



OFFICE OF INSPECTOR GENERAL

AUDIT OF SELECTED ACTIVITIES FROM USAID/YEMEN'S BASIC EDUCATION SUPPORT AND TRAINING PROJECT

AUDIT REPORT NO. 6-279-11-005-P
February 28, 2011

CAIRO, EGYPT



Office of Inspector General

February 28, 2011

MEMORANDUM

TO: USAID/Yemen, Mission Director, Jeffrey Ashley

FROM: Regional Inspector General/Cairo, Jacqueline Bell /s/

SUBJECT: Audit of Selected Activities from USAID/Yemen's Basic Education Support and Training Project (Report Number 6-279-11-005-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and have included your responses in their entirety at appendix II (attachments excluded).

The report includes 10 recommendations for corrective action. On the basis of USAID/Yemen's supporting documentation and planned action, we consider that final action has been taken on two recommendations, management decision has been made on four recommendations, and no management decision has been reached on the remaining four recommendations. RIG/Cairo considers that final action has been taken for recommendations 3 and 4. In addition, we consider that management decisions have been reached on recommendations 7, 8, 9, and 10, and that management decisions have not been reached on recommendations 1, 2, 5, and 6.

Management decisions will be recorded for recommendations 1, 2, 5, and 6 after USAID/Yemen has developed a plan of action with a target date for implementing the recommendation. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer (M/CFO/APC) with the necessary documentation to achieve final action for recommendations 1, 2, 5, 6, 7, 8, 9, and 10.

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

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SUMMARY OF RESULTS

USAID's overarching strategic goal in Yemen has been to increase stability through targeted interventions in highly vulnerable areas. Targeted, vulnerable communities are those that are remote or marginalized and that have limited access to services and opportunities. These situations create a climate that is susceptible to extremist ideologies and in which people are prone to violence to resolve grievances. USAID/Yemen's stabilization strategy focuses on addressing the Yemeni people's basic needs and providing opportunities at local levels by improving access to basic services such as education.

In its most recent country strategy, for 2010–2012, USAID/Yemen reported that Yemen's education services have been inadequate, resulting in an aggregate adult literacy rate of 50 percent—73 percent for men and only 35 percent for women. Constraints in access to education services have resulted in low school completion rates by girls (especially in rural areas), high grade repetition rates, and a lack of quality facilities and materials, particularly in vulnerable communities. These communities include the governorates of Hodeida, Rayma, and Amran, west of the capital of Sana'a.

A 2009 World Bank report noted that the gross enrollment rate for basic education in Yemen for 2007–2008 was approximately 74 percent, with a large gap between boys and girls at 83 and 64 percent, respectively. The report stated that a large group of children remain out of school because of either nonenrollment or early dropout, particularly in the more rural and "difficult-to-reach" governorates.

To improve educational services, USAID/Yemen awarded a 5-year, \$20 million associate cooperative agreement¹ to the Academy for Educational Development (AED) to provide support for the Basic Education Support and Training (BEST) Project from September 30, 2007, to December 31, 2012. Although USAID/Yemen planned the project for 5 years, on June 22, 2010, the mission modified the project agreement to reduce the award amount to approximately \$17.4 million. Consequently, the mission reduced the life of the project by 1 year, resulting in a revised project closing date of December 31, 2011. As of September 30, 2010, USAID/Yemen had fully obligated funds for the project and disbursed approximately \$11.7 million. As stated in the assistance agreement between USAID and the Government of the Republic of Yemen, the mission's education portfolio is valued at approximately \$11.3 million, or 23 percent of the total fiscal year (FY) 2010 portfolio, valued at about \$48 million.

As the implementer, AED designed the BEST Project to focus on six main component areas: (1) school renovations, (2) community participation, (3) training, (4) adult literacy, (5) education management information systems, and (6) monitoring and evaluation. During FY 2010, AED added a seventh component to address gender inequity. During FYs 2009 and 2010, USAID/Yemen disbursed \$4.4 and \$6.7 million, respectively, for the BEST Project.

¹ A Leader/Associate Award involves the issuance of an award that covers a specified worldwide activity. The Leader Award includes language that allows a mission or other office to award a separate grant to the Leader Award recipient without additional competition and which supports a distinct local or regional activity that fits within the terms and scope of the Leader Award. This is called an Associate Award.

The Regional Inspector General/Cairo conducted this audit as part of its FY 2011 annual audit plan. The audit was designed to answer the following question:

- Are selected activities from USAID/Yemen's Basic Education Support and Training (BEST) Project achieving its main goals to strengthen the capacity of schools to improve education for Yemen's children and its children's children?

The audit's scope and methodology are described in Appendix I.

Although USAID/Yemen's implementer has achieved some successes for the BEST project, the mission is not on track to achieve its main goal to strengthen the capacity of schools to improve education for Yemen's children. The project sought to improve basic education opportunities in 58 schools throughout the three governorates of Amran, Hodeida, and Rayma (see Figure 1). Appendix V illustrates the baseline data for the targeted schools, according to USAID/Yemen's BEST Project Monitoring and Evaluation Database.

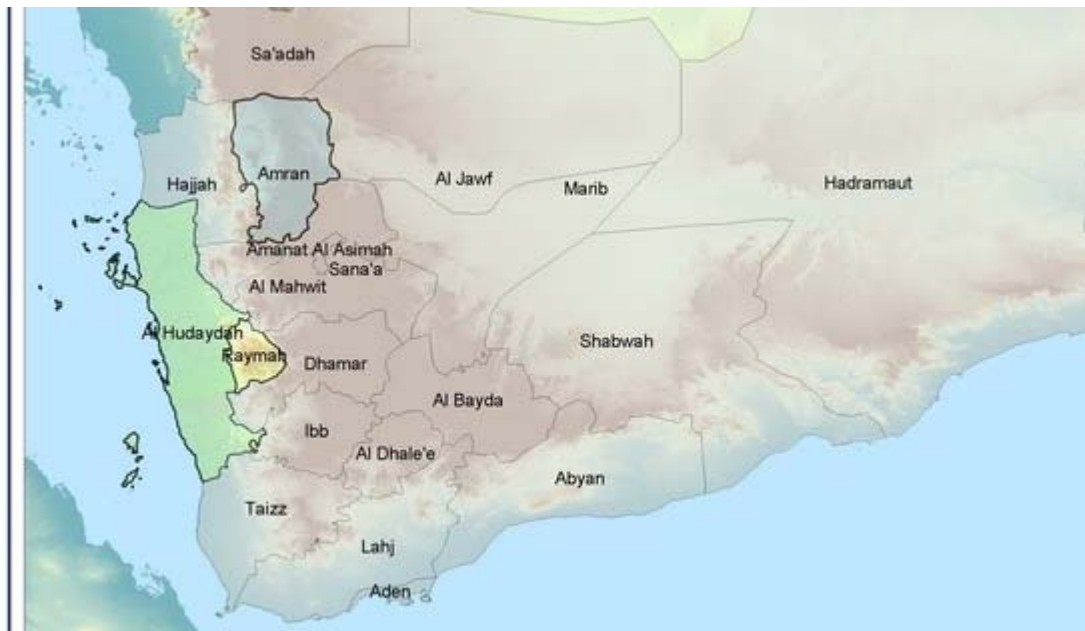


Figure 1: The map of Yemen highlights the three focus governorates of the BEST Project in Al Hudaydah (Hodeida), Raymah (Rayma), and Amran. Source: USAID/Yemen.

USAID/Yemen's BEST Project sought to improve access to schools in Yemen by—

- Providing selected schools with adequate engineering and architectural services during renovation of schools facilities or construction of new schools during FYs 2009 and 2010.
- Building new school facilities (classrooms, multipurpose centers, latrines, etc.) to provide adequate services during FYs 2009 and 2010.
- Restoring school buildings' structural integrity by performing major renovations during FYs 2009 and 2010.

- Restoring school facilities' functional conditions with minor renovations in FY 2009.
- Providing BEST schools/school councils with selective grants to demonstrate adequate plans for physical investment in primary education in FY 2009.

