



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/LEBANON'S DEVELOPING REHABILITATION ASSISTANCE TO SCHOOLS AND TEACHER IMPROVEMENT PROGRAM

**AUDIT REPORT NO. 6-268-13-011-P
APRIL 28, 2013**

CAIRO, EGYPT



Office of Inspector General

April 28, 2013

MEMORANDUM

TO: USAID/Lebanon Director, Azza El-Abd

FROM: Regional Inspector General/Cairo, Catherine Trujillo /s/

SUBJECT: Audit of USAID/Lebanon's Developing Rehabilitation Assistance to Schools and Teacher Improvement Program (Report No. 6-268-13-011-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and included them, without attachments, in Appendix II.

The final report includes six recommendations to improve the management of USAID/Lebanon's Developing Rehabilitation Assistance to Schools and Teacher Improvement Program. The mission agreed with all recommendations and provided adequate support demonstrating corrective actions taken. Consequently, final action has been taken on all six recommendations.

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

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Abbreviations

The following abbreviations appear in this report:

- ADS Automated Directives System
- AOR agreement officer’s representative
- C-TIP counter-trafficking in persons
- EDC Education Development Center Inc.
- FY fiscal year
- MEHE Ministry of Education and Higher Education
- MOU memorandum of understanding
- RIG/Cairo Regional Inspector General/Cairo

SUMMARY OF RESULTS

According to the United Nations Development Programme's *Human Development Report 2011*, Lebanon's Education Index, an indicator that measures a country's social and economic development using average years of schooling for 25-year-olds and expected years of education for school-aged children, was 0.695. It ranked 86 of 187 countries, categorizing Lebanon as a country whose education system is moderately developed. Additionally, 40 percent of Lebanese students attend public schools held in dilapidated school buildings and classrooms, lacking modern equipment, and with teachers poorly trained in effective teaching methods. For public schools to play a stronger role in developing qualified students at the national level, they need to be comparable to private schools in terms of infrastructure, resources, and quality.

To help Lebanon's Ministry of Education and Higher Education (MEHE) address these problems, on September 29, 2010, USAID/Lebanon awarded a 5-year, \$75 million cooperative agreement to Education Development Center Inc. (EDC) to implement the Developing Rehabilitation Assistance to Schools and Teacher Improvement program. As of December 31, 2012, the mission obligated \$49.3 million and disbursed about \$26.5 million.

The goal was to improve educational outcomes in Lebanon by (1) improving teacher and student performance, (2) increasing community and parental involvement, and (3) improving the learning environment in the schools. To accomplish this goal, EDC implemented school rehabilitation, training, and other activities through five components:

- **Assessment:** collecting data to provide core information for the program's monitoring and evaluation system and to help establish targets for many final program outcomes.
- **School Learning Environments Improved:** rehabilitating and procuring equipment for public schools.
- **Increased Learning Opportunities:** helping MEHE improve its national on-the-job training program.
- **Stakeholder Engagement Increased in Public Schools:** mobilizing community representatives to participate in and support established parent councils.
- **High-quality Monitoring and Evaluation Achieved:** providing information about the extent and quality of impact, and building local capacity for engaging with high-quality monitoring and evaluation activities both during and after the program ends.

The Regional Inspector General/Cairo (RIG/Cairo) conducted this audit as part of its fiscal year (FY) 2013 audit plan to determine whether USAID/Lebanon's Developing Rehabilitation Assistance to Schools and Teacher Improvement program was achieving its goal to improve educational outcomes.

As of December 2012—more than 2 years into the 5-year program—29 of the 1,400 schools slated for rehabilitation were completed, and 154 more were under way. The work included rehabilitating roofs, painting classrooms and school facades, repairing floors and water

fountains, repairing or replacing toilets and sinks, and repairing or updating windows and doors. Examples of the types of rehabilitation are shown in the pictures below.



