



**Office of Inspector General**

# **ANNUAL PLAN**

*Fiscal Year 2012*

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## Message From the Deputy Inspector General

The Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID) is pleased to present the Annual Plan for Fiscal Year (FY) 2012.

This plan addresses OIG's oversight agenda for the four organizations under its purview: USAID, the United States African Development Foundation (USADF), the Inter-American Foundation (IAF), and Millennium Challenge Corporation (MCC).

OIG's work contributes to the economy, effectiveness, and efficiency of foreign assistance programs; protects foreign assistance programs from fraud, waste, and abuse; strengthens the management systems and controls at USAID, USADF, IAF, and MCC, particularly in information technology and financial management; and optimizes OIG management programs and resources.

In planning how we will use our resources, we need to continually adapt to worldwide events. For example, OIG intends to augment its staff in Egypt to address changes in the Middle East and potential vulnerabilities in the region. We will continue to monitor staffing needs in other regions as programs and U.S. Government priorities change.

Many of OIG's audits in FY 2012 will focus on the sustainability of USAID programs, examining whether the programs can be expected to continue to produce benefits for developing countries. The concept of sustainability is embodied in both the Foreign Assistance Act and in USAID policy, promoting self-sustaining growth, equitable distribution of benefits, and improvements in institutional capacities of developing countries.

In keeping with the Foreign Assistance Act, USAID requires that missions consider the capacity of potential partners to implement planned functions— including capacity for financial management, procurement, and personnel management—and that host-country governments have major involvement in project and activity planning.

In FY 2012, OIG will continue to provide robust oversight of USAID activities in critical priority countries as well as activities under the Global Health Initiative (which include programs to prevent and treat HIV/AIDS, tuberculosis (TB), and malaria).

In Afghanistan and Pakistan, we will be examining infrastructure and energy programs, governance strengthening activities, initiatives to

improve citizens' livelihoods, and programs intended to better the lives of women and girls—among other areas.

As Haiti continues to recover from last year's devastating earthquake, we will focus on USAID's efforts to rebuild infrastructure in that country as well as longer term programs to improve education, health, and the economy.

OIG will provide oversight to MCC as it enters into new compact agreements with developing countries while working toward measureable results under existing compacts. OIG will focus upon risks inherent in project implementation

and financial accountability for funds that support country programs.

This is an ambitious plan, and we in OIG understand the need to remain flexible to address unanticipated or emerging priorities that may arise during a time when the federal budget deficit is of increasing concern. I believe that OIG's skilled and dedicated staff members are ready for the challenge—in our headquarters office in Washington, DC, and throughout the world. I look forward to reporting the results of these plans in future semiannual reports to the Congress.

## Introduction

OIG's mission is to protect and enhance the integrity of U.S. foreign assistance programs and operations administered by USAID, USADF, IAF, and MCC.

### *Authority and Responsibility*

USAID's OIG was established on December 16, 1980, by statutory amendment to the Foreign Assistance Act of 1961. On December 29, 1981, the International Security and Development Cooperation Act of 1981 brought the USAID Inspector General under the purview of the Inspector General Act of 1978. OIG assumed audit and investigative oversight of USADF and IAF in 1999, and of MCC in 2004.

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. As a result of this work, OIG promotes economy, efficiency, and effectiveness and detects and prevents fraud, waste, and abuse in USAID, USADF, IAF, and MCC programs and operations.

Some of our work is mandated by statute or other requirements, and other work is performed at our discretion. When identifying the audits and activities to undertake and setting priorities in performing them, we consider stakeholder

interests and needs, alignment with strategic goals, and anticipated results. Before deciding to perform specific work, we consider the risks associated with agency programs and assess potential vulnerabilities in internal controls.

OIG established this plan of audits and activities to be performed during FY 2012 to support U.S. foreign assistance goals in the following program areas:

- Peace and security—Afghanistan, Pakistan, Iraq, and West Bank/Gaza
- Just and democratic government—rule of law, human rights, and good governance
- Investment in people—health, education, social and economic services, and protection for vulnerable populations
- Economic growth and prosperity—economic security and the environment
- Humanitarian assistance—protection, assistance, and solutions, and disaster prevention and mitigation
- Management capabilities—management accountability and financial management

## *Operational Areas of Responsibility*

**Audit.** OIG supervises audit activities relating to worldwide foreign assistance programs and agency operations of USAID, USADF, IAF, and MCC. Audit activities include performance audits of programs and management systems, financial statement audits required under the Chief Financial Officers Act of 1990,<sup>1</sup> and audits related to financial accountability of grantees and contractors.

