003 appropriations bill that led to the requirement for USAID West Bank and Gaza to take all "appropriate steps" prior to the obligation of funds to ensure assistance is not provided to or through anyone known to be or supporting terrorist activities and to establish procedures to carry this out. As outlined below, the Mission took appropriate steps and established procedures after broad consultation prior to obligation of funds by it in compliance with the law.

The facts in the draft report indicate that in the four years since February of 2003 when the appropriations language was first signed into law, Al Quds University and Islamic University in Gaza were vetted fifteen times. This represents an average of almost four times per year. On each occasion, no derogatory information was ever provided to the Mission on either institution. Each university also signed the anti-terrorism certification three times over the same period. ANERA signed the certification five times in that period. These facts indicate compliance with the law and a strong overall compliance with the Mission's internal policies.

The draft report has noted specific cases of USAID implementing partners failing to comply with USAID promulgated procedures and contractual requirements in their sub-obligating agreements. The Mission, as with previous audits, accepts those factual findings and has taken action, as noted in the companion RIG/Cairo audit report on the Mission's implementation of Executive Order 13224, to improve monitoring and oversight of its awardees. However, the factual findings, similar to earlier audits of the Mission's anti-terrorism procedures, including the September 29, 2006 GAO report, do not support an implication that the Mission may have provided assistance in contravention of applicable law. The fact that USAID implementing partners did not comply on every occasion with each of the procedures that USAID put in place, does not equate to a violation of law. USAID West Bank and Gaza's internal procedures do not have the force of law. The Mission requests that the summary finding in the second paragraph of page 1 and the top of page 5 of the report state: "...USAID/West Bank and Gaza provided assistance to Al Quds University and Islamic University in Gaza in accordance with applicable federal laws, but could have taken additional measures to ensure compliance by USAID contractors and grantees with USAID policies."

2. The underlying facts are critical when analyzing cases of non-compliance with Mission procedures on vetting: Vetting is the cornerstone of the Mission's anti-terrorism procedures and is also the focus of the yearly appropriations law requirement. After all, the section of the annual appropriations law that required the Mission to develop anti-terrorism procedures is titled "Vetting". For this reason, the most serious finding in the draft report is that the Mission failed to conduct vetting on two of 17 occasions when vetting was required under the Mission's procedures.

The draft report indicates that both instances of non-compliance occurred in 2003 and states that "[g]iven the time lapses, we did not determine the reasons for the missing vetting." However, the underlying facts in each case are critical.

The first occasion was a subcontract awarded by a USAID prime awardee to Al Quds University to carry out a food security assessment and nutritional surveillance. This subcontract was awarded in February of 2003 (item #11 listed in Appendix III to the draft report), six months prior to USAID promulgating its vetting procedures for the first time to all of its grantees and contractors on August 26, 2003. The prime awardee could not have been expected to implement vetting when no requirement was included in its agreement and it had not been informed of the requirement. Notwithstanding, Al Quds University has been vetted seven times since 2003 with no derogatory information being provided to the Mission.

The second award where vetting did not take place was a sub-agreement to the Islamic University in Gaza for \$10,000 (item #16 listed in Appendix IV to the draft report) issued on August 28, 2003. This subaward was made only two days after the Mission first issued written anti-terrorism procedures to its contractors and grantees on August 26, 2003. It would have been impossible for any USAID contractor or grantee to have digested and developed procedures for implementing the new guidance in two days. Furthermore, the prime contract pre-dated the vetting requirement and included no provision that would have made the new vetting requirement mandatory. It naturally took time for the USAID West Bank and Gaza Mission to include a provision in each award that would make vetting a contractual requirement. This did not happen overnight upon issuance of the new procedures. Knowing that the \$10,000 sub-agreement to the university occurred two days after issuance of the new procedures is a critical fact that explains why vetting did not occur. Despite this lapse, Islamic University in Gaza was vetted twice prior to this subaward, and six times since, with no derogatory information provided to the Mission.

The underlying facts of the two instances of non-vetting noted in the draft report are useful to illustrate the time lag that occurred between development of the new procedures, their promulgation and ultimate implementation. The time lag was compounded by the authorized departure (February 8, 2003) and ordered departure (March 16, 2003) of most Mission U.S. direct hire staff in the lead up to the war in Iraq.