The program rehabilitated this roof at Ehmej Intermediate School in Mount Lebanon. (Photo by RIG/Cairo, February 19, 2013)



Zhgarta Mixed Kindergarten's facade got a new coat of paint through the program. (Photo by RIG/Cairo, February 21, 2013)

However, based on program accomplishments so far, the mission will not achieve its goal under its current arrangement with EDC (page 4). It did not make sure that program activities were sustainable (page 6); without doing so, programs will not be maintained when USAID's funding ceases.

In addition, neither the mission nor EDC incorporated human trafficking provisions in the agreement and subagreements, and the mission did not designate a counter-trafficking in persons (C-TIP) coordinator (page 8).

To address these problems, we recommend that USAID/Lebanon:

1. In coordination with USAID/Egypt's regional procurement office, use the results of the alert notice to reduce program activities, replace, or terminate the award, and document their determination (page 6).
2. Ask, in writing, the implementer and MEHE to establish roles and responsibilities of all program parties that align with the cooperative agreement (page 6).
3. In coordination with USAID/Egypt's regional legal advisor and procurement office, determine, in writing, whether 611(e) certification is required based on program activities, and submit the certification if required (page 8).
4. In coordination with USAID/Egypt's regional procurement office, modify the program agreement to include sustainability activities for each component of the award (page 8).
5. In coordination with EDC, modify all awards to include the required trafficking in persons provision (page 9).
6. Designate, in writing, a C-TIP coordinator (page 9).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments, without attachments, are in Appendix II, and our evaluation of them is on page 10.

AUDIT FINDINGS

Program Was Not on Schedule to Achieve Goals

According to its agreement, the program was to rehabilitate 1,400 schools to meet MEHE standards, and prepare the schools' infrastructure to establish or upgrade computer and science laboratories. Within the first 90 days of inception, the program staff planned to complete an assessment of the schools to guide the rehabilitation and training efforts. The program also was to train 5,100 teachers and create active parent-teacher associations.

The program activities are not on schedule to improve educational outcomes. As of December 31, 2012—more than 2 years into the 5-year program—EDC was rehabilitating 154 schools and had completed work on 29. Together, they represented only 13.1 percent of the 1,400.

In addition, the amount spent as of December 31, 2012, raises the question of whether enough funds are left to rehabilitate the remaining 1,217 schools. EDC has spent about \$15 million, 46 percent of the \$32.7 million rehabilitation activities budget, on 154 partially completed and 29 completed schools. At this spending rate, the program has enough funds to rehabilitate about 398 schools by the end of the award, more than 1,000 schools short of its target.

During March 2012, EDC completed an assessment of 1,280 eligible schools out of the 1,400 planned—more than 1 year after the December 31, 2010, due date. The assessment cost nearly \$1.5 million, more than \$352,000 over the estimated \$1.1 million budgeted.

Furthermore, to reach the expected third year target results, EDC spent \$2.4 million, or 44 percent of the \$5.5 million training component budget, to train 166 teachers of the planned 5,100.

In addition, the subcontractor responsible for implementing extracurricular activities and community outreach originally planned to begin operations early in the program. However, as of December 31, 2012, this component had not begun.

There are several reasons why EDC is behind schedule: (1) the mission did not select the appropriate award mechanism to implement the program, (2) the former mission director signed a memorandum of understanding (MOU) with MEHE to jointly direct program implementation, thereby contradicting the agreement that called for EDC to be in charge, (3) program management was ineffective, and (4) EDC lacked consistent leadership.

Award mechanism. USAID's Automated Directives System (ADS) 304.3.2, "Identifying the Intended Purpose of the Award," states that an assistance mechanism (grant or cooperative agreement) should be used when the U.S. Government is supporting the program but not running it.

To implement this program, the agreement officer decided on a cooperative agreement because it anticipated a limited amount of substantial involvement on the part of mission officials. However, what the agreement officer did not consider was that other mission officials thought

this program would be a successful example of a host country-owned program in which both the mission and MEHE would direct all technical aspects and provide direction. The MOU discussed below spelled out how they would jointly manage the program.