As previously mentioned, USAID/Yemen is not on track to reach targets designed to achieve its main goal of strengthening the capacity of schools to improve education for Yemen's children. However, the implementer designed several activities to strengthen the capacity of communities, schools, and the Ministry of Education to sustain educational improvements for their children and their children's children. Appendixes III and IV include a complete list of FYs 2009 and 2010 work plan activities for the school renovations component.



Figure 2: Before and after pictures of major renovation at Ahmad Al-Radad School, Zabid District, Hodeida Governorate. Source: USAID/Yemen.

Delays in commencement of BEST Project activities and a planned new mission foreign assistance strategy were factors in the implementer's inability to achieve project goals. Although the BEST Project was awarded to AED in September 2007, AED continued to focus on completing activities for the Basic Education Project from September 2007 to December 2009. It was not until July 2009 that the project was able to focus almost completely on the activities under BEST Project. In addition, AED began teacher training and parent workshop activities prior to beginning construction activities.

Another unanticipated setback was the notice of USAID/Yemen's new "stabilization-focused strategy" in December 2009. Mission officials had planned for the BEST Project to be a 5-year, \$20.3 million project. However, because of the new stabilization strategy, the project's funding was reduced to \$17.4 million, with an end date of December 2011. The reduction in funding and life of project caused AED to truncate the number of activities originally planned to achieve project goals, such as construction of multipurpose centers, and to shorten the community participation component.

The BEST Project work plan included 25 activities targeted for completion under the school renovation component in 2009 and 20 activities in 2010 (see Appendix VI for a detailed map of targeted school locations for the BEST Project). Although the BEST Project targeted 58 schools for major and minor building renovations, AED completed renovation work at only 17 schools. Because of budget cuts in 2010, the implementer plans to complete only 4 out of 12 originally planned multipurpose centers.

In 2009, the implementer completed 7 of 25 activities under the school renovation component, and partially completed other activities, including the following:

- Major renovation at 11 schools
- Minor renovation and repair of 705 student desks at seven schools
- Construction of classrooms at 11 schools
- Construction of latrines at 11 schools
- Construction of six privacy walls



Figure 3: Before and after pictures of major renovation at Al Eid Al-Fedhi School, Al-Jabeen District, Rayma Governorate. Source: USAID/Yemen.

The implementer delayed 10 activities from its 2009 work plan and added the following activities to its subsequent year's work plan:

- Minor renovation and repair work for 10 schools
- Construction of six multipurpose centers
- Purchases of new furniture for six multipurpose centers
- Providing 20 schools with 500 new student desks
- Distributing small repair and maintenance kits to school community groups

As of September 30, 2010, the implementer completed or was on target to complete 13 of 20 school renovation activities planned for 2010, including the following:

- Request for proposals for engineering and renovation activities
- Construction of 63 new classrooms
- Construction of 36 new latrines
- Construction of 12 privacy walls
- Providing 47 schools with 500 new student desks
- Training on implementation of ecological sanitation-based latrines



Figure 4: Before and after pictures of major renovation at Abdu Mohamed Al-Mekhlafi School, Zabid District, Hodeida Governorate. Source: USAID/Yemen.

AED has partially completed, or plans to transfer, 7 of 20 activities. The implementer has partially completed (1) major renovation work in 6 schools, (2) repairing school furniture in 22 schools, and (3) constructing four multipurpose centers. Because it has not begun major renovation work in 15 schools, minor renovation work in 9 schools, and provision of furniture for four new multipurpose centers in Hodeida and Rayma governorates, staff plan to transfer these activities into the 2011 annual work plan.



Figure 5: Before and after pictures of major renovation at Al-Ershad School, Al-Zaidiah District, Hodeida Governorate. Source: USAID/Yemen.

Despite the project's successes, the audit concluded that USAID/Yemen should improve several management controls related to program management and oversight. The audit found that USAID/Yemen did not:

- Ensure that project funding was authorized (page 7).
- Ensure that property transfers were appropriate (page 8).
- Obtain approval for subawards (page 10).
- Ensure that source origin requirements were met (page 11).
- Review project documentation to ensure adequate monitoring (page 12).
- Ensure that environmental monitoring was conducted (page 13).

To address the findings, this audit recommends that USAID/Yemen:

- 1) Seek the approval and ratification of any changes to its projects from the agreement office and legal advisor, and obtain the proper approvals prior to revisions of Basic Education Support and Training Project plans (page 8).

- 2) Submit planned replacement needs to and request disposition instructions from the agreement officer for USAID-financed equipment in excess of \$5,000 for which the recipient has no need (page 10).
- 3) Require its implementer to provide a list of its proposed or pending subawards and contracting out of any work under the Basic Education Support and Training Project before hiring a subcontractor to begin work (page 10).
- 4) Notify the agreement officer in writing of proposed or pending subawards and/or contracting out of any work under the Basic Education Support and Training Project before hiring a subcontractor to begin work (page 10).
- 5) Request source origin waivers through the mission director or USAID agreement officer for Basic Education Support and Training Project goods and services when needed (page 11).
- 6) Provide documented procedures on USAID's antiterrorism measures to its implementers and establish and implement a schedule to periodically verify that procedures are followed (page 13).
- 7) Develop an annual training plan for its agreement officer technical representatives and document annual course completion (page 13).
- 8) Develop and implement a plan with steps to ensure that implementers meet reporting requirements listed in Initial Environmental Examinations and any other environmental documentation (page 14).
- 9) Develop procedures on environmental compliance that outlines roles, responsibilities, and expectations (page 14).
- 10) Require that technical officers receive environmental compliance training (page 14).

USAID/Yemen agreed with 6 of the 10 audit recommendations. On the basis of USAID/Yemen's supporting documentation and planned action, RIG/Cairo considers that final action has been taken on recommendations 3 and 4 and that management decisions have been reached on recommendations 7, 8, 9, and 10.

Although the mission did not reach management decisions on recommendations 1, 2, 5, and 6, RIG/Cairo requests that USAID/Yemen provide the Audit Performance and Compliance Division with an action plan to address recommendations. An evaluation of management comments is on page 15.

The audit scope and methodology are described in Appendix I and USAID/Yemen's comments are included in their entirety in Appendix II (attachments excluded).

AUDIT FINDINGS

USAID/Yemen Did Not Ensure That Project Funding Was Authorized

Title 22 Code of Federal Regulations (CFR) Part 226, *Administration of Assistance Awards to U.S. Non-Governmental Organizations*, section 226.25, *Revision of Budget and Program Plans*, requires award recipients² to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions. Furthermore, Automated Directives System (ADS) 303.3.18(a), *Unauthorized Commitments*, states that an unauthorized commitment occurs when a USAID official, who does not have the authority to do so, acts in a way that leads a recipient acting in good faith to believe that USAID has committed to revise an existing award program description, or any of the terms and conditions of the award. Moreover, ADS 303.3.18(a) requires an agreement officer (AO) to obtain the cognizant General Counsel or Regional Legal Advisor concurrence on a recommendation to ratify and recommend payment for an unauthorized commitment. The guidance also requires the Director of the Office of Acquisition and Assistance at USAID headquarters to ratify the unauthorized commitment.

ADS 601.3.1, *Appropriations Law*, states that a fundamental principle of appropriations law is that, except as otherwise provided by law, appropriations must be applied solely for the purposes for which they are made. ADS 601, *Funding Source Policy*, further states that it is the responsibility of the individual approving the commitment of funds to ensure that the funding source used is correct and in accordance with the policy directives in this ADS chapter.

During July 2008, USAID/Yemen agreed to commit funds that were not properly authorized for the Basic Education Support and Training (BEST) Project. From May 2008 to December 2009, the BEST Project spent approximately \$2.4 million to finish school renovations and other activities that the Academy for Educational Development (AED) planned during its predecessor Basic Education (BE) Project from July 2004. The mission and the Department of Defense's Military Civil Affairs (CA) team based in Yemen agreed to complete some BE Project construction activities in the governorate of Shabwah. In exchange, USAID/Yemen and AED officials agreed to purchase furniture for some of the CA projects conducted throughout Yemen. Although AED purchased and delivered the furniture, the CA team did not perform the school renovations, expansion, or multipurpose room construction, as agreed.

