



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST BANK AND GAZA'S PALESTINIAN AUTHORITY CAPACITY ENHANCEMENT PROGRAM

AUDIT REPORT NO. 6-294-11-009-P
SEPTEMBER 28, 2011

CAIRO, EGYPT



Office of Inspector General

September 28, 2011

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Michael T. Harvey

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

SUBJECT: Audit of USAID/West Bank and Gaza's Palestinian Authority Capacity Enhancement Program (Report Number 6-294-11-009-P)

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

The report includes five recommendations to USAID/West Bank and Gaza. The Regional Inspector General has reviewed the mission's response to the draft report and determined that management decisions have been reached on all recommendations and final action taken on Recommendations 2 and 5. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close these outstanding recommendations.

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

CONTENTS

Summary of Results	1
Audit Findings	7
Some Reported Baseline Data Were Not Reliable	7
One Indicator Was Not an Objective Measure of Program Performance	8
Four Indicator Targets Were Not Properly Modified.....	9
Evaluation of Management Comments	11
Appendix I – Scope and Methodology	13
Appendix II – Management Comments	15

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
COE	Centers for Excellence
COTR	Contracting Officer’s Technical Representative
FY	Fiscal Year
IMF	International Monetary Fund
PA	Palestinian Authority
RIG	Regional Inspector General

SUMMARY OF RESULTS

Since the establishment of the Palestinian Authority (PA) with the signing of the Oslo Accords in 1993, the PA government has largely been characterized as ineffective and unresponsive with little transparency or accountability to the people. The World Bank and others have written about the corruption and mismanagement of many PA institutions.¹ However, following the departure of Hamas from the coalition government in the West Bank in 2007, the U.S. Government took steps to support the newly formed government, which appointed sector experts and qualified decision makers to lead reform efforts. The Prime Minister has made reform and development of the PA a key objective of his overall mandate and has requested assistance from the international community in this endeavor.

In September 2008, USAID/West Bank and Gaza awarded a 3-year, \$20 million task order to Chemonics International to implement the Palestinian Authority Capacity Enhancement Program to support public sector reform efforts. The mission issued the task order under the Building Recovery and Reform through Democratic Governance Indefinite Quantity Contract,² which has an overall ceiling of \$750 million. The mission provided additional funding of \$1 million in September 2010 to increase the number of offices renovated under the program and to provide targeted technical assistance to the Central Elections Commission. The mission had disbursed \$15,700,627 for the program as of March 31, 2011.

Program objectives include the following:

- Improving delivery of key services by targeted PA ministries and institutions, resulting in immediate tangible benefits to citizens.
- Increasing financial transparency in the management of public finances by the PA and increasing accountability.
- Providing enhanced and sustainable capacity of PA officials.
- Strengthening public communications about, and public participation in, PA decision making.

The implementer designed activities to achieve these objectives, including training in leadership, communications, and fiscal management; technical assistance; and the provision of equipment to upgrade information technology within the targeted ministries and support coordination with other donor efforts in this area. Chemonics International and USAID/West Bank and Gaza selected the Ministries of Transportation, Public Works and Housing, Interior, Telecommunication and Information Technology, and Finance as the first five to receive capacity-building assistance and renovations of selected facilities.³ In addition, the program included a small-grants component intended to bolster the ability of Palestinian

¹ World Bank, *West Bank and Gaza Public Expenditure Review Volume 1—From Crisis to Greater Fiscal Independence*, Report No. 38207-WBG, February 2007; Jim Zanotti, *The Palestinians: Background and U.S. Relations*, Congressional Research Service Report for Congress, August 30, 2011.

² According to FAR 16.504, an indefinite quantity contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The Government places orders for individual requirements. The contract must require the Government to order and the contractor to furnish at least a stated minimum quantity of supplies or services.

³ Although the implementer's program team also worked with the Palestinian Land Authority for some facility renovation, the Land Authority did not participate in the capacity building process.

nongovernmental organizations to engage in dialogue with PA ministries. The program also coordinated with other donors working in the area of public sector reform, including the United Nations Development Programme; the World Bank; and Germany's Society for International Cooperation, which, for example, took the lead in digitizing services for the Ministry of Interior while the program developed operating procedures to reflect these improvements.