However, this type of arrangement runs contrary to a cooperative agreement, which limits the mission's level of substantial involvement. As a result, EDC could not implement some activities without getting a review and approval from MEHE first, and this caused significant delays. In retrospect, mission officials said, a contract would have been a more appropriate mechanism than a cooperative agreement to implement the program.

MOU. An MOU is not an awarding mechanism, but may be used to confirm an agreement with a host government for a program USAID will fund directly through an obligating instrument, such as a cooperative agreement or contract, signed with other parties. Although the mission used a cooperative agreement that limited its involvement in managing the program, USAID/Lebanon's former mission director signed an MOU with MEHE agreeing to jointly manage the program. The MOU established a steering committee, which the minister chaired, to provide direction and oversight in line with MEHE's national strategy for education. Committee responsibilities included reviewing work plans and monitoring and evaluation reports to oversee the program results and achievements.

The MOU also established a coordination committee composed of an equal number of officials from the Lebanese Government and the U.S. Embassy. This committee reported to the steering committee and was to perform program oversight and provide technical direction to:

- Make sure that EDC used MEHE's prescribed reporting tools for its work plans, follow-up reports, and progress indicators.
- Provide continuous coordination on activities ensuring that assistance conformed to MEHE's national standards and specifications, and jointly review timetables and modifications with the mission.
- Provide recommendations to the steering committee on program implementation.

Mission and EDC officials said MEHE officials redesigned the program because they believed they were in charge of it. The redesign caused implementation delays. Moreover, MEHE took more time than anticipated to make decisions.

Ineffective program management. Though mission officials were aware of poor program performance, they did not adjust implementation and provide a timely remedy. Since the program began, the agreement officer's representative (AOR) reported problems to the agreement officer such as slow implementation, no chief of party, poor-quality deliverables, and poor program organizational structure.

The mission did not take corrective actions because officials there said they believed this program aligned squarely with the USAID Forward agenda of allowing host-country governments to run mission-awarded assistance; they also wanted to initiate USAID's procurement reform agenda. Moreover, while problems with EDC's program implementation surfaced as early as March 2011, mission officials did not take action to remedy them until the agreement officer issued an alert notice to EDC in January 2013, nearly 2 years after identifying the problems.

EDC adjusted its program implementation based on a revised program description, budget, and performance management plan, and submitted them to the agreement officer in April 2012. As of December 31, 2012, the officer had not modified the agreement to include these changes because the officer considered EDC's revised budget inadequate. During this period, EDC spent nearly \$25.4 million on activities that the AOR considered to be of questionable quality.

Lack of program leadership. EDC's chief of party was responsible for supervising the performance of all duties during program implementation. Despite this being a key position, EDC has not been able to keep it filled. Over a span of about 2 years, EDC had three different chiefs of party, with a fourth expected to arrive in March 2013. According to EDC officials, the chiefs of party departed because of personal reasons. Employees working for the subcontractors said this change in supervision resulted in sporadic oversight and an inconsistent idea of how to achieve program goals. For example, an official with one of the subcontractors said that because the position was vacant, no one at EDC informed MEHE that redesigning the program would cause delays and hinder its implementation.

The agreement officer issued an alert notice on January 15, 2013, informing EDC that USAID/Lebanon considered its performance unsatisfactory in several areas (in Appendix III). The mission notified EDC that it planned to remove certain activities, replace, or terminate the award unless EDC met 11 conditions by February 14, 2013; they included hiring a chief of party, and submitting a revised budget and a detailed plan for quality control of rehabilitation efforts. Mission officials have since determined that EDC met 4 of the 11 conditions.

If these problems are not addressed, the program will not achieve its goal to improve educational outcomes in Lebanon. Thus, we recommend the following.

Recommendation 1. We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional procurement office, use the results of the alert notice to reduce program activities, replace, or terminate the award, and document their determination.

