OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

USAID/West Bank and Gaza Improved Conflict Mitigation Program Management but Has Not Completed an Evaluation

AUDIT REPORT 8-294-18-001-P
JANUARY 26, 2018

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MEMORANDUM

DATE: January 26, 2018

TO: USAID/West Bank and Gaza Mission Director, Monica Stein-Olson

FROM: Regional Inspector General/Frankfurt, James C. Charlifue /s/

SUBJECT: USAID/West Bank and Gaza Improved Conflict Mitigation Program
             Management but Has Not Completed an Evaluation (8-294-18-001-P)

This memorandum transmits the final report on our followup audit of USAID/West
Bank and Gaza's Conflict Mitigation and Management Program. Our two audit
objectives were to determine to what extent USAID/West Bank and Gaza
(1) implemented the recommendations from Audit Report 6-294-13-016-P and
(2) evaluated the program's impact. In finalizing the report, we considered your
comments on the draft and included them in their entirety in appendix C.

The report contains two recommendations to further improve USAID's management of
the program. After reviewing information you provided in response to the draft report,
we consider one recommendation resolved but open pending completion of planned
activities (recommendation 1) and one unresolved (recommendation 2).

For recommendation 1, please provide evidence of final action to the Audit
Performance and Compliance Division. Please work with us to resolve
recommendation 2.

We appreciate the assistance you and your staff extended to us during this audit.

CONTENTS

INTRODUCTION

The USAID/West Bank and Gaza's Conflict Mitigation and Management (CMM) Program promotes peace through dialogue by bringing together Israelis and Palestinians; Israelis, Palestinians, and Jordanians; and Israeli Arab and Israeli Jewish citizens.[1] The West Bank and Gaza mission awards a number of grants annually to support these "people-to-people" activities, disbursing over $60 million since 2004.

In 2013, USAID's Office of Inspector General (OIG) audited the mission's CMM program and made seven recommendations.[2] This followup audit set out to determine to what extent USAID/West Bank and Gaza has (1) implemented the recommendations from Audit Report 6-294-13-016-P and (2) evaluated the program's impact.

To conduct our work, we observed program activities and met with USAID officials, implementers, and Israeli and Palestinian participants. We based our audit work on a judgmental sample of 8 out of 25 active grants as of March 30, 2016. Appendix A includes additional information about our scope and methodology.

SUMMARY

We found that USAID/West Bank and Gaza implemented prior OIG recommendations that were aimed at improving the management of the CMM program. In response to the recommendations, the mission took steps to better incorporate Agency guidance and best practices into its program. For example, it performed a conflict assessment as recommended by USAID's June 2012 Conflict Assessment Framework and used the findings to shape subsequent solicitations for grant proposals.[3] It also strengthened financial safeguards by conducting preaward surveys of implementers' systems, policies, and procedures, and bolstered effectiveness through trainings for current and prospective implementers. However, the mission did not fully implement one of seven recommendations from the 2013 audit—to correct reported data errors.

We also determined that although 113 grants have been made since 2004, USAID/West Bank and Gaza has not yet completed an evaluation of its CMM program as called for by USAID policy. The results from an evaluation could be used to determine the program's long-term impact and improve the effectiveness of future grants. USAID recently initiated an evaluation that is expected to be completed in May 2019.

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[1] USAID's Office of Conflict Management and Mitigation, in the Bureau for Democracy, Conflict and Humanitarian Assistance, supports CMM programs in 42 countries. The programs address the sources of instability and violent conflict.
[2] "Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program," 6-294-13-016-P, September 15, 2013. USAID's Peace and Reconciliation Program is now called the Conflict Mitigation and Management Program.
[3] A conflict assessment seeks to identify and understand the dynamics of violence and instability.

To further strengthen the management of the mission's CMM program and assess its long-term effects, we made two recommendations.

BACKGROUND

The program's underlying assumption is that if civil society organizations can promote mutual respect between Israelis and Palestinians, their communities will be more resilient when facing challenges and setbacks in the search for peace. In practice, the program provides opportunities for individuals to meet and discuss issues of common interest. These facilitated activities are designed to promote greater understanding and build mutual trust, leading to changes in participants' perceptions of the other side.

To do this, the program makes grants to a variety of organizations for a mix of topics and participants. Each spring, USAID/West Bank and Gaza publishes a request for grant proposals, open to all interested parties. Successful proposals address topics such as economic growth, health, and the environment and are geographically targeted to one of the following three categories of participants: (1) Israelis and Palestinians, (2) Israelis, Palestinians, and Jordanians, and (3) Israeli Arab and Israeli Jewish citizens.