The Regional Inspector General/Cairo (RIG/Cairo) conducted this audit to determine whether USAID/West Bank and Gaza's Palestinian Authority Capacity Enhancement Program is achieving its main goal of supporting Palestinian Authority public sector reform efforts.

USAID/West Bank and Gaza's program is achieving its main goal of supporting PA public sector reform efforts. Sixteen citizen service facilities across the West Bank have been refurbished and upgraded to provide more effective and efficient citizen services such as issuance of licenses, passports, and certificates. Chemonics International reported that 2,935 participants attended program-sponsored trainings and workshops during the first 2 years of the program. During site visits to the five targeted ministries and regional facilities, auditors met with ministers, government staff, and citizens who expressed satisfaction with improved business processes and renovations.

The Centers of Excellence (COE) initiative, under which the implementer interacts with five partner ministries to conduct self-assessments and empower government employees to identify needs and reforms, has contributed to the development of a citizen-centered, results-focused institutional culture with staff as the change agents. Using this initiative, the implementer guides the ministries in conducting self-assessments and empowering government employees at multiple levels to identify needs and reforms. Consequently, the program has received support from all levels of the ministries in which it operates. For example, one COE team leader at the Ministry of Transportation said that employees used to face resistance, but now they are part of the overall transformation within the ministry, and women, in particular, are more recognized for their skills.

Ministers and deputy ministers also have described their commitment to the COE initiative. Chemonics believes that the changes in culture brought about by the COE process will have a lasting effect when the program ends, and the progress made thus far will likely be sustainable despite the uncertainty of future PA leadership and budget. Government officials echoed this sentiment during site visits. In fact, the PA cabinet recently approved the formation of a national steering committee to support the COE initiative.

These process improvements and cultural changes have also reached the regional offices. For example, the Head of Palestine Post said that program activities have led to improved perception of the Palestinian Post, increased mail volume, and increased revenues. The program also assisted the Palestine Post in establishing a postal code system in the West Bank to provide faster and more accurate mail delivery. Some post office employees who received training through the program indicated that they are better able to do their jobs and provide better customer service. Palestine Post is now renovating many other post offices from its own budget based on lessons learned through the program on how to create a professional, citizen-oriented environment.

The main program intervention at the Ministry of Public Works and Housing was capacity building for three road repair units, including staff training and the provision of needed equipment. Road repair units are located throughout the West Bank to provide ongoing and emergency road maintenance. However, before the program helped reestablish these road

repair units, the ministry had been unable to make necessary repairs to the roads under its jurisdiction in the West Bank. The program provided equipment and training in geographic information systems that, according to the Ministry of Public Works and Housing, have helped the ministry prioritize and monitor maintenance.

The office manager of the Hebron Area Property Tax Department has applauded the program for its positive impact on staff performance, process efficiency, and increased revenues. Program training increased staff skills and allows them to provide better service. Citizens are more likely to visit the office because of a more customer-friendly environment. The Director General of the Tax Department highlighted the operations manual developed through the program; the manual has led to a consistent system of procedures and service-delivery throughout the West Bank for the first time. The integrated approach of renovations, business process reengineering, and training led to the overall impact. The promotional campaign increased citizens' awareness about their tax obligations. According to the Director General, program support has also served as a catalyst for the Tax Department to improve its response to other development issues and to improve the quality of service it provides. As a result of these changes, collections have increased substantially. The Prime Minister and international community have recognized the achievements made possible through the program in coordination with other donor efforts.

According to the World Bank's April 2010 Report to the Ad Hoc Liaison Committee,⁴ developments in the tax administration system

have improved the effectiveness of enforcement activity since mid-2009 and in conjunction with the stronger economy there has been a noticeable increase in the taxes being collected. Further reforms are proposed for the tax administration system with technical support being provided by the United States Agency for International Development and IMF.

The World Bank also states that domestic tax revenues rose by nearly 50 percent from 2009 to 2010, resulting from increased enforcement and stronger collection efforts. Overall, the United Nations reported that, as of April 2011, the PA had upheld several normative functions of governance, including transparency, freedom of media, and mitigation of corruption. These improvements are the result of efforts by the PA and multiple donors, including USAID activities within the Ministry of Finance that focused on property and income tax interventions.

One key component of the program was strengthening public communications about and public participation in PA decision making. To achieve this goal, the program conducted public awareness campaigns and outreach events on how to use public services. Chemonics also helped the PA distribute a cartoon series that included a range of public service messages to assist citizens in their interactions with the government.