Recommendation 2. We recommend that USAID/Lebanon ask, in writing, the implementer and the Ministry of Education and Higher Education to establish roles and responsibilities of all program parties that align with the cooperative agreement.

Mission Did Not Ensure Sustainability of Program Activities

Section 611(e) of the Foreign Assistance Act of 1961, as amended, states that USAID shall not award funds to any capital assistance program in a foreign country estimated to cost more than \$1 million until the mission director certifies that the host-country government has the financial and human resources to maintain and use the program effectively.

In addition, USAID's ADS 201.3.4.2, "Role of Partners, Customers, and Stakeholders," states that while developing a long-term assistance strategy, USAID should work closely with host-country counterparts that play roles in implementing development plans to help ensure that those plans produce sustainable benefits after USAID funding ends.¹ In keeping with ADS, the program selected schools based on their ability to maintain their facilities with available resources. To assist with maintenance, MEHE planned to provide training to school officials.

¹ USAID revised ADS 201 in March 2012. The version cited here was in effect when the award was made.

Also, to ensure program sustainability, EDC incorporated several activities into the agreement's School Learning Environments Improved component. The program planned to:

- Help parent councils develop a plan for continued maintenance of school repairs and renovations.
- Require contractors responsible for rehabilitating the schools to provide all manufacturer maintenance and repair guidelines to the school's director, along with advice on additional maintenance procedures.
- Train teachers and school staff to use new science equipment.
- Update its monitoring database created during the needs assessment to set a baseline that MEHE could use to plan for expected computer software and hardware updates, and for lab equipment and supply replacements.

The program's budget included approximately \$32.7 million to rehabilitate 1,400 schools to meet MEHE standards, and prepare the schools' infrastructure to establish or upgrade computer and science laboratories. However, the mission did not submit the required 611(e) certification attesting to the Lebanese Government's capability to sustain the program after USAID assistance ends.

Although MEHE, in coordination with schools' local municipalities, had planned to rehabilitate some schools and provide maintenance training to school officials, it did not. For example, the program installed aluminum windows and painted walls and ceilings on one floor of a school, as shown in the photo on the left. The local municipality did not replace the leaking windows on a second floor. This caused water to enter the school and damage the painted walls and ceilings, as shown in the photo on the right below.



This room on the first floor of Ehmej Intermediate School in Mount Lebanon got new windows and fresh paint. (Photo by RIG/Cairo, February 19, 2013)



Leaking old windows on the second floor caused water damage to walls and ceilings in the rooms there. (Photo by RIG/Cairo, February 19, 2013)

Furthermore, the program did not (1) help parent councils develop a sustainability plan for the rehabilitated schools, (2) train teachers and school staff how to use new science equipment, and (3) update its monitoring database. Documentation was made available showing that USAID's general counsel advised the mission to submit the 611(e) certification because some

of the rehabilitation work was considered capital assistance. However, the mission believed otherwise and did not submit it.

MEHE and local municipalities did not perform planned rehabilitation activities at some schools because of shifting budget priorities. For example, while MEHE had planned to use funds to apply waterproof paint to a school and ensure that leaky windows would not damage the painted surfaces, it decided instead to use the funds to help resolve a teachers' strike. Further, MEHE did not train school officials how to maintain the rehabilitated projects because the manual was not finalized.

According to EDC, the program did not help the parent councils because MEHE did not want program employees directly contacting parents and community members. MEHE revised the program description because it preferred that school officials be trained to maintain the schools instead of having parent councils be responsible. The program did not train teachers how to use new science equipment because EDC ran into delays getting the equipment. These delays also affected the database; EDC and officials with the subcontractors said it was not used to plan for expected equipment and supply replacements.

Maintaining rehabilitated schools helps improve educational outcomes in Lebanon. It is imperative for USAID/Lebanon to consider MEHE's financial and human resources when assessing its ability to sustain program activities. Furthermore, the sustainability of activities is contingent upon implementing some activities noted in the agreement. Not doing so decreases the quality and long-term usefulness of USAID's investments. Therefore, we make the following recommendations.