**Investigations.** OIG investigates activities relating to foreign assistance programs and agency operations. Investigations of criminal, civil, and administrative violations cover all facets of worldwide operations for our client agencies. OIG pursues proactive activities and works to identify new areas of focus within multi-million-dollar and high-risk USAID programs, including those in Afghanistan, Pakistan, Haiti, and Iraq. These activities may lead to criminal or civil investigations, which could result in prosecutive or administrative action. In addition to conducting investigations, OIG provides fraud awareness training, develops and distributes fraud awareness literature and audiovisual aids, and offers advice on antifraud strategies.

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<sup>1</sup> Public Law 101-576.

## OIG Activities Planned for FY 2012: USAID

### Peace and Security

#### *Afghanistan*

##### **Audit of USAID/Afghanistan's Design for Sustainability in the Education Program.**

Improving access to quality education within Afghanistan remains a priority for USAID/Afghanistan. Since 2002, the mission has disbursed approximately \$414 million to expand access to basic education—primarily in Grades 1 through 6—by training teachers, constructing and rehabilitating schools, supporting community-based education, and implementing accelerated learning programs for girls and women who were denied education under Taliban rule and for others who missed the opportunity to attend school because of decades of war.

This audit will determine whether USAID/Afghanistan has built sustainability into selected education programs, consistent with the goals of the Foreign Service Act and USAID policy.

##### **Audit of USAID/Afghanistan's Performance-Based Governor's Fund.**

The performance of provincial governments in

delivering services and responding to the needs of their constituencies is a critical factor in public perception of the legitimacy of the state and public confidence in the Afghan Government's reform process. In October 2009, USAID/Afghanistan awarded The Asia Foundation a \$13 million cooperative agreement, subsequently increased to \$16 million, to implement the Performance-Based Governor's Fund through May 2011. USAID/Afghanistan intends to increase the initiative by \$75 million and extend the period of performance by 18 months.

This audit will determine whether the Performance-Based Governor's Fund is meeting its goal to provide financial and technical assistance to Governors and their teams and thereby better meet community outreach needs, enhance relationships with citizens, and improve overall management capacity.

##### **Audit of Gender-Related Activities in Selected USAID/Afghanistan Programs.**

Afghanistan is a diverse but traditional society where opportunities for women are limited by poverty, low levels of literacy and education,



societal ideology, and traditional forms of social and political organization. USAID/Afghanistan plays a leading role in implementing the U.S. Government's civilian strategy for assistance to women in Afghanistan in the areas of health, education, and economic development.

This audit will determine:

- How gender issues have been considered in designing, implementing, and measuring the performance of selected USAID/Afghanistan programs.
- What impacts these programs have had on the health and educational status, economic development, and political empowerment of Afghan women and girls.

**Audit of USAID/Afghanistan's Management Controls for Efficiently Managing Program Operations.** Efficiency is an important U.S. Government objective, as reflected in the Government Performance and Results Act, Office of Management and Budget (OMB) Circular A-11, and the Federal Acquisition Regulation.

This audit will determine whether USAID/Afghanistan has established performance indicators for efficiency of program operations, has used these indicators to manage its programs,

and is able to provide reasonable assurance that efficient methods and effective cost controls are used in its monitoring of cost-reimbursement contracts.

**Review of USAID/Afghanistan's Internal Controls for Payroll.** USAID/Afghanistan has 433 employees, and its estimated annual payroll is \$76 million. Concerns exist about the approval and certification of overtime charges and timeliness of the payment of certain benefits. This review will determine whether USAID/Afghanistan has sufficient internal controls in place to properly approve time charges and pay employees on time.

**Audit of USAID/Afghanistan's Transition Plans.** The Government of Afghanistan depends on international forces to provide security and other basic services to its citizens. However, fiscal pressures in the United States and other NATO countries have helped focus attention on the need for the Government of Afghanistan to assume responsibility for provision of basic services within the next 3 years. NATO plans to transfer lead security responsibility for all provinces to the Government of Afghanistan by the end of 2014, when assistance levels are expected to fall significantly.

This audit will determine whether USAID/Afghanistan (1) has developed

measurable performance targets to be achieved by USAID programs by 2014, (2) is progressing adequately towards those targets, and (3) has assessed the capability of the Government of Afghanistan to sustain program accomplishments after 2014.

**Audit of USAID/Afghanistan’s Regional Afghan Municipalities Program for Urban Population (RAMP UP)–East.** The

governance structure in Afghanistan is highly centralized. Subnational governance institutions, particularly at the municipal level, lack clarity on their roles and functions and are often nonresponsive to community needs.