Customers at different offices reported that their experiences were much improved, with shorter transaction times, good customer service, and comfortable waiting areas. They also indicated that they knew which documents to bring. Before, people had to wait for hours or return the next day and often had to bring a lawyer to navigate the processes. Although the program focused on the PA receiving credit for government reforms, citizens were still aware that funding for the service center renovations came from USAID.

⁴ Towards a Palestinian State: Reforms for Fiscal Strengthening: Economic Monitoring Report to the Ad Hoc Liaison Committee, April 13, 2010.

In addition to the above achievements, the mission and the implementer worked together to develop indicators that included detailed definitions and measured program impact as well as outputs. Impact indicators included measures such as changes in customer satisfaction, decreases in waiting time for customers, and responsiveness to citizen feedback.

Although USAID/West Bank and Gaza and its implementer worked to develop indicators that measure the program impact described above, some indicators' reported results were unsupported, one indicator reviewed was not an objective measure, and several indicators had errors in the established targets. The audit tested 11 of 23 program indicators tracked in the mission's data tracking system. Seven of the 11 indicators (indicators 3–5 and 8–11 in the table below) did not meet their fiscal year (FY) 2010 targets. This conclusion is somewhat misleading, however, as the mission did not modify targets appropriately for four of the seven indicators (Indicators 8–11) upon subsequent changes, including modifying the definition of trainees to ensure that they were not double-counted and postponing implementation of the audit designed to measure improvement in ministries' strategic communications. Problems with these four indicators are discussed in the findings section (pages 7–10).

Audited Program Indicators and Their FY 2010 Targets and Results

Indicator	FY 2010 Target	FY 2010 Actual	Target Met?	Reference
(1) Number of locations with new or upgraded IT or operating equipment to deliver services	11	16	Yes	
(2) Number of procedures with written standard operating work instructions	100	269	Yes	
(3) Percent change in average customer time spent to receive services in the targeted institutions and ministries	-5%	+32%	No	See discussion below.
(4) Number of services improved through business process engineering	60	26	No	See discussion below.
(5) Number of reform initiatives attempted by ministry COE team	4	0	No	See discussion below.
(6) Percent change of customers satisfied with the service delivery provided in the targeted institutions and ministries	3%	Data incomplete	N/A	See finding, page 7.
(7) Percent change in number of successful transactions completed per day	5%	Data incomplete	N/A	See finding, page 7.
(8) Score on strategic communications audit	10	Data incomplete	N/A	See findings, pages 8–9.
(9) Number of Ministry of Interior staff trained.	543	98	No	See finding, page 9.
(10) Number of Ministry of Transportation staff trained	455	174	No	See finding, page 9.
(11) Number of Ministry of Telecommunication and Information Technology staff trained	336	222	No	See finding, page 9.

Three other sample indicators (Indicators 3–5 in the table) did not meet their FY 2010 targets for various reasons. For *Percentage change in average customer time spent to receive services in the targeted institutions and ministries*, the FY 2010 target was a 5 percent reduction in average time, but the reported result was an increase of 32 percent, largely because of the results for the Ministry of Interior. The program team did not find a conclusive reason for the increase, but

believes it may be that the FY 2010 study was conducted during a busier period of the year than the baseline study. However, the data do not show a higher volume in transactions in the second survey period compared with the first one. The Ministry of Interior had a baseline transaction processing time of 16.1 minutes per transaction. The FY 2010 result for this ministry was 48.5 minutes, almost three times the amount reported in the baseline study. The program's chief of party mentioned that the transaction time has since been reduced to 40 minutes, and 20 minutes reported in the subsequent periods. Additionally, customers at the two Ministry of Interior offices visited noted that waits were shorter than before. All other ministries experienced a decrease in transaction time.

For *Number of reforms attempted by ministry COE teams*, USAID/West Bank and Gaza reported no reforms initiated for FY 2010, although a target of four reforms had been set. The chief of party explained that a few of the reforms were projected to have been far enough along to count before the end of FY 2010; however, that was not the case. The chief of party stated that implementer staff was on target to meet the cumulative goal of 29 by the end of the program in 2011 and noted he expects to exceed the target significantly, because the COE teams are initiating more reform attempts than they had in other countries where Chemonics implemented similar programs. The FY 2010 target for *Number of services improved through business process engineering* was 60, while the actual result was 26. This slippage occurred because the ministries implemented reforms more slowly than anticipated. The chief of party also reported that Chemonics added these delayed programs to the FY 2011 target and that the program likely will exceed the overall cumulative target by the end of FY 2011.