Recommendation 3. *We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional legal advisor and procurement office, determine, in writing, whether 611(e) certification is required based on program activities, and submit the certification if required.*

Recommendation 4. *We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional procurement office, modify the program agreement to include sustainability activities for each component of the award.*

Mission Did Not Implement Human Trafficking Policies

USAID's Acquisition & Assistance Policy Directive 11-04, "New Mandatory Standard Provisions for Assistance Awards," states that agreement officers must include the trafficking in persons provision in all new awards and must modify existing awards to include it at the earliest opportunity. ADS 303, "Grants and Cooperative Agreements to Nongovernmental Organizations," requires the recipient to include in all subagreements, including subawards and contracts, a provision prohibiting (1) human trafficking, (2) procurement of a commercial sex act, and (3) the use of forced labor in the performance of an award by a subcontractor or any of its employees.² In addition, the code of conduct requires all missions to designate a C-TIP coordinator to be the primary point of contact for trafficking problems.

² "Standard Provisions for U.S. Nongovernmental Organizations," Section M20.

The mission's regional agreement officer did not incorporate the provision in the program's cooperative agreement, and EDC did not include it in agreements with its subcontractors. In addition, USAID/Lebanon did not have a C-TIP coordinator.

While Agency guidance requires agreement officers to modify existing awards to include the trafficking provision at the earliest opportunity, USAID/Lebanon's regional agreement officer did not include it in an August 2012 modification because of an oversight. Moreover, EDC officials said they did not include the provision in subawards because the mission added it to the program's agreement in January 2013 after the subawards had been signed. Furthermore, mission officials said they did not designate a C-TIP coordinator because the mission is understaffed and overlooked the requirement while completing other priorities.

Although the program does not specifically target victims of trafficking, EDC awarded about \$32.7 million to three subcontractors to perform rehabilitation activities—types of work that run the risk of attracting human traffickers. Without including the required provision, USAID/Lebanon cannot terminate an award without penalty if the recipient or its employees or any subcontractor or its employees engage in trafficking, procure a commercial sex act, or use forced labor in performance of an award. Additionally, without a C-TIP coordinator, the mission might not have someone to develop a C-TIP strategy and help technical offices integrate antitrafficking components into existing programs to alert mission and contractor employees about the problem. Therefore to address these concerns, we make the following recommendations.

Recommendation 5. *We recommend that USAID/Lebanon, in coordination with Education Development Center Inc., modify all awards to include the required trafficking in persons provision.*

Recommendation 6. *We recommend that USAID/Lebanon designate, in writing, a counter-trafficking in persons coordinator.*

EVALUATION OF MANAGEMENT COMMENTS

In response to the draft report, USAID/Lebanon officials agreed with all recommendations and provided adequate support demonstrating its corrective actions. Consequently, final action was completed, and all six recommendations are closed upon issuance of this report.

Recommendation 1. Based on the results of the alert notice, mission officials, in coordination with USAID/Egypt's regional procurement office, modified the program's agreement on April 10, 2013, to remove activities, reduce total estimated costs from \$75.0 million to \$49.3 million, and adjust the program's end date from September 30, 2015, to December 31, 2013. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

Recommendation 2. Mission officials issued letters to MEHE and EDC officials to establish revised roles and responsibilities for all parties that align with the program's agreement. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

Recommendation 3. Mission officials, in coordination with USAID/Egypt's regional legal advisor and procurement office, agreed that a 611(e) certification was required based on program activities and submitted a certification memo on April 16, 2013, that was approved by the acting assistant administrator on April 21, 2013. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

Recommendation 4. Mission officials, in coordination with USAID/Egypt's regional procurement office, modified the program's agreement to include sustainability activities for remaining component areas. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

Recommendation 5. Mission officials modified the award on January 9, 2013, to include the C-TIP provision, and the implementer included the provision in its subawards on April 12, 2013. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

Recommendation 6. Mission officials issued a staff notice on January 9, 2013, that designated a C-TIP coordinator. We acknowledge that a management decision has been reached and consider final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Lebanon's Developing Rehabilitation Assistance to Schools and Teacher Improvement program was achieving its goal to improve educational outcomes. The mission awarded EDC a 5-year cooperative agreement for approximately \$75 million on September 29, 2010. As of December 31, 2012, USAID/Lebanon had obligated \$49.3 million and disbursed about \$26.5 million. The audit team tested \$1.2 million, or 5 percent, of that disbursement.