Development Alternatives, Inc., implements the Regional Afghan Municipalities Program for Urban Population–East through a \$52 million contract. This audit will determine whether the program is achieving its goal to create effective, responsive, democratic, transparent, accountable municipal governance in the eastern provinces by increasing the capacity of the Afghanistan municipal officials to enable, support, and sustain economic growth.

**Audit of the Sustainability of USAID/Afghanistan’s Office of Infrastructure, Engineering, and Energy Programs.** Afghanistan’s physical infrastructure reflects the effects of 30 years of war and poverty. Since February 2004, USAID/Afghanistan has

committed \$2.6 billion to infrastructure programs. The mission has 21 active infrastructure awards totaling \$1.2 billion and has completed 28 other programs totaling \$1.4 billion. Sustainability of these infrastructure programs is of great concern because the Afghan Government is heavily dependent on foreign donors: 41 percent of the Afghan Government’s operating budget and 100 percent of the development budget comes from foreign donors.

The audit will determine whether roads, vertical structures (e.g., schools, hospitals, and clinics), and water projects turned over to the Government of Afghanistan are being maintained and used for their intended purposes and whether the Afghan Government earns sufficient revenue to maintain this infrastructure.

**Review of USAID/Afghanistan’s Contracts and Cooperative Agreements.** USAID

expenditures for projects in Afghanistan have been the largest in USAID’s 50-year history, with an FY 2011 budget alone of \$2.1 billion. The mission manages one of the most complex development portfolios in one of the most demanding environments in the world; this portfolio includes a broad range of programs in infrastructure, education, health, capacity building, agriculture, economic growth, democracy and governance, and the

empowerment of women. Since the mission opened, it has issued approximately 291 awards totaling approximately \$11.7 billion. Given the value of the mission's open contracts, it is critical that contracts and cooperative agreements contain appropriate clauses to ensure that all U.S. Government regulations are followed. Not only do the requisite clauses assist USAID/Afghanistan in monitoring implementation of programs covered by these awards, but competitive bidding helps USAID to get the best value for its investments.

This review will determine (1) whether USAID/Afghanistan's open contracts and cooperative agreements contain required clauses and (2) whether waivers were obtained for noncompetitive awards.

**Audit of USAID/Afghanistan's Kandahar Power Initiative.** USAID/Afghanistan awarded Black & Veatch Special Projects Corporation a \$266 million contract to implement the Kandahar Power Initiative from December 4, 2010, to September 30, 2013.

The program contains components for upgrading transmission systems, rebuilding electrical substations, providing additional diesel generators, and installing a third turbine at the Kajakai Hydro Power Plant.

This audit will determine whether the Kandahar Power Initiative is meeting its goal to increase the supply and distribution of electrical power from Afghanistan's South East Power System with particular emphasis given to the City of Kandahar in support of the U.S. Government's counterinsurgency strategy.

**Audit of the Financial Sustainability of USAID/Afghanistan's Energy Sector Programs.**

Since 2004, USAID/Afghanistan has committed approximately \$1 billion to help reconstruct Afghanistan's energy sector.

USAID/Afghanistan has 12 active energy sector awards totaling \$489 million and has completed 17 other programs totaling \$569 million.

Programs implemented by USAID/Afghanistan include constructing new power plants and substations; refurbishing existing hydroelectric power plants; upgrading or installing new transmission lines; providing operations and maintenance support of diesel generators; installing alternative sources of power such as solar, wind and micro hydro systems; and providing assistance with commercializing the energy sector.

In addition, USAID/Afghanistan has purchased \$121 million in fuel to operate diesel generators. Because a large portion of the Afghan Government's operating budget came from

foreign donors last year, the facilities may not be sustainable once they are turned over to the Afghan Government.

The audit will determine whether the Government of Afghanistan earns enough revenue to operate and maintain its electrical infrastructure, including the infrastructure financed by USAID/Afghanistan.

**Audit of USAID/Afghanistan’s Approaches to Providing Technical Assistance to the Government of Afghanistan.** USAID/Afghanistan provides technical assistance to the Government of Afghanistan through at least four different mechanisms: advisors embedded in host government ministries, institutional contractors, grants, and the Civilian Technical Assistance Program administered by the World Bank. USAID/Afghanistan spends approximately \$2.6 million each year on technical assistance for the Government of Afghanistan.

This audit will determine (1) the advantages and disadvantages of the different approaches that USAID/Afghanistan uses to provide technical assistance to the Government of Afghanistan and (2) how USAID/Afghanistan decides which technical assistance approach to use.