Given the program's reported progress during FY 2011 as described above, we are not making any recommendations regarding indicators 3–5.

In summary, the audit identified the following problems:

- Some reported baseline data were not reliable (page 7).
- One indicator was not an objective measure of program performance (page 8).
- Four indicator targets were not properly modified (page 9).

The audit recommends that USAID/West Bank and Gaza improve the effectiveness of the program by doing the following:

1. Developing and implementing a plan with milestones to establish management controls that require indicator data reported under the Palestinian Authority Capacity Enhancement Program to be accurate and reliable (page 8).
2. Verifying and correcting in writing any errors in the reported baseline data for the Palestinian Authority Capacity Enhancement Program and documenting revisions in the mission's data tracking system (page 8).
3. Requiring the implementer to obtain baseline data for the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program (page 8).
4. Requiring the implementer to use a qualified, independent third party to score the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program (page 9).

5. Restating the fiscal year 2010 targets in the mission's data tracking system so that its indicators for the Palestinian Authority Capacity Enhancement Program are consistent with the program's data collection practices (page 10).

Detailed findings follow. Our evaluation of management comments is on page 11. The audit scope and methodology are described in Appendix I, and management comments are in Appendix II.

AUDIT FINDINGS

Some Reported Baseline Data Were Not Reliable

According to USAID's Performance Evaluation and Monitoring TIPS Number 8, a supplemental reference to the Automated Directives System (ADS) 200 Series:

Baselines help managers determine progress in achieving outputs and outcomes. They also help identify the extent to which change has happened at each level of result.... Lack of baseline data not only presents challenges for management decision-making purposes, but also hinders evaluation efforts. It is generally not possible to conduct a rigorous impact evaluation without solid baseline data.

ADS 203.3.4.5 further states, "Baseline values should be measured using the same data collection source and method that will be used to collect actual performance data."

For 3 of the 11 indicators tested, USAID/West Bank and Gaza did not establish a baseline, or the reported baseline was unsupported. For the indicator *Percent change of customers satisfied with the service delivery provided in the targeted institutions and ministries*, baseline data for three of the five ministries were collected using a different methodology than that used to report results for FY 2010. Chemonics has begun recalculating the baseline data to provide for consistent data-gathering methodology, and preliminary indications are that the reported 15.63 percent was overstated by approximately 80 percent. However, the reported increase still exceeds the original target of 3 percent for FY 2010.

For the indicator *Percent change in number of successful transactions completed per day*, the reported result of 49 percent significantly exceeded the target of 5 percent. However, Chemonics did not maintain supporting documentation for the baseline levels for this indicator that the government ministries involved reported to it. Chemonics has subsequently gone back to the ministries to request the supporting data, and in most cases, the reported levels are approximately the same as those reported by USAID/West Bank and Gaza. However, the baseline data are not complete, as one ministry office no longer has access to the source of the information for the baseline data.

For another indicator, *Score on strategic communications audit*, Chemonics did not collect baseline data. According to the chief of party, information at the time indicated that the five ministry partners had little to no communication capacity, so after discussions with USAID/West Bank and Gaza, Chemonics decided not to obtain baseline data. The contracting officer's technical representative (COTR) should have ensured that the implementer collected baseline data; without baseline data, the indicator cannot effectively measure the program's accomplishments.

Because of the above weaknesses in collecting baseline data, USAID/West Bank and Gaza is limited in its ability to evaluate objectively the extent to which certain program activities have effected change within the targeted Palestinian Authority ministries. Without a reliable starting point, the mission cannot effectively measure the changes that occurred because of the

program's interventions. The above problems with the baseline data occurred because Chemonics did not establish a consistent and reliable methodology at the outset of the program to collect and maintain baseline data for all its indicators. Additionally, although the COTR conducted a data quality assessment of the program's indicators, the assessment did not identify these weaknesses in data collection because the sample of indicators covered by the assessment did not include any that required collection of baseline data. Data collection practices have improved over the life of the project, but some gaps still exist in the program's reporting because of a lack of fully supported baseline data for the three indicators described above. To enable the mission to conduct an effective impact evaluation of the program, this audit makes the following recommendations.