The audit covered the period from when the program started on September 29, 2010, to December 31, 2012. In planning and performing the audit, we assessed management controls related to documentation and data verification; reporting; supervisory and management review of program processes and activities; and establishment and review of performance measures and indicators. We assessed the following significant controls: the program's performance management plan, annual work plans, semiannual portfolio implementation reviews, quarterly reports, and EDC's agreement and subawards, including modifications.

We conducted audit fieldwork from February 11 to February 27, 2013, at USAID/Lebanon and in the offices of EDC, subcontractors, and Lebanese ministries in Beirut. We visited schools in the governorates of Beirut, Mount Lebanon, and North.

Methodology

To answer the audit objective, we interviewed personnel from USAID/Lebanon, EDC, and subcontractors, as well as MEHE officials. We reviewed reports and files that the mission and EDC maintained as part of their program monitoring activities. We reviewed the agreement and subsequent modification, the mission's performance management plan, EDC's annual work plans, site visit documentation, and quarterly reports to gain an understanding of the program and how USAID/Lebanon monitored and measured results. We also reviewed the mission's FY 2012 Federal Managers' Financial Integrity Act assessment, portfolio implementation review reports, and performance measures. Furthermore, we reviewed applicable laws and regulations and USAID policies and procedures regarding the program, including the agreement and modification, and ADS Chapters 201, 303, and 304.

To assess whether the program was achieving its objective, we validated reported results for nine activity indicators for assessment, rehabilitation, training, and monitoring and evaluation covering four of five program component areas through December 31, 2012. We judgmentally selected these components to review because their activities comprised about 73 percent of program expenditures.

We validated the implementer's results captured in its monitoring and evaluation report with supporting documentation, like attendance sheets, and our observations during site visits. The audit team considered an activity indicator achieved if the verified amounts were within 10 percent of year 2 targets for assessment, training, and monitoring and evaluation activities as of September 30, 2012; and within 10 percent of 45 percent of targets for rehabilitation activities for all 5 years as of December 31, 2012. Two of nine indicators did not meet their targets. We considered the reported results for all indicators accurate. The results of our test work cannot be projected to the population of program activities.

The program rehabilitated 29 schools and was working on 154 others at a cost of about \$15 million as of December 31, 2012. The audit judgmentally selected 12 schools that the program rehabilitated for about \$1.2 million for site visits based on security constraints and geographic locations: 2 in Beirut, 6 in Mount Lebanon, and 4 in North. To the extent possible, we verified rehabilitation activities, and determined the extent to which schools were aware of the source of program funding. The results of these visits cannot be generalized to the population of all schools rehabilitated.

In addition, we inspected supporting documentation for reported results of eight judgmentally selected assessment, training, and monitoring and evaluation activities. Whereas the program delayed most activities, we selected from those that reported results. Interview and document inspection results cannot be generalized to the population of all teachers or training activities.

MANAGEMENT COMMENTS



April 23, 2013

MEMORANDUM

To: Regional Inspector General/Cairo, Catherine Trujillo

From: USAID/Lebanon Mission Director, Azza El-Abd /s/

Subject: Revised Closure Request-Audit of USAID/Lebanon's Developing Rehabilitation Assistance to Schools and Teacher Improvement Program (D-RASATI), Report No. 6-268-13-00X-P)

USAID/Lebanon is in general agreement with all of RIG recommendations. The Mission has taken corrective measures and final actions have been completed on of all of the six audit recommendations. Accordingly, the Mission requests closure of all audit recommendations as per the corresponding responses provided below:

Recommendation No. 1: We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional procurement office, use the results of the alert notice to reduce program activities, replace, or terminate the award and document their determination.