Although the mission's BE Project construction activities ended in July 2008, USAID/Yemen's Mission Director and the U.S. Ambassador (Chief of Mission) in July 2008 agreed to fulfill a promise to Yemeni community leaders in Shabwah to build two schools and two multipurpose centers—9 months after USAID/Yemen and AED signed the BEST cooperative agreement. Consequently, USAID/Yemen expended BEST Project funds to complete BE Project construction activities that were not originally included in the BEST Project work plan, to which AED officials attribute to the delay in AED's initiation of the BEST Project activities.

² As stated in Title 22 CFR 226.2, Definitions, a *recipient* is an organization receiving a grant or cooperative agreement directly from USAID to carry out a project or program.

According to an official in USAID/Washington's Chief Financial Officer's Letter of Credit Unit,³ the BEST implementer submitted requests for payments of funds and disbursements to the Department of Health and Human Services (DHHS) electronically without supporting documentation. DHHS makes payments on behalf of USAID and retains supporting documentation for expenses paid for the BEST and BE Project activities. In turn, DHHS transmits the data to USAID/Washington electronically for processing into the Agency's official accounting records.

USAID/Yemen did not obtain prior approval from its USAID/Egypt agreement officer before revising the BEST Project's plan to include CA activities. USAID/Yemen mission officials stated that they were not aware of the required approval authorities needed to ratify an unauthorized commitment. According to the agreement officer's technical representative (AOTR), some of the events regarding the agreement to build schools were documented in a July 2008 email. In this email, mission officials stated that the commitment of funds was appropriate to complete the BE Project construction activities because the Ambassador concurred with the use of BEST Project funds to complete the BE Project.

In this instance, the mission did not transact an unauthorized commitment since historically both the BE and BEST Projects' funding source was development assistance funds used to promote education programs in Yemen. However, USAID/Yemen did not elevate the matter to any regional USAID officials for concurrence.

Since the mission obligated approximately \$17.4 million for the BEST Project, USAID/Yemen inappropriately authorized approximately \$2.4 million to complete BE Project activities from a previous agreement. As a result, USAID/Yemen's BEST Project has incurred a budget shortfall that has negatively affected the implementer's ability to achieve activity targets. Consequently, the net result of these actions has reduced required funding to meet established targets and the implementer's ability to renovate more schools and provide more training to teachers.

Recommendation 1. *We recommend that USAID/Yemen seek the approval and ratification of any changes to its projects from the agreement office and legal advisor, and obtain the proper approvals before revising Basic Education Support and Training Project plans.*

USAID/Yemen Did Not Ensure That Property Transfers Were Appropriate

The U.S. Government and its Federal agencies have documented specific guidance regarding property use and disposal. Title 22 Code of Federal Regulations Part 226, *Administration of Assistance Awards to U.S. Non-Governmental Organizations*, Section 226.34, *Equipment*, states when the recipient no longer needs equipment, the equipment may be used for other activities in accordance with the following standards for equipment with a current per unit fair market value of \$5,000 or more:

³ A letter of credit (LOC) is a form of advance payment to a nonprofit organization or public international organization that a USAID agreement officer determined to be eligible. DHHS processes USAID payments to LOC grantees as cash drawdowns and manages the liquidation of advances (cash drawdowns) by requiring the grantees to submit the quarterly electronic Federal Financial Report (SF-425) or to promptly refund the excess drawdowns to DHHS.

- A recipient may retain the equipment for other uses provided that compensation is made to the original federal awarding agency or its successor.
- If the recipient has no need for the USAID-financed equipment, the recipient shall request disposition instructions from the USAID AO.
- USAID shall determine whether equipment can be used to meet the Agency's requirements.
- If there is no Agency need, USAID shall report the availability of the equipment to the General Services Administration to determine whether a requirement for the equipment exists in other Federal agencies.

In addition, the U.S. Government Accountability Office issued *Standards for Internal Control in the Federal Government* (the Standards) in November 1999. One of the five standards for internal control is information and communication. The Standards state that information should be recorded and communicated to management and others within the entity who need it, in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

In November 2008, USAID/Egypt's AO approved the transfer of a project motor vehicle valued at \$17,000 to Yemen's Ministry of Education (MOE). At the time of the transfer, the USAID-owned vehicle had been used for the BE Project and was only 2 years old. The agreement officer's technical representative (AOTR) approved the transfer of the vehicle without considering the vehicle for use in the BEST Project that was implemented in September 2007. Moreover, the implementer purchased a replacement vehicle valued at \$48,000 for the BEST Project in June 2009, which the mission paid for.

According to USAID/Yemen officials, the MOE requested the transfer of one of the vehicles used for the BE Project for use by the Deputy Minister of Education. The AOTR and the mission director agreed that the MOE had been a strong proponent of the BEST Project and that the transfer of one vehicle was not an excessive request. However, the AOTR did not determine whether the vehicle could be used by other USAID/Yemen projects before transferring it to the MOE. Rather, in November 2008 the implementer requested that the vehicle be transferred to the MOE, and the AOTR did not request disposition instructions from the AO or provide the AO with plans to purchase additional vehicles for the BEST Project.

The prudent use of project resources to limit increased costs is a major responsibility for USAID staff. Moreover, approval officials should have the necessary relevant information on disposals and replacement plans in order to make informed management decisions. USAID/Yemen incurred additional project costs for a vehicle that was comparable to the one transferred to the MOE and replaced the vehicle with two new vehicles 7 months later at a cost of \$69,300. When the mission transferred the vehicle to the MOE, the vehicle had approximately 4 service years remaining (assuming a depreciable life of 6 years⁴). Consequently, the mission lost an opportunity to put funds

⁴ Useful life of vehicle obtained from ADS 536.3.7(e), *Replacement of USAID Vehicles – Age and Mileage Standards*. Vehicle types and minimum replacement factors are as follows: for trucks less than 12,500 pounds gross vehicle weight rating, 6 years.

to better use for programmatic purposes. Accordingly, the audit makes the following recommendation:

Recommendation 2. *We recommend that USAID/Yemen submit planned replacement needs to and request disposition instructions from the agreement officer for USAID-financed equipment in excess of \$5,000 for which the recipient has no need.*

USAID/Yemen Did Not Obtain Approval for Subawards

22 CFR Part 226, *Administration of Assistance Awards to U.S. Non-Governmental Organizations*, Section 226.25(c)(8), states that for nonconstruction awards the recipient shall request prior approvals from the USAID agreement officer for the subaward, transfer, or contracting out of any work under an award.

To perform major and minor renovation construction for the BEST Project, AED employed 22 construction subcontractors during 2009 and 2010. The audit judgmentally sampled 13 invoices from 11 subcontractors that AED paid more than \$50,000 in a single invoice. USAID/Yemen had not obtained AO approval for any work performed by these 11 subcontractors under 13 invoices. Moreover, local AED officials noted that its headquarters staff in Washington, DC, approved the subcontractors. However, mission officials did not obtain approval from the USAID agreement officer, as required.

Although it was part of its management oversight responsibilities, USAID/Yemen was not aware of the USAID/Egypt's AO's responsibility to approve a subaward, transfer, or contracting out of any work under the award. In fact, mission officials had not provided any guidance to the project's AOTR about this responsibility until the audit identified the issue.

The USAID AO's legal responsibilities for an award stipulate that the officer can take action on behalf of USAID to enter into, change, or terminate an award. As part of that responsibility, the agreement officer represents the U.S. Government through the exercise of delegated authority to enter into, administer, and terminate contracts and make related determinations and findings. Furthermore, the AO is responsible for ensuring that awards are not made to suspended or debarred parties. Unless mission officials and implementers provide subcontractor information to the AO for review and approval, USAID/Yemen cannot ensure that it has not provided funding to suspended or debarred parties.