### **Review of USAID/Afghanistan’s Use of Third-Country National Employees.**

Third-country national employees are normally used when qualified employees are not available in the host country; time limitations or other conditions prevent training employees in the host country for the job; or program efficiency and policy objectives can be achieved only by using third-country nationals as a temporary substitute for available, eligible, and qualified U.S. citizens or employees from the host country. In all cases, the establishment of a third-country national position should be temporary. In FY 2011, USAID/Afghanistan mission had 14 third-country national employees whose estimated annual payroll was \$1.7 million.

This audit will determine whether the mission is efficiently using third-country national employees appropriately while training Afghan staff to assume their responsibilities.

### **Audit of Field Staff Monitoring of USAID/Afghanistan Programs.**

As of October 16, 2010, USAID/Afghanistan had 120 field-based staff. The mission issued a directive in September 2010 to formalize the responsibilities of its field staff.

This audit will determine whether (1) USAID/Afghanistan is hiring qualified and experienced individuals to serve in the field in

support of its mission in Afghanistan and (2) field staff members are monitoring USAID programs in accordance with the mission's September 2010 directive and other applicable criteria.

### **Follow-Up Audit of Selected OIG**

#### **Recommendations to USAID/**

**Afghanistan.** As of September 30, 2010, OIG had made 135 audit recommendations concerning programs in Afghanistan, and final action had been taken on 110 of them. The recommendations included \$114 million in questioned costs.

This audit will determine whether USAID/Afghanistan's actions on selected OIG recommendations corrected the problems that led to the recommendations.

### ***Pakistan***

#### **Audit of USAID/Pakistan's Design for Sustainability in the Jamshoro Thermal Power Station Repair and Maintenance**

**Activity.** USAID/Pakistan awarded an \$18 million agreement to the Government of Pakistan to repair the Jamshoro Thermal Power Station. This activity was scheduled to be completed by June 2011. One of the principal goals of U.S. development cooperation should be to promote conditions enabling developing

countries to achieve self-sustaining economic growth with equitable distribution of benefits.

This audit will determine whether USAID/Pakistan has built sustainability into the Jamshoro Thermal Power Station Repair and Maintenance Activity.

#### **Follow-Up Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally**

**Administered Tribal Areas.** In 2008, USAID/Pakistan signed a 5-year, \$150 million agreement with CHF International to implement this program. In December 2010, OIG issued an audit report entitled "Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas" (Audit Report No. G-391-11-001-P). The planned audit will focus on six of seven recommendations in the previous report (excluding a recommendation with questioned costs). Although none of the recommendations had been closed at the time of report issuance, the mission stated in its management comments that all recommendations would be closed by August 2011.

The audit will determine whether USAID/Pakistan implemented the recommendations from the December 2010 audit and whether those actions were effective.

**Audit of USAID/Pakistan’s Assessment and Strengthening Program for Local Organizations and Government of**

**Pakistan Entities.** In October 2010, USAID/Pakistan signed a 5-year, \$19.5 million cooperative agreement with the Rural Support Programmes Network to implement the mission’s assessment and strengthening program for local organizations and Government of Pakistan entities. To provide assistance to the primary implementer, USAID/Pakistan signed cooperative agreements with Lahore University of Management Sciences for \$3.8 million and Associates in Development for \$8.9 million. The primary objective of this program is to establish a mechanism that will enable USAID/Pakistan to work with more local implementing partners and host-government institutions in providing technical assistance required to build the institutional capacity that is consistent with USAID standards.

This audit will determine whether USAID/Pakistan’s Assessment and Strengthening Program is improving the capacity of local organizations and Government of Pakistan entities to responsibly manage USAID funds.

**Audit of USAID/Pakistan’s Benazir**

**Income Support Program.** In 2008, the Government of Pakistan launched the Benazir

Income Support Program to provide a permanent cash support mechanism for families in poverty. This program provides participating families about \$12 per month, delivered only to the senior female member of the family. In February 2010, USAID/Pakistan disbursed \$85 million to provide budgetary support to the Government of Pakistan. A second disbursement of \$75 million was made in July 2010 to support this program for a total of \$160 million.

This audit will determine whether USAID/Pakistan’s cash transfer provided to the Benazir Income Support Program has reached the intended beneficiaries.

**Audit of Selected Infrastructure Activities Under USAID/Pakistan’s Punjab**

**Municipal Services Delivery Program.** In September 2010, USAID/Pakistan signed a \$76 million agreement with the Government of the Punjab to implement the Punjab Municipal Services Delivery Program. The program intends to improve public service delivery to better address Pakistanis’ basic needs in vulnerable areas and mitigate the sources of extremism. Activities include infrastructure modifications to provide cleaner drinking water, better solid waste collection and disposal, improved sewerage and water treatment systems, and upgraded streets and street lighting.

This audit will determine whether the mission's Punjab Municipal Services Delivery Program is upgrading selected infrastructure.