Mission Response: On April 8, 2013 the Regional Contracting Office on behalf of USAID/Lebanon, issued Modification of Assistance #3 (*Attachment A*) to EDC's Cooperative Agreement (CA) 268-A-00-10-00078-00. The Modification of Assistance makes the following changes to the award:

- a) Reduces activities in the Program Description (see below)
- b) Reduces the Total Estimated Cost from \$74,969,482 to \$49,306,000.
- c) Changes the award's end date from September 30, 2015 to December 31, 2013.

The six main activities de-scoped from EDC's award are:

1. Complete the development of the Effective School Profile standards for the Ministry of Education on extra-curricular activities, leadership development and school improvement planning (consultancy)
2. Procure ICT equipment (computers, multimedia) for public schools
3. Provide English courses to public school teachers who teach English and/or those who use English as a language of instruction (teacher training)
4. Develop an implementation/action plan for the MEHE as a follow up to the National ICT Strategy (consultancy)
5. Develop a strategy to institutionalize extra-curricular activities (ECA) at the Ministry of Education, develop and implement ECA projects

6. Develop a school leadership development program with parents and community involvement

As per award Modification #3, the above activities will no longer be implemented by EDC, but by a new implementing partner under an Indefinite Quantity Contract, FORECAST II. Accordingly, EDC's award Total Estimated Cost has been reduced from \$74,969,482 to \$49,306,000.

The Mission has been in constant communication with EDC and has raised numerous times the issue of poor performance on various activities during progress meetings and in emails. The Mission sent official correspondence to EDC as follows:

- Letter from Mission Director to EDC on September 1, 2011 (*Attachment B*)
- Letter from ED/DRG Office Director to EDC on October 31, 2011 (*Attachment C*)
- Letter from USAID/Egypt Regional Agreement Officer to EDC on June 28, 2012 (*Attachment D*)

The Mission's determination has been duly documented through a memo to the Mission Director dated March 6, 2013 (*Attachment E*).

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 1 upon report issuance.

Recommendation No. 2: We recommend that USAID/Lebanon ask, in writing, the implementer and the Ministry of Education and Higher Education to establish roles and responsibilities of all program parties that align with the cooperative agreement.

Mission Response: On April 9, 2013, the Mission's ED/DRG Office Director issued a letter to the Director General of the Ministry of Education and Higher Education Mr. Fadi Yarak (*Attachment F*), and a letter to EDC's Chief of Party Ms. Jill Meeks (*Attachment G*). The purpose of both letters is to establish revised roles and responsibilities for all parties under the D-RASATI project that align with the award between USAID and EDC. Attached to both letters is the revised Matrix of Responsibilities (*Attachment H*) that was developed under the D-RASATI project.

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 2 upon report issuance.

Recommendation No. 3: We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional legal advisor and procurement office, determine, in writing, whether a 611(e) certification is required based on program activities, and submit the certification, if required.

Mission Response: On March 19, 2013 the Regional Legal Advisor and the Regional Assistance and Acquisition Officer confirmed in writing that a 611(e) certification is required based on program activities (*Attachment I*). Accordingly, the 611(e) certification was submitted by the Mission and was approved by the Acting Assistant Administrator on April 21, 2013 (*Attachment L*).

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 3 upon report issuance.

Recommendation No. 4: We recommend that USAID/Lebanon, in coordination with USAID/Egypt's regional procurement office, modify the program agreement to include sustainability activities for each component of the award.