In sum, the facts demonstrate that the Mission developed procedures in compliance with the law and implemented them in a timely manner. While complying with the law, the two occasions of non-compliance with the Mission's own internal policies for vetting occurred in the early rollout stage of the policy: in the first case, prior to the procedures being transmitted to the primes; and in the second case within the first two days of the Mission's procedures being issued. As indicated above, those entities needed a period of time to internalize and implement the new procedures; expecting immediate, same-day compliance is unrealistic.

3. Anti-Terrorism Certification: The draft report also indicates that anti-terrorism certifications were not obtained on three of 14 occasions when required under the Mission's procedures. While the draft report does not go into the reasons for the missing certifications, the specific context mitigates the results.

The \$10,000 sub-agreement to the Islamic University in Gaza issued on August 28, 2003 referred to above also constituted one of the three occasions of failure by a USAID contractor or grantee to obtain an anti-terrorism certification. The requirement for the certification's application to grants-under-contracts (which is the case here) and grants under grants was not clarified to all contractors and grantees until August 26, 2003. It is unrealistic to expect the contractor to have instituted procedures to obtain the certification within 48 hours after the guidance was issued.

A second anti-terrorism certification was not obtained in connection with an award issued in December of 2004. The prime had consulted with USAID about the need to obtain the certification and was informed that a new certification was not required since the award was a follow-on to an existing award to the Islamic University in Gaza for the same purpose for which the institution had already signed the anti-terrorism certification. As RIG notes, the Mission has since put procedures in place to ensure that the certification is obtained when required by Mission policy.

Here again underlying facts point to mitigating circumstances in two of the three cases identified in the draft report related to the anti-terrorism certification. As with vetting above, the unstated specifics of the instances documented in the draft report justifies a conclusion of substantial compliance by the Mission with internal policies and procedures. As previously mentioned, the Islamic University in Gaza and Al Quds University each signed the anti-terrorism certification three times over the course of the four year-period since the certification has been required.

4. Prohibition Against Support for Terrorism Clause: The draft report indicates on page 12 that Mission awards did not include the prohibition against support for terrorism clause in 14 of 26 awards to Islamic University in Gaza and Al Quds University. The clause reminds awardees of their responsibility to comply with executive orders and laws that prohibit transactions with, and provision of resources and support to, individuals and organizations associated with terrorism.

While failure of USAID partners to include the required clause in sub-awards indicated a failure to monitor partners compliance with Mission policies (a problem which the draft report notes has been addressed), such a failure should not be construed as a failure to comply with applicable law as suggested by the draft report's summary finding. Instead it does indicate that additional monitoring was needed to ensure USAID contractors and grantees complied with USAID policies when sub-obligating funds. As noted in the RIG's companion audit report regarding

implementation of Executive Order 13224, the Mission's corrective actions have improved monitoring of contractor and grantee compliance with inclusion of the prohibition against support for terrorism clause and Mission policies.

5. Cash Clause: The draft report, on page 13, states that "USAID/West Bank and Gaza also developed an additional clause to implement the legislated antiterrorism provision in regard to direct cash assistance to the Palestinian Authority." The Mission requests that this statement be deleted. As indicated on page 11 of the September 29, 2006 GAO Report, the Mission developed and required the cash clause after the 1998 appropriations act as an anticorruption measure. The Mission has never included the cash clause in its anti-terrorism procedures. With the exception of the approximately 15-month period from March 2006 until June 2007 when the Palestinian Authority was controlled by Hamas, the U.S. Government has not considered the Palestinian Authority to be controlled by a terrorist organization. The Mission and the GAO report both realized that during the period of Hamas control, the cash clause could double as a means to prevent cash assistance from inadvertently being provided to the Hamas-controlled Palestinian Authority, but that was not the reason for its development and is not the reason for its use given the current composition of the Palestinian Authority. Since the prohibition on direct cash assistance to the Palestinian Authority is not an anti-terrorism measure and cannot be construed as one under the current Palestinian Authority, the Mission requests that the RIG eliminate this statement in the final version of the report.