The U.S. Ambassador in Tel Aviv and the Consul General in Jerusalem approve each new program award, and grant activities are frequently publicized on the mission's social media platforms and visited by U.S. Government delegations. Since the program's launch in 2004, USAID/West Bank and Gaza and U.S. Embassy Tel Aviv have invested $60.2 million in 113 grants—an average of 8 per year. These grants are managed by the mission and U.S. Embassy Tel Aviv with the help of other USAID and State Department offices. USAID is required to consult with the Appropriations Committees of the U.S. Congress prior to the initial obligation of funds, on the uses of such funds, and the funds are subject to the regular notification procedures of the Appropriations Committees, highlighting strong congressional interest in this program.[4] This indepth involvement also illustrates the program's importance as a tool to encourage dialogue and promote peace.

USAID IMPLEMENTED PRIOR OIG RECOMMENDATIONS AIMED AT IMPROVING PROGRAM MANAGEMENT

OIG audited the mission's program in 2013, when it had awarded 77 grants. We made seven recommendations, listed in appendix B. The intent of the recommendations was to improve program management. During this followup audit, we found that the mission

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[4] Section 7060 (g) of the 2017 Consolidated Appropriations Act requires the USAID Administrator to consult with the Committees on Appropriations on the use of funds before their initial obligation, and these funds are "subject to the regular notification procedures of the Committees on Appropriations."

took corrective actions that addressed six of the seven recommendations from the prior audit.

Recommendation 1 was to "implement procedures describing how . . . to incorporate the conflict and mitigation management guidance in its [program] starting in FY 2014." The guidance, USAID's 2012 "Conflict Assessment Framework, version 2.0," advises missions to prepare a conflict assessment before engaging in conflict resolution activities. Following our recommendation and the guidance, the mission performed a conflict assessment in 2013. The assessment indicated the mission should focus its CMM grants on the key people in a sector—policy makers, community leaders, potential future leaders, specific field experts, etc.—and on cross-border activities in four geographic areas.[5] We reviewed the 2012-2016 grant solicitation documents and found that the mission did so in post-2013 documents. Table 1 shows that 18 out of 25 CMM grants as of March 31, 2016, were for cross-border activities.

Table 1. Geographic Focus of Active CMM Grants as of March 31, 2016

Geographic Focus	Number of Grants
Israel only	7
Israel and West Bank	16
Israel, West Bank, and Gaza	1
Israel, West Bank, and Jordan	1
Total	**25**

Source: OIG analysis of information provided by USAID/West Bank and Gaza.

To address recommendation 2, the mission hired five local accounting firms to perform preaward surveys and followup financial reviews. The mission then created a tool to track issues identified in these surveys and reviews, and included requirements based on the preaward surveys in new grants. Instituting this process strengthened implementers' financial controls, improved safeguards over U.S. foreign assistance funds, and expanded implementers' capacity to manage large grants.

To address recommendation 3, the mission began giving presentations about the application process in both Israel and the West Bank to build capacity by helping applicants prepare stronger proposals. These presentations began in 2014 and have continued. To help implementers, the mission began offering the training courses shown in table 2. The first three training courses listed below are required for all implementers; the others are offered to first-time implementers or as requested.

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[5] USAID/West Bank and Gaza defines cross-border activities as those that connect (1) Israelis and Palestinians from the West Bank and Gaza, and (2) Israelis, Palestinians, and Jordanians.

Table 2. Conflict Management and Mitigation Trainings Offered by USAID/West Bank and Gaza

Topic	Timeline
Mission Order 21 – Partner Vetting[a]	Conducted within 1-2 months from date of award
Geographic Management Information System[b]	Conducted within 1-2 months from date of award
Training Participant Database	Conducted within 1-2 months from date of award
Public Relations and Communications	As needed
Technical Capacity Building	As needed
Financial Capacity Building	As needed

[a] This mission order contains procedures for ensuring that USAID does not inadvertently provide support to entities or individuals associated with terrorism.

[b] The Geographic Management Information System is USAID/West Bank and Gaza's primary system for capturing performance information on its grants, contracts, and cooperative agreements.

Source: Information provided by USAID/West Bank and Gaza.