Recommendation 3. *We recommend that USAID/Yemen require its implementer to provide a list of its proposed or pending subawards and contracting out of any work under the Basic Education Support and Training Project before the implementer hires a subcontractor to begin work.*

Recommendation 4. *We recommend that USAID/Yemen notify the agreement officer in writing of its proposed or pending subawards and contracting out of any work under the Basic Education Support and Training Project before the implementer hires a subcontractor to begin work.*

USAID/Yemen Did Not Ensure That Source Origin Requirements Were Met

USAID/Yemen's Basic Education Support and Training (BEST) Project's *Cooperative Agreement (Number 279-A-00-07-00092-00)*, *Schedule A.8*, documents the United States of America as the authorized geographic code for the procurement of goods and services under the award. Furthermore, ADS 310, *Source, Origin, and Nationality of Commodities*, requires that the goods and services financed by USAID meet the requirements of the Foreign Assistance Act (the Act) and provide benefit to the U.S. economy as well as fulfilling the needs of the foreign assistance program. Similarly, Section 604 of the Act states that funds made available for assistance under this Act may be used in any other country, but only if the provision of such assistance requires commodities or services of a type that are not produced in and available for purchase in the United States, the recipient country, or developing countries. As a remedy, ADS 310.5.5 states that USAID may expand the authorized geographic code only using an approved waiver.

During 2008 and 2009, the BEST Project paid approximately \$37,000 in lodging, meals, and travel expenses for 16 participants to attend two training sessions hosted in a country other than the United States or Yemen. Specifically, in June 2008 and December 2009, BEST provided an Education Management Information Systems workshop and Sustainability and Education workshop in Cairo, Egypt. The AOTR did not request a waiver of geographic code for a workshop and a training course before AED used BEST Project funds to pay the participants to attend training in a geographic code that was not approved by appropriate mission officials.

USAID/Yemen's AOTR for the BEST Project stated that staff had not been knowledgeable about the training costs paid with BEST Project funds for participants to attend training in countries other than the United States or Yemen. Moreover, the official had not been aware of the need for a waiver approval of the geographic code to receive training services outside of the United States or Yemen.

USAID/Yemen cannot be assured that goods and services financed by USAID meet the requirements of the Foreign Assistance Act and provide benefit to the U.S. economy as well as fulfilling the needs of the foreign assistance program. The mission should make every reasonable effort to strike a delicate balance to ensure that benefits are provided to the U.S. economy while fulfilling the needs of the foreign assistance program. If it is not possible to create this balance, the mission must ensure that it approves or obtains the appropriate waivers.

Recommendation 5. *We recommend that USAID/Yemen request source origin waivers through the mission director or appropriate USAID agreement officer for Basic Education Support and Training Project goods and services when needed.*

USAID/Yemen Did Not Review Project Documentation to Ensure Adequate Monitoring

USAID provides guidance to staff regarding management controls for monitoring and evaluating an implementer's performance under USAID awards. ADS 303.2.f, *Primary Responsibilities*, requires the AOTR to ensure that USAID exercises prudent management over its awarded assistance by monitoring and evaluating the recipient and its performance during the award. Moreover, the AOTR designation letter for the BEST Project states that the AOTR is responsible for monitoring the recipient's progress in achieving the objectives and for verifying that the recipient's activities being funded by USAID conform to the terms and conditions of the award.

In addition, ADS 596.3.1, *Establishing Internal Controls*, requires USAID managers to develop internal control activities to help ensure that management directives are carried out. The control activities must be effective and efficient in accomplishing the Agency's control objectives and include the establishment and review of performance measures and indicators and appropriate documentation for internal control.

Moreover, Cooperative Agreement Number 279-A-00-07-00092-00 for the BEST Project requires the implementer to be responsible for complying with Executive Order 13224, *Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism*.

USAID/Yemen did not adequately monitor the BEST Project during FYs 2009 and 2010 in reviewing and verifying performance measures and indicators and documentation regarding significant events such as conducting antiterrorism measures that could negatively affect the BEST Project. Although the AOTR stated that a review of AED's quarterly reports was a primary means of monitoring the project, the staff did not review documented project information to provide mission management with timely information to ensure that project activities were achieved efficiently and effectively or were on track to meet mission goals.

Reviewing and Verifying Performance Measures and Indicators – The AOTR did not review baseline data collected by the implementer's monitoring and evaluation component that documented student attendance in the targeted schools of the project. As one of the project indicators, AED planned to measure the increase in student attendance resulting from conducting teacher training, renovating school buildings, and constructing multipurpose centers. However, the AOTR was not aware that in 2009, the implementer reduced targets for several school renovation activities listed in the annual work plan.

Antiterrorism Measures Not Conducted for Some Subcontractors – The AOTR did not review an internal audit report of the BEST Project in Yemen that internal auditors issued to AED in June 2009. Although the implementer reported in its quarterly report dated January 2009 that an internal audit was conducted from November 22 through 26, 2008, the AOTR did not follow up or request, and AED did not provide, a copy of the final report to the mission. The final report noted critical information about the implementer's noncompliance with Executive Order 13224 on Terrorist Financing and the implementer's need to improve antiterrorism vetting. Specifically, internal auditors found that AED:

- Did not perform antiterrorism checks for field office employees.
- Did not maintain antiterrorism screen prints in personnel files.
- Did not perform antiterrorism background checks for 12 vendors during a review of 45 purchases.

AED, in its management response to the finding, stated that it would conduct antiterrorism checks annually on all vendors and employees who receive more than \$500. The audit team judgmentally selected 22 of 44 AED employees, 40 of 334 consultants, and 30 of 139 vendors. For the selected sample, the audit team verified that AED performed antiterrorism checks, noting no exceptions.

USAID/Yemen's AOTR stated that the mission had not been aware of these two major issues. First, mission officials were not aware that the implementer modified the project work plan targets for the school renovation component in 2009. Second, the AOTR was not aware of the issuance of AED's internal audit report in 2009 because the AOTR did not adequately review AED's quarterly reports. USAID/Yemen staff believes that increased support and guidance from the Procurement Office of its Regional Support Mission at USAID/Egypt would be beneficial to ensure that appropriate actions are taken regarding BEST Project transactions.

Since management controls include the establishment and review of performance measures, indicators, and appropriate documentation for internal control, managers rely on staff to perform control activities in a timely manner. Baseline data and audit reports provide fundamental information needed to assess project progress, history, and potential impediments. A lack of awareness about vital information such as revised work plans and the implementer's noncompliance with laws, regulations, and guidance can hamper mission management decisions and negatively affect the mission's project.

Recommendation 6. *We recommend that USAID/Yemen provide documented procedures on USAID's antiterrorism measures to its implementers and establish and implement a schedule to periodically verify that procedures are followed.*

Recommendation 7. *We recommend that USAID/Yemen develop an annual training plan for its agreement officer's technical representatives and document annual course completion.*

USAID/Yemen Did Not Ensure That Environmental Monitoring Was Conducted

22 CFR 216, *Environmental Procedures*, describes the environmental procedures that USAID must follow on all its programs, projects, and activities. ADS 204, *Environmental Procedures*, requires USAID to ensure that the requirements of 22 CFR 216 are included in project design and implementation. Specifically, ADS 204.2.c, *Primary Responsibilities*, states that assistance objective teams, activity managers, and technical representatives are responsible for ensuring full compliance with 22 CFR 216.

An environmental review begins with an Initial Environmental Examination (IEE) of the reasonably foreseeable effects of a proposed action on the environment. Environmental conditions listed in the BEST Project's IEE include protection of air, surface soils/waters,

and groundwater from wastewater contamination. They also include the development of an environmental screening and review process to identify and mitigate adverse environmental impacts, and a requirement for strategic objective teams to actively monitor ongoing activities for compliance with approved IEE recommendations and to ensure adequate monitoring and reporting by a USAID contractor.

As required by the IEE, a USAID implementer's annual and progress reports must contain a brief update on mitigation and monitoring measures being implemented, results of environmental monitoring, and mitigation and monitoring procedures.