Similarly, two sentences later on page 13, the report asserts that the "...cash clause was a requirement in the appropriation law..." This is not correct as a factual matter. The language included in the yearly appropriations law since 1998, prohibits cash assistance to the Palestinian Authority ("None of the funds appropriated...may be obligated or expended with respect to providing funds to the Palestinian Authority."). Nowhere in the legislation has there been a requirement to include a cash clause in USAID contract or grant documents. The Mission was and is in full compliance with the law to the extent that no cash is provided to the Palestinian Authority unless a waiver is in place. The Mission requests that the quoted language from the draft report be deleted as it does not reflect the actual requirement in the appropriations laws.

6. Table Six: The Mission notes that, in addition to the information contained in box three of Table Six of the draft report, ANERA was also required to sign the anti-terrorism certification five times and did so all five times.

For the record, the Mission would like to note that it contacted RIG in the immediate aftermath of the March 5, 2007 Washington Times article and requested that a scheduled April RIG review of the Mission's vetting procedures be brought forward and broadened to address the article's allegations. The Mission acknowledges and appreciates the thoroughness of the audit conducted by RIG/Cairo in response to these allegations. The professionalism and cooperation of the RIG staff during the conduct of the audit was exemplary.

List of Subawards for Al-Quds University

	Prime Award	Type of Subaward	Purpose	Amount	Start Date	End Date
1	Academy for Educational Development (AED) - Higher Education Support Initiative (HESI)	Grant	Local scholarships for 1,960 students and arrears for 894 students	\$2,276,586	8/16/2006	9/29/2006
2	AED - HESI	In kind assistance	26 local scholarships, Improving library resources, training, equipment and books, research proposals	\$135,000	09/20/2004	11/14/2006
3	AED - HESI	Purchase Order	Training provided by university information technology center to improve skills of Palestinian information technology professionals	\$15,600	1/15/2005	6/15/2005
4	AMIDEAST - Palestinian Faculty Development Program	Grant scholarship	To fund the living stipend and tax withholdings of a PhD student at a U.S. university	\$84,744	08/01/2006	08/31/2010
5	Chemonics International - Arkan Rule of Law Project	Memorandum of Understanding	Technical and material assistance	\$110,000	09/2004	09/2007
6	Nathan Associates/ Management Systems International - Palestinian Information & Communications Technology Incubator	Sponsorship Agreement	Sponsorship of Information Technology Day at university to cover promotional materials and accessories	\$2,747	12/20/2004	6/28/2005
7	Associates for Rural Development - Expanding Access to Quality Higher Education	In kind Grant	Commodities and services: furnishing of 21 class rooms and 40 lecturers' offices	\$98,315	8/2/2006	9/14/2006

APPENDIX III

	Prime Award	Type of Subaward	Purpose	Amount	Start Date	End Date
8	CARE International - Emergency Medical Assistance Program, Phase I (EMAP I)	Contract	Conducting a rapid national nutritional survey in West Bank and Gaza	\$79,439	5/31/2002	9/30/2002
9	CARE International - EMAP I	Contract	Conducting random cluster nutritional surveys every two weeks during performance period	\$89,565	5/31/2002	8/31/2003
10	CARE International - EMAP I	Contract	Conducting a survey of services/quality of care at 68 maternal/child health clinics	\$43,062	6/14/2002	9/30/2002
11	CARE International - EMAP I	Contract	Conducting a food security assessment and nutritional survey (FSANS) in West Bank and Gaza	\$178,500	2/12/2003	9/30/2003
12	International Science and Technology Institute (ISTI) - Micronutrient Operational Strategies and Technologies program (MOST)	Purchase Order	To conduct an approximation of dietary adequacy of communities in Gaza	\$35,000	7/25/2005	9/16/2005
13	ISTI - MOST	Purchase Order	To conduct an approximation of dietary adequacy of communities in the West Bank	\$35,000	7/25/2005	9/16/2005
			Total =	\$3,183,558		