**Audit of USAID/Pakistan's Lady Willingdon Hospital Renovation Project.**

In October 2010, the Secretary of State announced the first phase of a 3-year signature health program for Pakistan. Under this program, the United States is undertaking three projects for the renovation and construction of medical facilities, which include the city of Lahore's Lady Willingdon Hospital. The project is scheduled to be completed by June 2012 at an estimated cost of \$18 million.

This audit will determine whether USAID/Pakistan's Lady Willingdon Hospital Renovation Project is on schedule and being completed within its budget.

**Audit of USAID/Pakistan's Gomal Zam Multipurpose Dam Project.** In 2010, the Government of Pakistan asked USAID to support the Gomal Zam Dam Project, which was reportedly 88 percent complete. Consequently, in January 2011, USAID signed a \$40 million agreement with the Government of Pakistan's Water and Power Development Authority to provide funds to finish the project. Once completed, the dam is projected to provide electricity to 200,000 people, control flooding,

and generate economic activity. After the irrigation component is completed, USAID expects about 191,000 acres will be served, benefitting approximately 30,000 families.

This audit will determine whether USAID/Pakistan's Gomal Zam Multipurpose Dam Project is on track to meet its budget and timelines.

**Audit of USAID/Pakistan's Monitoring and Evaluation Program.**

In June 2011, USAID/Pakistan signed a 5-year, \$71 million contract to conduct its independent monitoring and evaluation program. Operating in high-threat locations such as Pakistan imposes unique constraints on USAID's normal mode of operations. Among these constraints has been the inability of USAID officials to adequately monitor program activities in the field.

Under this program, an independent contractor will monitor and evaluate program effectiveness by conducting site visits and providing data and photos before, during, and after every project; establishing an independent monitoring unit to train and supervise Pakistani monitors whose sole function is to travel to program sites and monitor ongoing implementation and to evaluate impact; and conducting midterm and closeout evaluations of major projects to determine impact.



This audit will determine whether USAID/Pakistan is using results from its monitoring and evaluation program to manage its portfolio.

### **Audit of USAID/Pakistan's Entrepreneurs**

**Program.** In June 2009, USAID/Pakistan signed a \$30 million cooperative agreement with Mennonite Economic Development Associates to implement the Pakistan Entrepreneurs Program. This program is designed to increase the incomes of at least 75,000 small enterprise owners, the majority of whom will be women in 20 districts in Pakistan.

This audit will determine whether USAID/Pakistan's Entrepreneurs Program is increasing the incomes of at least 75,000 microentrepreneurs and small enterprise owners.

### **Audit of USAID/Pakistan's Reconstruction Activities in Flood-Affected Areas.**

In October 2006, USAID/Pakistan signed a \$120 million contract with CDM Constructors, Inc., to provide services that support the implementation of USAID's Earthquake Program. In July 2010, after the heavy rainfall in multiple regions of Pakistan that led to devastating flooding, USAID expanded the contractor's activities to include reconstruction of 20 schools and a hospital in the flood-affected areas.

This audit will determine whether USAID/Pakistan's reconstruction activities in the flood-affected areas are being implemented effectively.

### *Iraq*

### **Audit of USAID/Iraq's Legislative**

**Strengthening Program.** USAID/Iraq's Legislative Strengthening Program is a 5-year, \$35 million program projected to end in March 2011. The program was designed to increase the capacity of the staff and members of the Iraq Council of Representatives and to improve institutional oversight of government operation, legislative development, and constituency representation. The program provides technical assistance, training, and limited commodity support to the Council of Representatives to develop and improve its practices, precedents, and institutions.

This audit will determine whether USAID/Iraq's Legislative Strengthening Program has improved the sustainability of democratic governance in Iraq.

### **Survey of Security Services Employed by USAID/Iraq's Contractors and Grantees.**

Private security contractors operating in Iraq provide a variety of security services. From July 1, 2007, to June 30, 2009, USAID/Iraq maintained



a portfolio of contracts and grants with 12 implementing partners, which held 17 subcontracts for private security services in Iraq. According to information provided by USAID/Iraq's implementing partners, these 17 subcontracts incurred cumulative expenditures of \$483 million as of December 31, 2009, approximately 23 percent of the implementing partners' total costs.

Measured in both funding and personnel, security is an increasing challenge in Iraq. Given very tight budgets, our survey will compare alternative security arrangements and their effects on costs, which consume more than 20 percent of USAID funding in Iraq. In addition, we will follow up on key prior OIG recommendations from a related FY 2011 report to ensure that USAID/Iraq is providing effective oversight.