USAID/Yemen did not ensure adequate environmental monitoring and reporting by the implementer of activities performed under the project's school renovation component. Small-scale work performed included the addition of classrooms, buildings, and privacy walls to schools, as well as new latrines and related sanitary wastewater systems. Although the implementer included some environmental testing and considerations in its technical specifications and contracts with engineering firms, such as soil erosion testing and requirements related to sewage plumbing, the implementer stated that it did not receive any guidance from USAID regarding environmentally sound design, monitoring, or reporting and was unaware of any such requirements.

Although the BEST Project's AOTR attended training to learn about planning and management of USAID awards in 2006, the AOTR was unaware of the AOTR's responsibilities related to the IEE and has never received training on environmental compliance.

Because security restrictions often hamper the ability of USAID/Yemen staff to perform site visits, it is imperative that the implementer conduct and report on its environmental monitoring to USAID/Yemen officials. Monitoring environmental compliance of contractors in construction activities allows USAID/Yemen to reduce its vulnerabilities to environmental concerns that may exist at project sites or could arise during project implementation. Improperly monitored renovation work, such as the installation of latrines and sanitary wastewater systems, can have an adverse impact on human health and the environment, including contamination of surface water and groundwater. Accordingly, the audit makes the following recommendation:

Recommendation 8. *We recommend that USAID/Yemen develop and implement a plan with steps to ensure that implementers meet reporting requirements listed in Initial Environmental Examinations and any other environmental documentation.*

Recommendation 9. *We recommend that USAID/Yemen develop procedures on environmental compliance that outlines roles, responsibilities, and expectations.*

Recommendation 10. *We recommend that USAID/Yemen require that technical officers receive environmental compliance training.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Yemen's comments and planned actions are partially responsive to the report recommendations. USAID/Yemen mission officials generally agreed with 6 of 10 recommendations. On the basis of USAID/Yemen's supporting documentation and planned action, RIG/Cairo considers that final action has been taken on recommendations 3 and 4 and that management decisions have been reached on recommendations 7, 8, 9, and 10. Management decisions have not been reached on recommendations 1, 2, 5, and 6.

Regarding recommendation 1, mission officials did not agree with the recommendation to seek the approval and ratification of any changes to its projects from the agreement office and legal advisor, and obtain the proper approvals before revising Basic Education Support and Training (BEST) Project plans. USAID/Yemen officials used project work plans to add predecessor Basic Education (BE) Project activities instead of adhering to USAID guidance to seek the approval/ratification from the agreement office and legal advisor before revising BEST Project plans. Although the BEST cooperative agreement did not list specific schools for activity implementation, the agreement stipulated that projects would be extended from the two governorates of the BE Project to the (South) Amran, Hodeida, and Rayma governorates. However in July 2008, USAID/Yemen entered into an agreement with DOD Civil Affairs to work on two schools in Shabwah governorate where the predecessor BE program had operated. Although USAID/Yemen implemented the BEST Project in the (South) Amran, Hodeida, and Rayma governorates, the mission did not provide options for or discuss continuing work in the BE governorates of (North) Amran, Mareb and Shabwah with funding authorized for the BEST Project. Accordingly, the net result of these actions reduced required funding to meet established targets and circumvented USAID guidance for proper approval authorities. Therefore, RIG/Cairo does not consider that a management decision has been reached and requests that USAID/Yemen provide the Audit Performance and Compliance Division with an action plan to address this recommendation.

In response to recommendation 2, mission officials did not agree with the recommendation to submit planned replacement needs to and request disposition instructions from the agreement officer for USAID-financed equipment in excess of \$5,000 for which the recipient has no need. Although the Code of Federal Regulations requires USAID to report the availability of some equipment no longer needed by the Agency, USAID/Yemen believed that title to project vehicles rested with the BEST implementer. As a fiduciary responsibility, USAID/Yemen officials must ensure that disposals of USAID-financed equipment and planned replacement needs are warranted and financially prudent to minimize additional programmatic and project costs. Therefore, RIG/Cairo does not consider that a management decision has been reached and requests that USAID/Yemen provide the Audit Performance and Compliance Division with an action plan to address this recommendation.

Regarding recommendation 3, USAID/Yemen agreed to require its implementer to provide a list of its proposed or pending subawards and contracts under the Basic Education Support and Training Project before the implementer hires a subcontractor to

begin work. During audit fieldwork on November 1, 2010, mission officials notified the Academy for Educational Development (AED) to inform the AOTR of selected contract bidders and submit a final list of proposed or pending subawards for review and approval prior to award by the implementer. Therefore, RIG/Cairo considers that final action has been taken to address this recommendation.

To address recommendation 4, USAID/Yemen agreed to notify the agreement officer in writing of its proposed or pending subawards and contracts under the Basic Education Support and Training Project before the implementer hires a subcontractor to begin work. During audit fieldwork on November 1, 2010, mission officials notified AED, to submit a final list of proposed or pending subawards for review and approval by the agreement officer prior to award by the implementer. Therefore, RIG/Cairo considers that final action has been taken to address this recommendation.

Regarding recommendation 5, although USAID/Yemen did not consider two training sessions conducted in Egypt that were funded by the BEST Project to violate source origin requirements, USAID guidance requires approved waivers to be issued when needed commodities or services of a type are not produced in and available for purchase in the United States, the recipient country, or developing countries. Consequently, RIG/Cairo does not consider that a management decision has been reached and requests that USAID/Yemen provide the Audit Performance and Compliance Division with an action plan to address this recommendation.

In response to recommendation 6, USAID/Yemen did not agree with the recommendation to provide documented procedures on USAID's antiterrorism measures to its implementers or to establish and implement a schedule to periodically verify that procedures are followed. As a prudent management practice for required management oversight over its awards, monitoring and evaluating an implementer's contractual requirements on terrorist financing is a primary responsibility. Consequently, RIG/Cairo does not consider that a management decision has been reached and requests that USAID/Yemen provide the Audit Performance and Compliance Division with an action plan to address this recommendation.

To address recommendation 7, USAID/Yemen plans to complete a Mission Order on training by March 31, 2011. The mission plans to use the order as guidance to ensure that mission staff receive mandatory and professional development training that will include continuing COTR/AOTR education. As a result, RIG/Cairo considers that a management decision has been reached on this recommendation.

To address recommendations 8, 9, and 10, during fieldwork in December 2010, USAID/Yemen implemented procedures to (1) review all programs to ensure environmental monitoring and compliances are in place according to the approved Initial Environmental Examinations for each project; (2) ensure that environmental monitoring is conducted by USAID technical staff and by the Yemen Monitoring and Evaluation Project as part of project implementation and work planning; (3) make environmental compliance training available to USAID technical staff as part of their program management responsibilities, including refresher training for staff who have previously completed compliance training; and (4) review compliance with these procedures and document findings during the biannual mission-wide performance management reviews. Accordingly, RIG/Cairo considers that a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo 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 based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit objective was to determine whether USAID/Yemen was achieving its goals and objectives to strengthen the capacity of schools to improve education for Yemen's children and its children's children. Audit fieldwork was conducted at USAID/Yemen from October 16 to November 3, 2010. The audit covered the period from October 1, 2008, to September 30, 2010. The amount awarded for the project was approximately \$20.3 million for the 5-year period from September 30, 2007, to December 31, 2012. On June 22, 2010, USAID/Yemen modified the project agreement, reducing the award amount to approximately \$17.4 million and reducing the life of the project by 1 year, resulting in a new closing date of December 31, 2011. The audit team tested approximately \$10.4 million, or 88 percent, of about \$11.7 million that was disbursed to the Academy for Educational Development, the implementing partner, as of September 30, 2010.

In planning and performing the audit, we assessed management controls related to documentation and data verification, reporting, supervisory and management review at the functional and activity level, physical control over vulnerable assets, and establishment and review of performance measures and indicators. The audit team also reviewed the management controls in place to monitor project activities. We conducted the review through interviews with the mission staff and implementer, observations, and review of reports and files that the mission provided as part of its project monitoring activities. Specifically, we obtained an understanding of and evaluated USAID/Yemen's Basic Education Support and Training Project's associate cooperative agreement with the Academy for Educational Development; subsequent modifications to the agreement; the mission's performance management plans; the annual work plans prepared by the Academy for Educational Development; the mission's fiscal year (FY) 2010 Federal Managers' Financial Integrity Act assessment; the oversight performed by the agreement officer's technical representative; performance measures; and data quality assessments.