List of Subawards for Islamic University in Gaza

	Prime Award	Type of Subaward	Purpose	Amount	Start Date	End Date
1	Academy for Educational Development (AED) - Higher Education Support Initiative (HESI)	Purchase Order	Research grants	\$29,500	9/20/2004	3/9/2006
2	AED - HESI	No written agreement	49 local scholarships	\$93,000	2003	2005
3	AED - HESI	No written agreement	In-kind assistance of 5 computers (\$6,500) and electronic journals (\$5,455)	\$11,995	3/1/2005	2/28/2006
4	AED - HESI	Letter of Agreement	In-kind assistance to purchase books	\$336	9/19/2005	2/25/2006
5	AED - Presidential Scholarship Program	Purchase Orders	Pre-academic training (research and academic writing skills) for PSP scholars	\$6,354	06/29/2004	6/19/2005
6	The Morganti Group - Gaza Regional Water Carrier project	Contract	Soil testing for GRWC route and facilities installations	\$84,099	2/14/2006	5/1/2006
7	CHF International - Palestinian American Recreation and Conservation Services Project	Contract	Provide concept designs for public parks by architecture students	\$9,000	6/7/2005	8/13/2005
8	Associates for Rural Development - Emergency Assistance through Palestinian NGOs	Fixed Obligation Grant	Installation of 60 desalination units in Gaza schools	\$239,392	6/2/2003	May 2004
9	CARE International - Emergency Medical Assistance Program, Phase III (EMAP III)	Memorandum Of Understanding	In-kind assistance for provision of emergency medical disposables and pharmaceuticals to local and regional health facilities	\$12,869	4/1/2004	3/31/2005
10	CARE International - EMAP III	Memorandum Of Understanding	In-kind assistance for delivery of pharmaceuticals and medical supplies to an IUG health clinic	\$2,713	5/1/2006	9/30/2007

APPENDIX IV

	Prime Award	Type of Subaward	Purpose	Amount	Start Date	End Date
11	IBM Global Business Services - Improving Primary Health Care for Palestinian Families (Maram Project)	Grant	Immunization coverage assessment for Gaza	\$80,000	3/7/2003	5/5/2003
12	Chemonics International - Civil Society and Democracy Strengthening Project (Tamkeen)	Simplified Grant	Project managers training program	\$92,756	12/15/2002	8/14/2003
13	Chemonics International - Tamkeen	Simplified Grant	Project managers training program	\$104,640	2/1/2004	9/30/2004
14	Chemonics International - Tamkeen	Simplified Grant	Project managers training program	\$112,899	12/1/2004	7/31/2005
15	Chemonics International - Tamkeen	Fixed Obligation Grant	Promoting voter education among the students in support of the second round of local elections	\$12,440	3/15/2005	5/14/2005
16	Development Alternatives, Inc. - Market Alternatives Program	Letter of Agreement	Support of international engineering conference in Gaza	\$10,000	8/28/2003	12/31/2003
			Total =	\$901,993		

APPENDIX V

List of Awards and Subawards for American Near East Refugee Aid

	Prime Award	Type of Award or Subaward	Purpose	Amount	Start Date	End Date
1	USAID	Cooperative Agreement	Installation of water distribution system at Ein Sultan	\$87,800	3/5/2002	4/30/2003
2	USAID	Cooperative Agreement	Community services work under Job Opportunities through Basic Services (JOBS) program	\$7,893,348	8/30/2002	9/30/2007
3	Camp Dresser & McKee International	Sub-contract	Technical and logistical support for emergency assessment in Gaza Strip	\$12,000	7/13/2003	9/30/2003
4	IBM	Sub-contract	Administration and procurement	\$676,452	8/25/2003	4/30/2005
5	USAID	Grant	Conducting agricultural workshops	\$192,500	9/12/2003	6/30/2005
6	Camp Dresser & McKee International	Sub-contract	Institutional planning and implementation of the Beit Furik-Beit Dajan well	\$43,873	12/01/2003	1/31/2004
7	USAID	Cooperative Agreement	Community services work under the Palestinian Infrastructure for Needed Employment (PINE) program	\$3,700,000	9/28/2004	6/30/2007
8	John Snow International Research & Training Institute	Sub-grant	Technical assistance to John Snow International in the areas of procurement and field coordination under the Hanan program for improving quality of primary healthcare for Palestinians	\$2,014,375	1/18/2005	10/31/2007
9	USAID	Cooperative Agreement	Small infrastructure activities under the Emergency Water and Sanitation (EWAS) Project	\$11,839,816	9/27/2005	9/26/2008
10	ACDI-VOCA	Sub-grant	Greenhouse rehabilitation for high value crops in the Northern West Bank	\$756,623	4/25/2007	7/15/2008
			Total =	\$27,216,787		

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