To address recommendations 4 and 5, mission staff verified program results reported by implementers and, during the required Geographic Management Information System training sessions, shared guidance with implementers on how to calculate results. For implementers, the training and data review activities emphasized the importance of data quality. The mission also restricted the edit functions in its reporting system to prevent grant implementers from revising previously reported results, thereby addressing recommendation 7.

Overall, these actions have improved the mission's management of the CMM program. For example, the enhanced trainings available to both applicants and implementers increased the diversity of applicants, resulting in the first grant to a Palestinian organization in 2015. Implementation of the preaward review process strengthened implementers' financial controls, resulting in improved safeguards over U.S. foreign assistance and expanded implementer capacity to manage large grants.

However, Recommendation 6 was not fully addressed. While USAID closed the recommendation based on the mission's instruction that implementers correct data, we were unable to verify whether previous data errors related to the reported numbers of U.S. Government-sponsored events and the participants attending them had been corrected. The mission could not substantiate whether the corrections were made.

USAID HAS YET TO COMPLETE A LONG-TERM EVALUATION OF PROGRAM'S IMPACT

USAID's Evaluation Policy calls for post-implementation evaluations to examine the long-term effects of projects and provide evidence of their impact. USAID/West Bank and Gaza has not yet completed an evaluation of the program.

In recent years, the mission has directed the program to focus on (1) issues of common interest, (2) key people, (3) use of local organizations, (4) regional activities, and (5) those activities that highlight the role of women, youth, or the disabled. However, the mission does not perform postaward evaluations of CMM-funded activities. Although the mission has previously discussed different ways to measure the impact of its CMM program on the overall conflict, it is now initiating a formal program evaluation with USAID's Global Development Lab and the University of Notre Dame. USAID's current evaluation policy recommends this form of study. According to the mission, the team is expected to complete its work in 18 months.

Until this evaluation is completed, the mission will not know whether (1) the CMM program is creating long-term changes in participants' perceptions of other groups or (2) some activities are more successful at creating long-term changes in perception than others.

CONCLUSION

The search for peace between Arabs and Israelis has been an enduring challenge of U.S. foreign policy since 1948. The CMM program at the USAID/West Bank and Gaza mission brings together key groups to promote peace through dialogue and, since 2004, has awarded 113 grants to support this effort. Although USAID has largely implemented previous recommendations and improved program management, it now should focus on ensuring it obtains timely and adequate data and evaluating long-term outcomes in order to strengthen future efforts to promote peace.

RECOMMENDATIONS

We recommend that USAID/West Bank and Gaza take the following actions:

1. Correct errors in data reported in the mission's Geographic Management Information System noted in our 2013 "Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program," and document the results.

2. Complete the evaluation of the Conflict Mitigation and Management Program that has been initiated, and implement an action plan to take action, as appropriate, on the evaluation's findings.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to the mission on November 28, 2017, and on January 11, 2018, received its response, which is included as appendix C.

The report included two recommendations. We acknowledge management decisions on both. We consider one resolved but open pending completion of planned activities (recommendation 1) and one unresolved (recommendation 2) for the reasons below.

In its comments, the mission agreed with recommendation 2 and committed to completing the evaluation and using its results to plan future CMM activities. However, the mission requested that the recommendation be closed because it cannot be completed within a year from the date of this report. The evaluation is not expected to be concluded until May 31, 2019.

We acknowledge a management decision on recommendation 2, but disagree with it. While the 1-year benchmark is commonly perceived as a deadline, Automated Directives System (ADS) 595.3.1.6, Final Action, indicates that a 1-year limit may not be applicable in all cases:

> A *reasonable effort* must be made to complete corrective actions within one year of a management decision. (Italic added.)

As long as the evaluation progresses as planned, we consider that reasonable efforts are underway and that the mission is complying with the above ADS section.

In addition, an integral part of the recommendation was *implementation* of a plan to act on the evaluation's findings and recommendations as considered appropriate by the mission. While the mission alluded to this in its response, it did not explicitly lay out the steps it would take to ensure that future mission officials would be held accountable for acting on the evaluation after it is completed. A revised management decision specifying such steps would receive OIG acknowledgement without disagreement.

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from March 2016 through November 2017, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our objectives were to determine to what extent USAID/West Bank and Gaza (1) implemented the recommendations from Audit Report 6-294-13-016-P and (2) evaluated the program's impact.

In planning and performing this followup audit, the audit team identified and reviewed significant internal controls over the design process, award cycle, and management of USAID/West Bank and Gaza's CMM program, as contained in mission orders and relevant USAID policies. Our review of significant internal controls included an examination of the mission's program design and approval process, its grant award process, and its performance monitoring and information reporting processes.