We conducted the audit at USAID/Yemen in Sana'a, and visited implementing partner and Government of Yemen's Ministry of Education in Sana'a.

Methodology

To answer the audit objective, we met with personnel from USAID/Yemen, the Academy for Educational Development, Government of the Republic of Yemen officials, and beneficiaries. We reviewed documentation provided by USAID/Yemen and the

Academy for Educational Development, including the performance management plans, annual work plans, monitoring and evaluation plan reports, the associate cooperative agreement, and subsequent modifications. We also reviewed progress reports and site visit reports.

To assess whether the goals and objectives of the project were achieved, we focused on the school renovation component area, which received the majority of funding for FYs 2010 and 2009. The school renovation component area had 25 activities for FY 2009 and 20 activities for FY 2010, and we reviewed all target indicators and achievements for both fiscal years. The school renovations component comprised 84 percent, or \$5.1 million, and 76 percent, or \$4.3 million, for FY 2009 and FY 2010 estimated costs, respectively. Thus, the audit team focused on the school renovations component.

We validated reported results using numerous techniques to review the School Renovation, Training and Monitoring, and Evaluation component areas that included (1) tracing mission-reported results to documented results and records (e.g., attendance sheets, implementer invoices compared to disbursements, and progress reports) at the offices of the implementing partner, (2) attending a training workshop for headmasters of schools, and (3) interviewing mission personnel, implementing partners, and Government of the Republic of Yemen officials. In addition, we also reviewed supervisory review and the level of monitoring conducted by the agreement officer's technical representative and USAID/Yemen by reviewing site visit reports, and data quality assessments.

Furthermore, we reviewed applicable laws and regulations and USAID policies and procedures regarding USAID/Yemen's Basic Education Support and Training Project, including the associate cooperative agreement and modifications with the Academy for Educational Development; Automated Directives System chapters 303 (*Grants and Cooperative Agreements to Non-Governmental Organizations*), 310 (*Source, Origin, and Nationality of Commodities*), 591 (*Financial Audits of USAID Contractors, Recipients, and Host Government Entities*), and 596 (*Management's Responsibility for Internal Control*); and Title 22 Code of Federal Regulations Part 216 – *Environmental Compliance Procedures*, and Part 226 – *Administration of Assistance Awards to U.S. Non-Governmental Organizations*.

MANAGEMENT COMMENTS



MEMORANDUM

UNCLASSIFIED

To: Jacqueline Bell, Regional Inspector General

From: Jeffrey Ashley, Mission Director

Date: January 16, 2011

Subject: Mission Management Response to Inspector General Audit Report No. 6-279-11-00X-P of USAID Assistance for the Basic Education Support and Training (BEST) Project in Yemen dated December 28, 2010

Thank you for sending the draft report of the Regional Inspector General's audit of USAID/Yemen's Basic Education Support & Training (BEST) Project. This letter conveys our response to the 10 recommendations made by the audit.

Recommendation 1: We recommend that USAID/Yemen seek the approval/ratification from the agreement office and legal advisor, and obtain the proper approvals before revising Basic Education Support and Training Project plans.

In terms of the 2008 and 2009 Basic Education Support and Training (BEST) project work plans, USAID/Yemen followed the procedures required for approval/ratification of these documents by the Agreement Officer's Technical Representative (AOTR). These documents do not require any approval/ratification from the Agreement Office (AO) and Legal Advisor (LA). The BEST program description/cooperative agreement intentionally did not list any schools or number of schools specifically as part of its efforts on the grounds that the schools were to be identified subsequent to award or during the work planning process, as is normal in USAID program implementation and work planning processes. BEST had no expectation of what schools would be renovated/constructed at the outset of the project. The schools were identified by USAID and BEST in the following ways (in the cooperative agreement, it is referred to as the "data collection" phase): (i) schools previously not completed by the previous USAID-funded Basic Education (BE) project, of which AED was a sub, (ii) needs assessments completed with the Ministry of Education and other donors, and (iii) other, including Joint Task Force-Horn Of Africa (JTF-HOA)-assisted schools. Between June and November 2008, USAID, JTF-HOA, and the American Ambassador to Yemen discussed the possibility of BEST assuming responsibilities for the two stalled Shabwah school construction projects funded by JTF-HOA. The final decision to include the two schools under BEST was made and communicated to BEST Chief of Party (COP) on November 4, 2008, and subsequently accepted by the COP (see Attachments 1, 2, and 3). Subsequent to the

identification of the two Shabwah schools as part of the 58 overall schools, USAID received a draft work plan on December 31, 2008 and approved it on January 6, 2009 (see Attachment 4). Further, the cooperative agreement states that, in addition to the four governorates noted, BEST will continue work in governorates/districts that were part of EQUIP 1 (the previous project) (see Attachments 5 & 6). This part of the agreement covered the Shabwah schools as Shabwah was a target governorate under EQUIP 1 implementation.

In view of the above, the Mission does not concur with Recommendation 1 and believes that the relevant evidence addresses Recommendation 1 and constitutes final action; therefore, we request closure of the recommendation upon final report issuance.

Recommendation 2: *We recommend that USAID/Yemen submit planned replacement needs to and request disposition instructions from the agreement officer for USAID-financed equipment in excess of \$5,000 for which the recipient has no need.*

It is standard operating procedure for the implementing partner to have a property control system that addresses replacement, accounting and final disposition of property as required of the implementing partner standard clause TITLE TO AND CARE OF PROPERTY (COOPERATING COUNTRY TITLE) (NOVEMBER 1985). To request further procedures and requirements of the Mission and implementing partners than what is the current USAID practice creates unnecessary burdens and obligations.

Furthermore, USAID/Yemen believes the correct disposition procedures were followed, per the disposition concurrence letter from the AO dated November 23, 2008 (Attachment 7). As noted in Article 7 of the BEST cooperative agreement, title rests with the recipient, thus AED sought AO concurrence for the disposition of the motor vehicle in a 11/19/08 letter. The Mission feels that AED, not the AOTR, was responsible for receiving approval from the AO for the disposition, which it did in a 11/23/08 email approval from the AO (see Attachment 7).

The decision to provide one of the Basic Education (BE) vehicles to the Ministry of Education (MOE) was based on ongoing discussions between the Ministry, USAID, and the BE project. As a result of these discussions, the MOE requested to receive one vehicle from the closing BE project. USAID/Yemen made the recommendation and the AO approved transfer of the majority of the equipment to the new BEST project and to give only one vehicle to MOE. This decision was facilitated by the fact the vehicle given to the MOE was 3 years old at the time and it was determined it was more cost effective to turn the vehicle over to the MOE and allow BEST to procure a new vehicle (per their budget) rather than support maintenance expenses for an older vehicle.

In view of the above, the Mission does not concur with Recommendation 2 and believes that measures taken by the Mission as described above address Recommendation 2; therefore, we request closure of the recommendation upon final report issuance.

Recommendation 3: *We recommend that USAID/Yemen require its implementer to provide a list of its proposed or pending subawards and contracting out of any work under the Basic Education Support and Training Project before the implementer hires a subcontractor to begin work.*

Recommendation 4: *We recommend that USAID/Yemen notify the agreement officer in*

writing of its proposed or pending subawards and contracting out of any work under the Basic Education Support and Training Project before the implementer hires a subcontractor to begin work.

Regarding recommendations 3 and 4, the RIG finding notes that 22 CFR 226.25(c)(8) applies. However, this provision applies to non-construction awards, and the subcontracts in question are for construction work. As a result, it has been unclear to project managers what approval is needed for construction subawards under a cooperative agreement. While USAID/Yemen acknowledges that there are no specific subcontractors identified in the award and, as such, regulation requires approval by the Agreement Officer, it is the Mission's position that the responsibility for submittal of the approval under a cooperative agreement lies with the awardee, AED, not the AOTR.