Recommendation 1. We recommend that USAID/West Bank and Gaza develop and implement a plan with milestones to establish management controls that require indicator data reported under the Palestinian Authority Capacity Enhancement Program to be accurate and reliable.

Recommendation 2. We recommend that USAID/West Bank and Gaza verify and correct in writing any errors in the reported baseline data for the Palestinian Authority Capacity Enhancement Program and document revisions in the mission's data tracking system.

Recommendation 3. We recommend that USAID/West Bank and Gaza require the implementer to obtain baseline data for the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program.

One Indicator Was Not an Objective Measure of Program Performance

ADS 203.3.4.2 sets forth several criteria for use in selecting performance indicators, one of which is that indicators should be "objective." To be objective, performance indicators should be unambiguous. TIPS Number 12, "Guidelines for Indicator and Data Quality," an additional help document for the ADS 200 series, provides further clarification on indicator objectivity: "Objective indicators have clear operational definitions that are independent of the person conducting the measurement—that is, different individuals would collect data for an objective indicator using the same indicator definition."

The program task order signed with Chemonics notes that one of the objectives of the program is to "strengthen public communications about ... [Palestinian Authority] decision-making." However, although citizens interviewed indicated an increased awareness of information related to the government services they were receiving, the indicator that was designed to measure progress toward achieving this objective, *Score on strategic communications audit*, did not meet ADS standards for objectivity.

Chemonics based the indicator on criteria established for such evaluations by the Communications Consortium Media Center. The evaluation tool looks at 16 strategic communications practices in an organization, scoring each on a scale of 1 to 5, where a score of 1 is an "ad hoc" practice and 5 is an "optimized" process. Although the evaluation tool provides definitions for the five levels on this scale, the scoring requires subjective interpretation by the person conducting the evaluation.

Another factor that weakened the objectivity of this indicator was that the program's performance management plan calls for Chemonics staff to collect the data instead of an independent third party. Having an independent assessment to conduct the evaluation could reduce some of the potential bias in scoring the ministries.

The use of a biased indicator occurred because Chemonics was not aware the instrument was flawed. Additionally, although the COTR conducted a data quality assessment of a sample of the program's indicators, the assessment did not include this indicator.

Because of the above weaknesses related to this indicator, the results reported do not permit a useful assessment of progress over time. Although some limitation would still exist related to the objectivity of the indicator, providing for scoring of the evaluation by an independent third party and establishing baseline data to help track progress over time could strengthen the indicator's usefulness. Therefore, the audit makes the following recommendation.

Recommendation 4. *We recommend that USAID/West Bank and Gaza require the implementer to use a qualified, independent third party to score the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program.*

Four Indicator Targets Were Not Properly Modified

ADS 203.3.4.5 states, "For each indicator in a [Performance Management Plan], the [Assistance Objective] Team should include performance baselines and set performance targets that are ambitious, but can realistically be achieved within the stated timeframe and with the available resources." Additionally, ADS 203.3.4.6 states, "Usually, as part of the USAID Mission/Office's Annual Portfolio Review process, [Assistance Objective] Teams should update [Performance Management Plans] regularly with new performance information as [Assistance Objectives] develop and evolve."

For 4 of the 11 indicators tested, USAID/West Bank and Gaza did not adjust indicator targets after changes occurred in the planned outputs. For example, for the three indicators, *Number of Ministry of Interior staff trained*, *Number of Ministry of Transportation staff trained*, and *Number of Ministry of Telecommunication and Information Technology staff trained*, the targets were set based on levels that would allow trainees to be counted more than once if they attended more than one training. ADS 203.3.5.1.c states that data should be sufficiently precise to present a fair picture of performance and enable management decision making at the appropriate levels. Double-counting trainees does not present a fair picture of performance.

After establishing initial targets, Chemonics and mission officials met to discuss data collection and reporting methodology, and both parties agreed not to count the same individual more than once in the indicator results data. However, Chemonics did not revise the inflated FY 2010 training targets established at the outset of the program to reflect the agreed-on data collection methodology. Chemonics stated that it established FY 2011 targets based on the appropriate methodology.

For another indicator, *Score on strategic communications audit*, the program team set a target score of 10 for FY 2010; however, Chemonics subsequently decided not to conduct an

evaluation after the end of FY 2010 because the program's strategic communications activities had not yet made any significant progress.