#### **Audit of the QED Group's Monitoring and Evaluation of USAID Programs in Iraq.**

Security concerns in Iraq continue to pose great challenges and restrictions to monitoring and evaluation of program activities by mission staff. Therefore, USAID/Iraq awarded a 2-year, \$14 million cost-reimbursement contract to the QED Group, LLC, to help fulfill its performance monitoring, evaluation, reporting, and information dissemination requirements.

USAID/Iraq requested this audit to help determine what type of monitoring and evaluation mechanism it should have in place in the future. This audit will determine whether the mission's use of the QED Group has improved program management and oversight of USAID programs in Iraq.

#### **Audit of USAID/Iraq's Access to Justice Program.**

USAID/Iraq's Access to Justice Program, which began in October 2010, focuses on vulnerable and disadvantaged populations, including women, widows, orphans, displaced persons, detainees, the poor, and those who are at risk because of their ethnicity or religion.

Through grants, the Access to Justice Program supports (1) public awareness campaigns to make vulnerable Iraqis more aware of their rights and legal resources available to them, (2) linkage of vulnerable populations with government institutions responsible for upholding their rights through legal professionals and organizations, and (3) advocacy of legal framework and procedural processes to recognize and protect the rights of the vulnerable and disadvantaged. In September 2010, the mission awarded a contract to DPK Consulting to implement the Access to Justice Program. The estimated cost is \$63 million if both contract option years are exercised.

The audit will determine whether USAID/Iraq's Access to Justice Program is achieving its goal to improve the vulnerable and disadvantaged populations' awareness of and access to Iraq's legal system.

### *West Bank and Gaza*

**Audit of USAID/West Bank and Gaza's Design for Sustainability in the Community Infrastructure Development Program.** In September 2010, USAID/West Bank and Gaza awarded a 5-year cooperative agreement to CHF International. This agreement, valued at \$100 million, is intended to provide need-based infrastructure packages, including water, health, education, and roads. The goal of the project is to improve the quality of life for vulnerable communities while also strengthening local capacity to manage sustainable projects, encouraging community participation, and generating employment opportunities.

This audit will determine whether USAID/West Bank and Gaza has built sustainability into the Community Infrastructure Development Program.

**Audit of USAID/West Bank and Gaza's Civic Participation Program.** The Civic Participation Program has been designed to

reinvigorate civic participation in (1) the Palestinian Authority decision-making processes, (2) the monitoring and oversight of government institutions, and (3) the provision of technical assistance grants to civil society organizations. These grants are expected to provide civil society organizations opportunities to adopt and utilize internal democratic management practices, generate greater public value, and more effectively manage the external environment. More transparent decision-making and communication practices will increase accountability in internal governance, quality of performance, and credibility of external outreach.

To implement this program, USAID/West Bank and Gaza awarded a 3-year, \$18 million cooperative agreement to Catholic Relief Services on September 30, 2010. USAID/West Bank and Gaza plans to award about 161 grants to support more than 75 Palestinian civil society groups. This audit will determine whether USAID/West Bank and Gaza's Civic Participation Program is achieving its goal to reinvigorate civic participation in Palestinian Authority government processes by supporting civil society organizations.

**Audit of the USAID/West Bank and Gaza's Investment Climate Improvement Project.** In September 2010, USAID awarded

an indefinite quantity contract to Chemonics International to implement the 4-year, \$24.9 million Investment Climate Improvement Project. The project is designed to improve the business enabling environment as well as the areas of fiscal policy that limit the Palestinian Authority's ability to generate revenue from domestic taxes. This revenue constraint has led to an unsustainably large budget deficit and created obstacles to private sector development. The Investment Climate Improvement Project will work with the Ministry of National Economy, the Ministry of Finance, and other ministries, as appropriate, as well as with governorate and municipal officials and private sector associations to analyze reforms, identify obstacles to reform, and develop a multiyear strategy to improve the enabling environment for business, investment, and trade.

This audit will determine whether USAID/West Bank and Gaza's Investment Climate Improvement Project is achieving its goal to improve the environment for business, investment, and trade in the West Bank and Gaza.

**Audit of USAID/West Bank and Gaza's Palestinian Community Assistance Program.**

The ramifications of continuing economic restrictions and Hamas control in Gaza

are considerable in all parts of daily life—lost agriculture, limited imports, impeded construction, high unemployment, and emotional trauma. To address these concerns, USAID awarded a \$100 million cooperative agreement to Mercy Corps to implement the Palestinian Community Assistance Program. The 3-year program, which began in September 2010, is designed to help Palestinians build a better future through social and economic relief and recovery in Gaza. The major program objectives are to (1) address the infrastructure recovery needs of Gazans through tangible improvements in community infrastructure and housing, (2) support economic recovery and development in Gaza through the creation of income generation and business development opportunities, and (3) address the social recovery needs of Gazans through tangible improvements in food security, education, health, and psychosocial services.