Therefore, while the AO did not provide prior approval of the subawards not listed in the cooperative agreement, details of the subawards were listed in the work plans approved and monitored by the AOTR. If the intent of the finding is to ensure that the AO was aware of the various sub-contracts and their purpose, this was satisfied through the process highlighted herein. If, however, the intent of the finding is to somehow vet Yemeni construction subcontractors through the AO, the cooperative agreement terms and conditions specifically highlight that the responsibility lies with the implementer. Paragraph 8 of the Standard Provisions "Debarment Suspension" of the agreement places the responsibility on the partner to not knowingly enter into a subagreement with an entity or person on the excluded list unless authorized by the AO.

In view of the above but highlighting the unclear nature of regulations guiding cooperative agreements, the Mission agrees with recommendations 3 and 4. As such the AOTR sent to the AO the existing construction subcontracts for vetting in November 2010. Furthermore, the AOTR has requested the implementer submit a final list of proposed or pending subawards for review and approval by the AO prior to award by AED (see Attachments 8 & 9). As a result of these two actions, we request closure of the recommendation upon final report issuance.

Recommendation 5: *We recommend that USAID/Yemen request source origin waivers through the Mission Director or appropriate USAID Agreement Officer for Basic Education Support and Training Project goods and services when needed.*

ADS 253.3.5 allows training in third countries, whether Egypt or another country, (provided the third country is not unfriendly to the U.S. or a terrorist state) without need for a source/origin waiver. USAID views hotel accommodations, conference room rentals, and any directly provided meals and travel costs in the third country that can only be acquired at the venue of the training similar to or akin to the local procurement exception of 22 CFR 228.40(f)(6), rather than direct services or goods financed by USAID for program implementation. The source/origin rules apply to commodities and services financed directly by USAID for program implementation. Furthermore, USAID interprets that payment of per diem and travel cost of the participants are subject neither to source/origin waiver requirements nor to the Geographic Code 000, as the participants were from Yemen.

As a result, USAID/Yemen believes that the two USAID-funded trainings in question in 2008 and 2009 were not subject to source/origin requirements. The training in 2008 was funded by BEST and implemented by the American Institute for Research (AIR), not

directly by USAID, and no source/origin waiver was required. The training in 2009 was funded by BEST and implemented by BEST and, again, no source/origin waiver was required (see Attachment 10).

Regarding source/origin/nationality waivers in general, USAID/Yemen practices standard operating procedures when source/origin/nationality waivers for goods and services to be procured from outside the authorized Geographic Code are required. When necessary, waivers are requested by the implementing partner in conjunction with the AOTR, reviewed by the Legal Advisor and Agreement Officer, and approved by the Mission Director.

The Mission does not concur with Recommendation 5 and believes that relevant evidence as presented addresses Recommendation 5 and constitutes final action; therefore, we request closure of the recommendation upon final report issuance.

Recommendation 6: We recommend that USAID/Yemen provide documented procedures on USAID's antiterrorism measures to its implementers and establish and implement a schedule to periodically verify that procedures are followed.

AED agreed to the terrorist financing certification as outlined in Article 11 of the cooperative agreement, and, under a cooperative agreement it is therefore the responsibility of AED rather than the AOTR to ensure compliance. While the AOTR must convey the anti-terrorism measures to the partner, the implementation is the ultimate responsibility of the partner.

In view of the above information, the Mission does not concur with Recommendation 6 as the responsibility for compliance with anti-terrorism provisions in the cooperative agreement is the responsibility of AED; therefore, we request closure of the recommendation upon final report issuance.

Recommendation 7: We recommend that USAID/Yemen develop an annual training plan for its agreement officer's technical representatives and document annual course completion.

The Mission is in concurrence and cites its intent to ensure training requirements for all staff are met. While the State Department's annual performance appraisal system, which is the guiding human resources system for Locally Engaged Staff (LES), requires annual training requirements, the Mission acknowledges the absence of a more detailed training plan. As such, the Mission agrees with Recommendation 7. The Management Decision regarding this recommendation is to complete a Mission Order on training by March 31, 2011. The Mission Order will ensure that all Mission staff, regardless of hiring category and grade, receive mandatory and professional development trainings, including appropriate continuing COTR/AOTR education once guidance is issued from OAA.

Recommendation 8: We recommend that USAID/Yemen develop and implement a plan with steps to ensure that implementers meet reporting requirements listed in Initial Environmental Examinations (IEE) and any other environmental documentation.

Recommendation 9: We recommend that USAID/Yemen develop procedures on environmental compliance that outlines roles, responsibilities, and expectations.

Recommendation 10: We recommend that USAID/Yemen require that technical officers receive environmental compliance training.

USAID/Yemen believes that these findings are appropriate given the details identified in the report. It is important to note that the cooperative agreement does not mention the IEE, and AED was not aware or under an obligation to conduct environmental mitigation measure or monitoring. In view of the above, the Mission concurs with Recommendations 8, 9, and 10 and has initiated actions described below, which seek to implement these three recommendations. The actions are as follows:

1. Review all programs to ensure environmental monitoring and compliances are in place according to the approved IEEs for each project;
2. Ensure environmental monitoring is conducted by USAID technical staff and by the Yemen Monitoring and Evaluation Project (YMEP) as part of project implementation and work planning;
3. Make environmental compliance training available to USAID technical staff as part of their program management responsibilities, including refresher training for staff who have previously completed compliance training; and
4. Review compliance with these procedures and document findings during the bi-annual Mission-wide performance management reviews.

The initiation of these measures began in December 2010 and constitutes final action on Recommendations 8, 9, and 10; therefore, we request closure of the recommendation upon final report issuance.

**USAID/Yemen's Basic Education Support and Training (BEST)
Project's 2009 Annual Work Plan School Renovation Component
Activities for January to December 2009**

Activity / Event name	Target	Completed	Status
<i>School Renovation</i>			
Major renovation work for 30 schools	30	0	Partially completed †
Minor renovation and repair for 3,000 student desks in 30 schools	30	7	Partially completed †
Minor renovation and repair for 10 schools	10	0	Not Started, Moved to 2010 Annual Work Plan (AWP)
Construction of the multipurpose centers at 6 main cluster schools	6	0	Not Started, Moved to 2010 AWP
Construction of 60 new classrooms at 30 schools	30	0	Partially completed †
Construction of 120 new latrines at 30 schools	30	0	Partially completed †
Construction of new security/privacy walls	14	6	Partially completed †
Providing 6 multipurpose centers with new furniture	6	0	Not Started, Moved to 2010 AWP
Providing 30 schools with 500 new student desks	30	0	Not Started, Moved to 2010 AWP
Providing school maintenance committee with financial support	To be determined (TBD)	0	Not Started, Moved to 2010 AWP
Distributing small repair and maintenance tools kits	60	0	Not Started, Moved to 2011 AWP
Structural Assessment for (60) schools in Amran, Rayma and Hodeida Governorates	60	26	Partially completed †
Requests for proposals (RFPs) for doing major renovation for 30 schools	30	23	Completed *

† Partially completed activities were identified as those whose actual results were lower than the original work plan targets. Some of these activities were transferred to the 2010 work plan, and others had their targets reduced without USAID approval in 2009.

* Requests for proposals were issued for only those schools that were deemed appropriate for renovation work after a structural assessment; in 2009, only 23 schools met the assessment requirements.