Because the FY 2010 targets were not adjusted to reflect the actual data collection methodology, the reported results may lead to erroneous conclusions about program accomplishments. The targets established were not realistic based on the correct data collection methodology. As a result, the established targets were not useful in helping determine whether the program is making overall progress as planned and at the levels envisioned. Although the program team corrected performance targets for FY 2011 to reflect the appropriate data collection methodology, this audit makes the following recommendation to strengthen the results reporting and analysis efforts under the program.

Recommendation 5. *We recommend that USAID/West Bank and Gaza restate the fiscal year 2010 targets in the mission's data tracking system so that indicators for the Palestinian Authority Capacity Enhancement Program are consistent with the program's data collection practices.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/West Bank and Gaza provided its comments on our draft report on September 16, 2011, and provided its plan of action for addressing each of the five recommendations in the draft audit report. The mission also provided e-mail clarification regarding target dates for completing planned actions on the recommendations. We have reviewed the response and determined that management decisions have been reached on all five recommendations and final action taken on Recommendations 2 and 5.

For Recommendation 1, to develop and implement a plan with milestones to establish management controls that require indicator data reported under the Palestinian Authority Capacity Enhancement Program to be accurate and reliable, the mission noted several actions it will take to begin addressing the recommendation. First, the mission will review Chemonics' data collection and reporting procedures and ensure the adequacy of the control system. The COTR will conduct quarterly data checks to verify the accuracy of data in the newly developed quarterly performance reports. The target date for completing the first review is December 2011.

In addition to the actions taken by the mission, Chemonics is also in the process of reviewing its data collection and reporting methods. The mission plans to obtain the results of this review by October 31, 2011. Having reviewed the above response, we have determined that a management decision has been reached on Recommendation 1, with final action anticipated by December 31, 2011.

For Recommendation 2, to verify and correct in writing any errors in the reported baseline data for the Palestinian Authority Capacity Enhancement Program and document revisions in the mission's data tracking system, the mission completed its review on August 26, 2011, and entered the corrections into the mission's results data tracking system. Accordingly, the mission has taken final action on Recommendation 2.

For Recommendation 3, to require the implementer to obtain baseline data for the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program, Chemonics plans to hire a consultant to conduct a communication assessment for partner ministries. As part of this assessment, the consultant will assess the ministries' communications capabilities prior to the beginning of the project, which will serve as baseline data for this indicator. The target date for completion of the assessment is October 31, 2011. Therefore, a management decision has been reached on this recommendation, with final action anticipated by October 31, 2011.

For Recommendation 4, to require the implementer to use a qualified, independent third party to score the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program, Chemonics has identified an external consultant who will conduct an assessment of partner ministries' capacity for essential communications practices. Chemonics expects the consultant to complete all deliverables by October 31, 2011. Accordingly, a management decision has been reached on Recommendation 4, with final action anticipated by October 31, 2011.

For Recommendation 5, to restate the fiscal year 2010 targets in the mission's data tracking system so that indicators for the Palestinian Authority Capacity Enhancement Program are consistent with the program's data collection practices, the mission completed the revisions in the mission's results data tracking system as of August 26, 2011. Therefore, the mission has taken final action on this recommendation.

SCOPE AND METHODOLOGY

Scope

RIG/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 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 purpose of this audit was to determine whether USAID/West Bank and Gaza's Palestinian Authority Capacity Enhancement Program is achieving its main goal of supporting Palestinian Authority public sector reform efforts. No previous audits addressed the areas reviewed.

The scope of the audit covered reported results for FYs 2009 and 2010. RIG/Cairo performed this audit at USAID/West Bank and Gaza and the office of the implementing partner, Chemonics, from May 2 to June 21, 2011. We also conducted site visits to four ministry headquarters and seven renovated regional offices. In planning and performing the audit, we assessed internal control related to documentation and data verification, reporting, supervisory and management review, and review of performance measures and indicators. During our site visits, we relied on Chemonics and USAID staff as translators to conduct interviews in Arabic with certain local officials and beneficiaries. Additionally, we relied on staff to translate source documents that supported the reported indicator results.

Total disbursements for the program as of March 31, 2011, were \$15,700,627.