We examined USAID/West Bank and Gaza's March 31, 2016, pipeline report for the active CMM grants and noted 25 active awards, totaling $21.8 million in obligations and $6.9 million in disbursements. The awards audited had effective dates that ranged from August 20, 2013, through September 28, 2018. From this pool of active grants, we judgmentally selected six grants for review that reflected the diverse composition of the active awards. We used this sampling method because the number of active grants in the audit scope was small and using a statistical sample would exceed the available staff resources assigned to this followup audit. At the mission's request, we included two additional grants, which made for a total judgmental sample size of eight in our review.

For the sample, we selected organizations from organizations that implemented grants in prior years as well as first-time implementers, both local and international organizations, organizations located in Israel and the West Bank, and organizations that were reviewed in the prior audit as well as those that were not reviewed during that audit. The results of our judgmental sample cannot be projected to all grants.

We gathered three types of evidence as part of the audit: documentation, testimonial evidence, and observations of program implementation. Documentation included planning and program management documents associated with the awards, program approval memos, grant solicitation documents, technical memos, negotiation memos, preaward surveys and followup financial reviews, grant agreements, work plans, performance indicators, and reports prepared by implementers.

Testimonial evidence came from individual and group interviews with implementers, Israeli and Palestinian program participants, and officials from the mission's contracts

office, its program office, and the office responsible for management of the CMM program.

Our observations of program implementation included attending three training sessions offered by the mission: (1) a general preaward meeting with prospective implementers, (2) a training on vetting and the preaward survey process for prospective implementers, and (3) a training on the data quality assessment process for implementers. We also observed one CMM implementer's activity in Nazareth, where Israeli and Palestinian citizens were brought together to participate in a facilitated discussion about the conflict.

We also reviewed computer processed data maintained in the mission's Geographic Management Information System. The reliability of data contained in this system was questioned during the prior audit because of errors noted in it. As a consequence, we could not rely on this computer-based data to answer the audit objective. We attempted to trace information noted in the prior audit to corrections made in the system and made one recommendation based on the results of this work (recommendation 1).

APPENDIX B. PRIOR AUDIT RECOMMENDATIONS

On September 15, 2013, USAID's OIG issued a report titled "Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program" (Report No. 6-294-13-016-P). To improve the Peace and Reconciliation Program's effectiveness, this audit recommended that USAID/West Bank and Gaza:

1. Implement procedures describing how it intends to incorporate the conflict and mitigation management guidance in its Peace and Reconciliation Program starting in [fiscal year] 2014.

2. Implement its plan to hire an accounting firm to conduct and follow up on preaward surveys and build the financial capacity of organizations.

3. Implement a capacity-building plan for the implementers of its Peace and Reconciliation Program.

4. Implement and document mission-specific procedures that include (1) requiring [agreement officer's representatives] to perform and document reviews of reported results in the mission's data reporting system, and (2) periodically validating their compliance with these procedures.

5. Issue guidance to implementers on how to calculate reported results for the program's indicators.

6. Coordinate with the implementers of the Peace and Reconciliation Program to correct errors in data reported in Geo-MIS[6] data reporting system.

7. Review access rights for implementers within the mission's data reporting system and restrict access to the prior year's data.

The full OIG report is available on the internet via the following link:
https://oig.usaid.gov/sites/default/files/audit-reports/6-294-13-016-p.pdf.

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[6] The full name for this system is the Geographic Management Information System.

APPENDIX C. AGENCY COMMENTS

Date: January 11, 2018

To: Regional Inspector General, Frankfurt, James Charlifue

From: Mission Director, USAID West Bank and Gaza, Monica Stein-Olson /S/

SUBJECT: MISSION'S COMMENTS ON THE DRAFT REPORT OF THE AUDIT OF USAID/WEST BANK AND GAZA'S IMPROVED CONFLICT MITIGATION PROGRAM MANAGEMENT BUT HAS NOT COMPLETED AN EVALUATION

DRAFT AUDIT REPORT NO. 8-294-18-XXX-P DATED NOVEMBER 28, 2017

USAID/West Bank and Gaza (USAID/WBG) wishes to thank the Regional Inspector General/Frankfurt (RIG/Frankfurt) for conducting the referenced performance audit of the Conflict Mitigation Program, and appreciates this opportunity to comment on the draft audit report and the recommendations therein as the RIG/Frankfurt prepares to issue the final draft report.