Activity / Event name	Target	Completed	Status
<i>School Renovation</i>			
RFP for engineering monitoring of renovation work in 30 schools	30	23	Completed *
Monitoring of renovation work in 30 schools	30	0	Partially completed †
Monitoring the construction of the multipurpose centers at 6 main cluster schools	6	0	Not Started, Moved to 2010 AWP
Upgrading and updating the existing architectural design of the multipurpose centers	11	12	Completed
RFP for preparation the structural design of the new upgraded multipurpose centers' architectural design, including specifications, bills of quantities, and the cost estimate	11	12	Completed
RFP for building the multipurpose centers at 6 main cluster schools	6	6	Completed
RFP for monitoring the construction of the multipurpose centers at 6 main cluster schools	6	6	Completed
Assessment of the physical conditions of the existing student desks in 60 schools	60	26	Partially completed †
External training and study trip for key staffs of MOE on school design	TBD	1	Completed
External training and case study trip on implementation ecological sanitation-based latrines (participants are the key staffs of MOE)	TBD	0	Not Started, Moved to 2010 AWP
Basic repair and maintenance workshop for the schools maintenance committees	60	0	Not Started, Moved to 2011 AWP
Exchange experience internal trip for school maintenance committee and students	60	0	Not Started, Moved to 2011 AWP

USAID/Yemen's BEST Project's 2010 Annual Work Plan School Renovation Component Activities as of September 30, 2010

Activity / Event name	Target before the new strategy	Target as per the amended AWP 2010	Completed	Status
<i>School Renovation</i>				
Structural assessment for 32 schools	32	32	32	Completed
RFP for doing major renovation for 12 schools	12	12	12	Completed
RFP for engineering monitoring of renovation work in 12 schools	12	12	12	Completed
RFP for redesign of the structure of the multipurpose community center (MPC) based on the new modified architectural design, including specifications, bills of quantities, and the cost estimate	12	4	4	Completed
RFP for building the MPCs	12	4	4	Completed
RFP for monitoring the construction of the MPCs	12	4	4	Completed
RFP for doing major renovation for 24 schools	24	24	0	On target for completion in 2010
RFP for engineering monitoring of renovation work in 24 schools	24	24	0	On target for completion in 2010
Monitoring of renovation work in 30 schools	30	30	17	Partially completed †
Monitoring the construction of the MPCs	12	4	0	Partially completed †
External training and case study trip on implementation of ecological sanitation-based latrines (participants are the key staffs of MOE)	1	1	0	On target for completion in 2010
Construction of the MPCs	12	4	0	Partially completed †

† Partially completed activities identified as those whose actual results were lower than the original work plan targets, or those activities started in 2010 but not completed. These activities were then transferred to the 2011 work plan.

Activity / Event name	Target before the new strategy	Target as per the amended AWP 2010	Completed	Status
<i>School Renovation</i>				
Construction of new classrooms	63	63	43	On target for completion in 2010
Construction of new latrines at 36 schools	36	36	26	On target for completion in 2010
Construction of new security/privacy walls	12	12	6	On target for completion in 2010
Provide furniture for the new MPCs	12	4	0	Not Started
Provide 47 schools with 500 new student desks	500	500	0	On target for completion in 2010
Major renovation work in 30 schools	30	30	17	Partially completed †
Furniture repair at 22 schools	2000	2000	770	Partially completed †
Minor renovations in 9 schools	9	9	0	Not Started

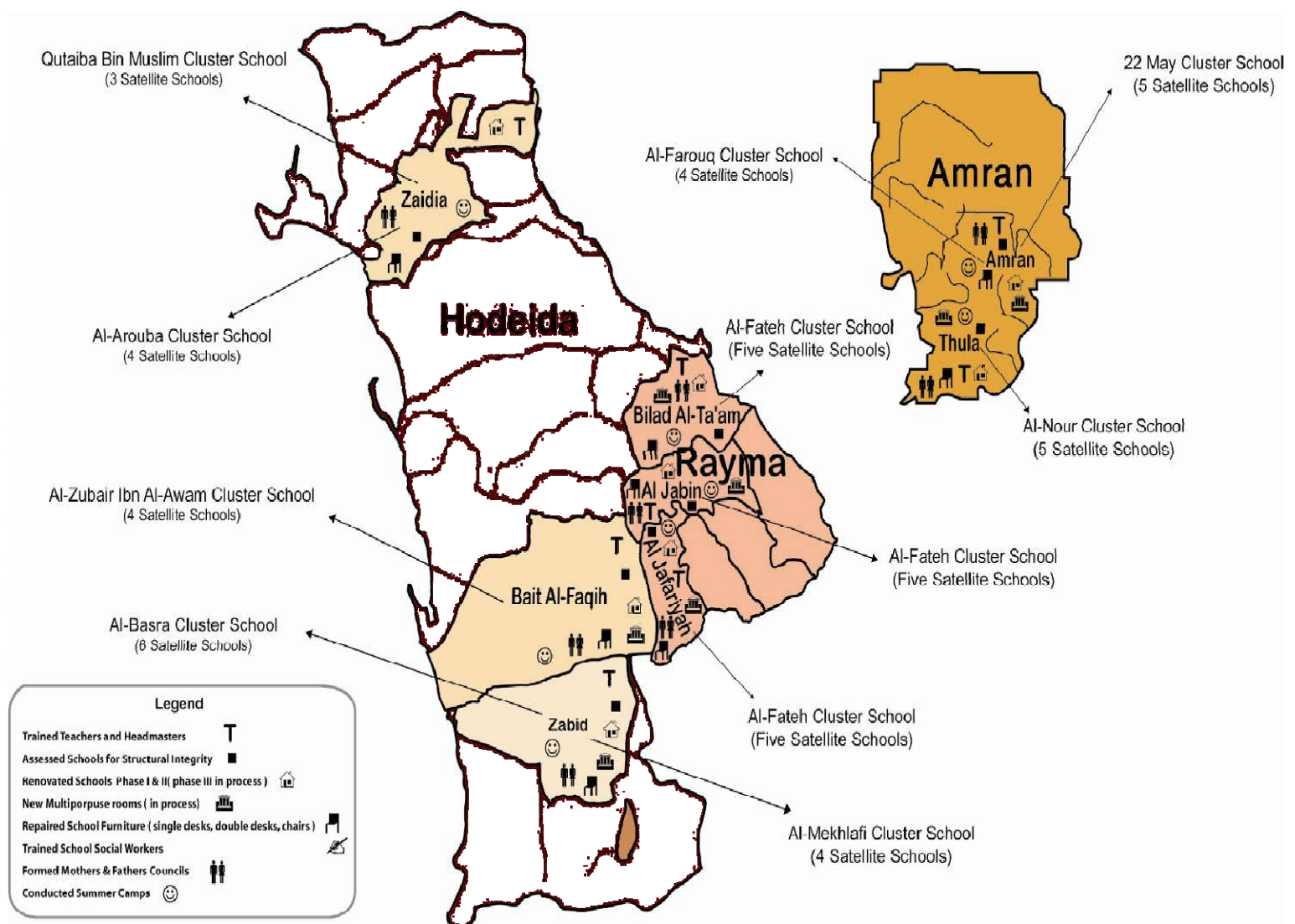
USAID/Yemen's BEST Project Baseline Data for 2007–2008

Yemen Education Indicators 2007-2008			
Number of Basic Education Schools in Yemen		11 602	
School Enrollment Rate (6-15 years)	F	M	
Number of Students Enrolled in Basic Education	1760672	2429009	
Enrollment Rate	53.1%	73.9%	
Illiteracy Rate	60.0	21.3	
Source : Statistics and Planning Department 2008			

Baseline Data for 58 Targeted Schools 2007-2008

	Amran				Rayma				Hodeida			
Number of Targeted Schools	17				15				26			
No. of Students	M		F		M		F		M		F	
	5362		3459		2279		2052		6581		5014	
No of Teachers	1-3		4-9		1-3		4-9		1-3		4-9	
	M	F	M	F	M	F	M	F	M	F	M	F
	45	29	45	29	41	9	75	26	74	74	140	60
Percentage of Girls to Total Number of Students Enrolled	39%				47%				43%			
Source: BEST-Yemen Project M&E Database												

Detailed Map of Targeted School Locations for the BEST Project



List of Acronyms

ADS	Automated Directives System
AED	Academy for Educational Development
AO	agreement officer
AOTR	agreement officer's technical representative
BE	Basic Education
BEST	Basic Education Support and Training
CA	Department of Defense's Military Civil Affairs
CFR	Code of Federal Regulations
DHHS	Department of Health and Human Services
FY	fiscal year
IEE	Initial Environmental Examination
MOE	Ministry of Education
MPC	Multipurpose Community Center

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