This audit will determine whether USAID/West Bank and Gaza's Palestinian Community Assistance Program is achieving its main goal to improve the lives of Palestinians in Gaza by responding to emergency humanitarian needs.

## Just and Democratic Government

### *Rule of Law and Human Rights*

#### **Review of USAID/Egypt's Contractors' Compliance With the Trafficking Victims Protection Reauthorization Act of 2008.**

The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 requires the OIGs for USAID, the Department of State, and the Department of Defense to investigate a sample of high-risk contract and subcontracts in each year between FY 2010 through 2012 and submit annual reports on human trafficking to Congress.

Awards to be reviewed include those for which a heightened risk may exist for an implementer to engage in acts related to trafficking in persons. These acts may include confiscating an employee's passport, restricting an employee's mobility, abruptly or evasively repatriating an employee, or deceiving an employee about a work destination, among other more severe trafficking offenses (e.g., forced labor in connection with the performance of a grant, contract or cooperative agreement or commercial sex offenses).

In FY 2012, we will examine USAID/Egypt's active awards, valued at \$657 million, to determine (1) whether the mission and contractors have established sufficient controls to

prevent trafficking of persons and (2) whether contractors and subcontractors have engaged in trafficking of persons practices in selected programs. Program activities to be reviewed include those promoting democracy and governance, health, economic growth, and private sector development.

#### **Follow-Up Audit of USAID/Mexico's Rule of Law and Human Rights Program.**

OIG's January 2011 report (Audit Report No. 1-523-11-001-P) on USAID/Mexico's rule of law and human rights program found that the mission's rule of law activities had demonstrated limited success in achieving the program's primary goals to support the implementation of criminal justice reforms at the federal and state levels and to strengthen civil society organizations' promotion and oversight of human rights.

Specifically, USAID/Mexico had not delivered technical advisory services strategically to reach maximum efficiency, effectiveness, and sustainability, mainly because it lacks a strategic focus. In addition, performance indicators and their respective targets were not appropriate for measuring progress toward accomplishing secondary objectives, and aspects of program management needed improvement. The audit resulted in seven recommendations.

This audit will determine whether actions taken by USAID/Mexico in response to our January 2011 audit were effective.

**Audit of USAID/Colombia’s Access to Justice Program.** On July 8, 2010, USAID/Colombia awarded a \$14 million time and materials task order to Management Sciences for Development, Inc., with an estimated completion date of July 2012. The objective of this task order is to strengthen justice services in Colombia by ensuring access to legal services, improving access to justice, helping to establish a functioning justice system, and reducing impunity—especially for people residing in rural, marginalized regions of Colombia heavily affected by violence.

This program serves as a bridge from the USAID Justice Reform and Modernization Program to a new justice program expected to begin in mid-2012.

This audit will be conducted near completion of the program to determine whether lessons learned from prior programs were applied as required and whether current lessons learned are being documented to be applied to the next justice program. Additionally OIG will determine whether USAID/Colombia is achieving its goal to strengthen justice services in Colombia.

## *Good Governance*

### **Audit of USAID/Egypt’s Transition**

**Support Grants Program.** The revolution in Egypt during January 2011 led to unprecedented political and social transformation. Following the revolution, USAID/Egypt issued an annual program statement designed to support initiatives that respond to needs identified by Egyptians in for democratic development. In February 2011, the mission designed the Egyptian Transition Support Program to provide grants, including fixed obligation grants, of up to \$65 million to support short- and long-term rapid-response programs. Through February 2012, the mission plans to award approximately 50 grants ranging in value from \$75,000 to \$2 million.

The audit will determine whether the mission is appropriately selecting, awarding, and monitoring Egyptian Transition Support Program grants to ensure that the program is achieving the goal of supporting democratic development.

### **Audit of the USAID/Regional Development Mission for Asia’s Citizen Engagement and Reconciliation Program**

**in Thailand.** Thailand has made steady progress toward democratization over the past several decades. However, it is at a critical stage in its democratic development because of the concentration of power within the government

and the need for civil society organizations to serve as a check and balance to public policy and political processes.

USAID's Regional Development Mission for Asia awarded a \$30 million contract to Development Alternatives, Inc., to implement the Citizen Engagement and Reconciliation Program in Thailand. This program is designed to strengthen civil society, media, and independent agencies as key players in policy processes and peace-building efforts so they can be sustainable and further expand their role in formal political processes. Additionally, the overall development goal of this program is to foster constructive civil society engagement with the Royal Thai Government as a means to build consensus for democratic political processes and mitigate extremism.