Methodology

To answer the audit objective, we first identified the program's main goals and significant program risks. We met with key personnel at USAID/West Bank and Gaza and Chemonics. We reviewed relevant documentation provided by USAID/West Bank and Gaza and Chemonics. We also reviewed the terms of the agreement and applicable policies and procedures. We gained an understanding of the program design and of how USAID planned to monitor and measure the results.

We reviewed USAID/West Bank and Gaza's and Chemonics' compliance with Executive Order 13224, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten To Commit, or Support Terrorism," and with USAID/West Bank and Gaza Mission Order No. 21, "Anti-Terrorism Procedures." Our antiterrorism compliance testing included reviews of relevant documentation such as USAID/West Bank and Gaza's agreement with Chemonics, Chemonics' subcontracts, and individual eligibility notifications for trainees. We tested a statistical sample of subcontracts and individuals for the inclusion of mandatory clauses and evidence that USAID/West Bank and Gaza had vetted institutions, trainees, and key subcontractor personnel against antiterrorism criteria. This sample size provides 95 percent confidence using a 5 percent error rate that our conclusions regarding the universe based on our sample are correct. We also

interviewed the USAID/West Bank and Gaza vetting specialist and the Chemonics vetting specialist.

To verify reported results, we selected a random sample of 11 indicators from a universe of 23 indicators tracked in USAID/West Bank and Gaza's reporting system for the program. We traced reported results for the sample indicators to the implementing partner's relevant source documents for FYs 2009 and 2010. We reviewed the definitions of the indicators and evaluated them to determine whether they effectively measured the impact of program activities.

During site visits, we verified the existence of reported deliverables, verified that the project site complied with USAID branding requirements, and observed and discussed the quality of the construction and equipment. We interviewed government ministers, Centers of Excellence participants, other government officials, and citizens to determine whether the program was meeting their needs, learn about their experiences in working with the implementing partner and USAID, and gain an understanding of their gender policies. We also ascertained whether beneficiaries were aware of the source of funding for the projects.

MANAGEMENT COMMENTS



UNCLASSIFIED

Date: September 7, 2011

To: Regional Inspector General, Cairo, Jacqueline Bell

From: Mission Director, USAID West Bank and Gaza, Michael T. Harvey /s/

Through: Deputy Mission Director, Sherry F. Carlin /s/

Subject: Mission's Comments on the Draft Performance Audit Report of the Palestinian Authority Capacity Enhancement Program.

Draft Audit Report No. 6-294-11-XXX-P dated August 15, 2011

Reference: Bell/Harvey memorandum dated August 15, 2011

USAID West Bank and Gaza wishes to thank the Regional Inspector General/Cairo for conducting the referenced performance audit of the Palestinian Authority Capacity Enhancement (PACE) program. The subject draft audit report has been thoroughly reviewed by the Democracy and Governance Office (DGO) in collaboration with other offices of the Mission.

The Mission appreciates this opportunity to comment on the draft audit report and the five recommendations therein as the RIG prepares the final report. The following are the Mission's comments on each of the five recommendations.

Recommendation No. 1:

We recommend that USAID/West Bank and Gaza develop and implement a plan with milestones to establish management controls that require indicator data reported under the Palestinian Authority Capacity Enhancement Program to be accurate and reliable.

Response: Mission management has already developed and has implemented a plan with milestones to establish controls that require and ensure that indicator data reported under PACE is accurate and reliable.

The first step in the plan is for the Contracting Officer Technical Representative (COTR), in partnership with the Program and Project Development Office (PPDO), to review the data collection methodology for PACE and correct any errors. The COTR has completed the review process, and the miscalculations in the baseline and targets data, which were highlighted in the audit report, have been corrected in Geo-MIS. The corrections were also reflected in the current Performance Management Plan (PMP) for the program. Enclosed are corrections in the baseline values and training targets which were incorporated in the PMP (Attachment 1). The COTR and PPDO will continue to review data collection methodology on a regular basis, particularly since PACE is proposed for extension and a new Performance Management Plan will need to be developed, if the extension is approved. The mission will also conduct a new data quality assessment for all indicators during the extension period.