The subject draft audit report has been thoroughly reviewed by the Mission's Office Governance and Civic Engagement (GCE) which is responsible of managing the Conflict Mitigation and Management program (CMM) in collaboration with other relevant offices of the Mission.

The draft report contains two recommendations which represent a follow up to a previous, related audit of USAID/West Bank and Gaza's Peace and Reconciliation Program: Audit Report No. 6-294-13-016-P that was issued on September 15, 2013. The first recommendation of this report relates to the Mission's Geographic Management Information System (GeoMIS) which the Mission addressed when closing recommendation No. 6 in the 2013 audit. In that closing memorandum, the Mission described the guidance given to the partners on how to calculate and account for the data they enter into the GeoMIS. We have also attached relevant documents that attest to the Mission's corrective actions. Since then, the Mission has put procedures in place to ensure that there are controls over the quality of the data the partners enter into

GeoMIS. Among these actions, the USAID M&E team is working with AORs/CORs and their implementing partners on a regular basis to provide guidance and conduct trainings and field visits as needed. Following new partners' post award meetings, the Mission conducts the following trainings:

a) Training on data collecting and reporting in the GeoMIS system.
b) Training on monitoring and evaluation to assist partners to develop their M&E plans.
c) Training on data quality assessments.

For ongoing activities, the Mission conducts annual refresher trainings on data quality assessment, GeoMIS, and Performance Planning and Reporting (PPR). ADS 201.3.5.6 establishes the Standards and Criteria for Monitoring and Reporting and 201.3.5.8 discusses Monitoring Data Quality. Data Quality Assessments (DQA) are the basis for ensuring that implementing partners and the Mission collect, record, and report accurate information.

Recommendation No. 1:

Correct errors in data reported in the mission's geographic management information system noted in our 2013 "Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program," and document the results.

Response:

The Mission agrees with the recommendation. Following the 2013 audit of USAID/West Bank and Gaza's Peace and Reconciliation Program, the Mission provided two training sessions to CMM partners. The first session was held on September 17, 2013 where the Mission provided updated guidance on tracking indicators, and the second was held on October 29, 2013 when the Mission provided a refined training on the GeoMIS system. The Mission presented key features of the system and a list of the standard program level definitions. These trainings also clarified to implementing partners how to define a "unique participant", and provided more standardized criteria for counting participants, acknowledging that questions associated with this issue were the primary source of data errors.

Following these training sessions, each of the agreement officer's representatives (AORs) of the CMM portfolio contacted his/her partner and requested that they correct the data that had been submitted into GeoMIS. Then the AORs worked with the Mission's GeoMIS specialist to confirm the modifications and validate the new data into the system. While there were communications between USAID's implementing partners and the AORs confirming that the data had been corrected, the GeoMIS system cannot produce before and after screenshots that demonstrate the corrections. Similar to other Agency performance systems such

as NextGen for F, and Feed-The-Future monitoring systems, the GeoMIS system saves only the latest/corrected version of the data for each fiscal year.

Although the system is not designed to keep all edits and/or changes to the data online, the Mission will provide available communications between Mission staff and partners that confirm the corrections were made. We will provide these documents by March 30, 2018.

Based on the above, the Mission respectfully requests that RIG/Frankfurt closes this recommendation upon issuance of the final report.

Recommendation No. 2:

Complete the evaluation of the Conflict Mitigation and Management program that has been initiated and implement an action plan to take action, as appropriate, on the evaluation's findings.

Response:

The Mission agrees with this recommendation and notes that USAID/ DCHA/ CMM and the USAID/WBG Mission have initiated a formal program evaluation of the CMM portfolio with USAID's Global Development Lab and The University of Notre Dame, utilizing the Expanding the Reach of Impact Evaluation (ERIE) mechanism. ERIE's focus on long-term, retrospective evaluations, and the implementing partner's expertise in the area of capacity building for future longitudinal studies, makes it an ideal mechanism to both address the long-term impact of previous programs and to strengthen capacity to prepare for future long-term evaluations. The ERIE team estimates that this approach can be implemented in 18 months, with a final evaluation report submitted to USAID by May 31, 2019. The recommendations of the evaluation will inform future CMM programing and evaluation methodology.

The Mission would like to point out that the closing date of this recommendation will be beyond the one year deadline to close the recommendation.

Based on the above, the Mission respectfully requests that RIG/Frankfurt closes this recommendation upon issuance of the final report.