Mission Response: On April 8, 2013, the Regional Contracting Office on behalf of USAID/Lebanon, issued Modification of Assistance #3 (*Attachment A*) to EDC Cooperative Agreement (CA) 268-A-00-10-00078-00. The revised Program Description in the award includes a section entitled "Follow up and Sustainability" under the following components:

Component 2 B1 – Learning Environments Improved (page 14)
 Component 2 B2 – Provision of Science Labs in Schools (page 15)
 Component 3 – Increased Learning Opportunities (page 20)

This section outlines the activities/actions that will ensure the sustainability of USAID's assistance after the project ends.

The modification reduced project activities to keep primarily the school rehabilitation, the provision of science lab equipment and the teacher training activities, all of which have a sustainability element.

Component 1 (Assessment) and Component 5 (Monitoring and Evaluation) do not include separate sustainability sections, as the assessment serves to identify the priority areas where activities are to be implemented, and the M&E serves to monitor the implemented activities. However, under the M&E component, database systems will be installed at the MEHE that will support future MEHE planning and decision-making, which is a sustainability element.

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 4 upon report issuance.

Recommendation No. 5: We recommend that USAID/Lebanon, in coordination with Education Development Center Inc., modify all awards to include the required trafficking in persons provision.

Mission Response: On January 9, 2013, the USAID/Egypt Agreement Officer issued Modification of Assistance #2 (*Attachment J*) to include the Combating Trafficking in Persons (C-TIP) provision.

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 5 upon report issuance.

Recommendation No. 6: We recommend that USAID/Lebanon designate, in writing, a counter trafficking in persons coordinator.

Mission Response: USAID/Lebanon in its Staff Notice No. 001-2013 (*Attachment K*), dated January 10, 2013, designated Lena Jammal from the Program Office as the Mission's Counter-Trafficking in Persons (C-TIP) Coordinator and the designation was entered in the Agency's CTIP Directory.

Based on the above, the Mission believes that final action has been completed and requests closure of Audit Recommendation No. 6 upon report issuance.

USAID/Lebanon's Alert Notice Analysis

Condition	USAID/Lebanon Analysis	USAID/Lebanon Decision
1 Chief of party nominated within 5 days and in country within 30 days	EDC sent the official offer letter to the candidate on February 7, 2013, and the candidate's first day with the program is planned for March 11, 2013.	Acceptable
2 Revised comprehensive, detailed budget submitted to USAID for approval, reflecting the already submitted revised program description	EDC submitted its most recent revised request for an award modification on January 22, 2013.	Acceptable
3 A detailed plan for quality control of rehabilitation efforts is to be submitted to USAID. On January 11, 2013, an e-mail was sent to EDC outlining the specific questions and concerns the Agency has about quality rehabilitation efforts, which remain USAID's primary concern.	EDC submitted the requested document within the time frame of the notice letter. However, the plan was not sufficient and did not address USAID's concerns.	Not Acceptable
Deliverables identified in the year 3 work plan to be completed and submitted to USAID:		
4 Gap analysis for extracurricular activities	EDC submitted the analysis on January 25, 2013.	Acceptable
5 School improvement planning and community engagement gap analysis	EDC submitted the analysis on January 25, 2013.	Acceptable
6 Effective school profile	EDC submitted the revised effective school profile and annexes on February 13, 2013. However, USAID/Lebanon decided EDC should stop working on the profile beyond the teacher standards because of EDC's inability to produce the level of quality required and its failure to complete certain elements of the profile.	Not Acceptable
7 Final maintenance plan and tool	EDC did not submit the plan and tool during the notice letter's time frame.	Not Acceptable
8 Science laboratory equipment selection process completed with clear delivery dates established and submitted to USAID agreement officer for approval	EDC did not demonstrate that the process had been completed by February 14, 2013, as requested by the notice letter.	Not Acceptable
9 Information and communication technology standards and specifications for information and communication technology procurement	EDC did not submit the standards and specifications within the required time frame.	Not Acceptable
10 Teacher performance standards	EDC did not submit the final standards during the notice letter time frame.	Not Acceptable
11 English teacher training procurement completed with course commencement dates clearly established	EDC did not demonstrate that the procurement was completed and did not submit clear commencement dates.	Not Acceptable

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