Spot audits will also be setup as a control. They will be conducted by the PACE COTR, in partnership with PPDO, for all ongoing and future activities under PACE to ensure that indicator data collected conforms to established calculation methodologies. The first spot audit will be completed by December 2011. In addition, the PACE COTR and PPDO M&E Specialist will review Chemonics' internal control system and make further recommendations for improvement if necessary. They will review data collection, analysis, review, and reporting procedures. The purpose of the review is to ensure the adequacy of the control system and its ability to respond to the USAID monitoring and evaluation guidelines. The PACE COTR will work to ensure that future reporting for PACE is free from error. The COTR will conduct quarterly spot checks for accuracy and reliability of indicator data. The COTR will also continue to work with PPD on validating the newly developed quarterly performance report on PMP/Performance Plan and Report (PPR) indicators. If errors are encountered, the COTR will require the implementing partner to correct the errors and re-submit the corrected activity report in the Geo-MIS system.

The Chemonics M&E team has been revisiting the data collection processes and methodologies. The results of the data review and validation processes and templates/forms will be shared with USAID for approval.

By implementing these control measures, Mission management is confident that the PACE indicator data is calculated in a consistent manner that yields accurate and reliable results that is acceptable and satisfies the above recommendation as raised in the RIG's draft audit report.

Recommendation No. 2:

We recommend that USAID/West Bank and Gaza verify and correct in writing any errors in the reported baseline data for the Palestinian Authority Capacity Enhancement Program and document revisions in the mission's data tracking system.

Response: The Mission has already corrected errors in the baseline data for PACE. Corrections were incorporated in the PMP, and were entered in the Missions Geo-MIS system on August 26, 2011. As noted in the response to Recommendation No. 1, the Mission will conduct quarterly spot checks to ensure that data are tracked accurately and reported in accordance with the revised baseline values. The corrections are enclosed in Attachment 1.

Recommendation No. 3:

We recommend that USAID/West Bank and Gaza require the implementer to obtain baseline data for the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program.

Response: The PACE implementer, Chemonics International, has identified and is in the process of contracting an external consultant to conduct a communication audit for partner ministries. Based on interviews, the external consultant will also assess the communications capabilities before the project interventions to determine the baseline data for the ministries' communications capacities. Using a pre-design strategic communication audit methodology, the consultant will work closely with the PACE team and partner ministries to carry out a communication audit that focuses on the following three main areas:

- **Strategy:** Includes the core tasks of communications planning and strategy development. Core tasks include vision identification, goals and outcomes, target audiences, messages, communications outlets, and others.
- **Implementation:** Includes practices common to each ministry with an active or ongoing communications function. This could entail examining effective material, partnership building, training of messengers, outreach activities, and monitoring and evaluation.
- **Support and Alignment:** Includes non-communications specific practices within the ministry that help to ensure the communications function is successful. This includes, but not limited to, leadership support, integration of communication throughout the ministry, and involvement of staff.

The consultant will start the communication audit and will conclude his assignment on or about September 26, 2011. Enclosed is the detailed Scope of Work for the Communications Audit Consultant (Attachment 2).

Recommendation No. 4:

We recommend that USAID/West Bank and Gaza require the implementer to use a qualified independent third party to score the strategic communications audit indicator for the Palestinian Authority Capacity Enhancement Program.

Response: As stated in the response to Recommendation No. 3, Chemonics has identified an external consultant who will conduct an assessment of partner ministries' capacity for essential communications practices and establish baseline values for the ministries' capacities in this area before USAID- PACE support. The consultant will then evaluate how the ministries improved over the past three years with USAID-PACE support and score the ministries' performance in communications against established communication audit indicators. In addition, the consultant will identify areas for further improvements that could be targeted, either by the ministries themselves or with PACE assistance. The consultant is expected to deliver the following by October 31, 2011:

- Detailed implementation plan and evaluation methodology, with timelines for each task.
- Completed scoring sheets with values for all partner ministries.
- Final report that includes the communication audit process, audit steps, audit scoring for each ministry, as well as specific findings and recommendations for each partner ministry.

Recommendation No. 5:

We recommend that USAID/West Bank and Gaza restate the Fiscal Year 2010 targets in the mission's data tracking system so that indicators for the Palestinian Authority Capacity Enhancement Program are consistent with the program's data collection practices.

Response: The Mission revised and restated the Fiscal Year 2010 training targets on August 26, 2011. This revision eliminated double-counting of the trainee numbers. The revised targets have been reflected in the program's PMP and entered in the mission's tracking system (see Attachment 3).

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
www.usaid.gov/oig