This audit will determine whether the program is strengthening government oversight agencies, civil society organizations, and the media as well as supporting peace-building efforts.

**Audit of USAID/Sri Lanka's Conflict Response Program.** Sri Lanka stands at a pivotal point in its modern history. The end of the 26-year secessionist war presents both opportunities and challenges to promote sustainable peace in the country. With the conclusion of the war in the North, the

United States has played a leading role in providing humanitarian assistance to the nearly 300,000 displaced by the war. In addition, U.S. efforts are under way to expand stabilization and development initiatives into the North.

USAID awarded a \$13.9 million contract to Associates in Rural Development, Inc., to implement the program. This program intends to increase postconflict stability in the North of Sri Lanka by promoting reconciliation, enhancing local governance, building civil society capacity, increasing economic opportunities to those affected by conflict, and assisting the continued resettlement and reintegration of displaced persons.

This audit will determine whether USAID/Sri Lanka's Conflict Response Program is increasing postconflict stability in the North of Sri Lanka.

**Audit of USAID/Morocco's Democracy and Governance Programs.** Although Morocco has held several credible elections and implemented some governance reforms, a lack of political will to implement further reform persists—among representative institutions, organizations, and citizens. The new USAID democracy and governance strategy in Morocco plans to build the capacity of civil society, political parties, and elected local government to promote increased citizen participation in

governance reforms. Strengthening civil service organizations' capacity is intended to increase pressure on representational institutions to perform effectively while increasing the ability of targeted institutions to engage with and respond to citizens. This audit will determine whether

USAID/Morocco achieved its democracy and governance goal of increasing participation of Morocco's citizens in governance.

## Investment in People

### *Health*

#### HIV/AIDS

#### **Audit of USAID/Haiti's Leadership Management and Sustainability Project.**

Despite considerable progress in combating HIV/AIDS, the epidemic continues to spread in the Haitian population. In response to this challenge, in March 2010, USAID/Haiti awarded a 5-year, \$12 million cooperative agreement to Management Sciences for Health to establish strong program and management systems and train and empower personnel of the Haitian health sector to be effective leaders with the managerial skills to maintain the systems. In addition to the \$12 million, USAID/Haiti included an additional sum of \$20 million specifically to fund activities for unanticipated events within the overall scope of the program description.

This audit will determine whether USAID/Haiti's Leadership Management and Sustainability Project is achieving its goals of establishing strong program and management systems, and training and empowering Haitian health managers to be effective leaders with the managerial skills to maintain the systems.

#### **Audit of Selected USAID Missions' Plans to Transfer Health-Care Workers Funded by the President's Emergency Plan for AIDS Relief to the Host Country and Civil Society.**

In 2008, Congress authorized \$39 billion for HIV/AIDS programs to be carried out between 2009 and 2013. This authorization seeks to improve core health system functions including service delivery.

To that end, HIV/AIDS funds can be used to support the salaries of health workers temporarily. That is, if USAID programs use HIV/AIDS funds to hire personnel to work in the host-country government or in NGOs,

USAID and host governments must prepare a transition plan to ensure that those on salary support can be absorbed by non-U.S.

Government resources.

The audit will determine whether selected USAID missions are achieving their goal of developing transition plans to shift the cost of health-care workers funded by PEPFAR to the host country and civil society. The audit will also determine the extent to which selected missions' efforts have improved the capacity of the selected countries' health systems workforce to address the HIV/AIDS epidemic.

#### **Audit of USAID/Angola's HIV/AIDS**

**Activities.** USAID/Angola's HIV/AIDS activities focus on HIV prevention. Within prevention, the main focus is on health systems strengthening, behavioral change, and strategic information.

Given Angola's epidemiological profile, USAID is targeting both the general population (including a special focus on youth and pregnant women) and most-at-risk populations, such as sex workers and truckers. Key activities include building staff capacity in the health sector, supporting of the Government of Angola in scaling up prevention of mother-to-child transmission and voluntary counseling and testing services, conducting studies on behavior

and prevalence data, supporting the commercial marketing of condoms, and providing information to all target groups. In accordance with the epidemiological profile of Angola, USAID is mainly focusing activities along the transport corridors.

During FY 2010, Angola became the third PEPFAR country to enter into a Partnership Framework with the United States. After the signing of the Partnership Framework, a Partnership Framework Implementation Plan was established. Subsequently, Angola received a significant increase in overall U.S. Government PEPFAR funding, from \$7 million to \$17.7 million. This audit will determine whether USAID/Angola's HIV/AIDS prevention activities are achieving their goals in health systems strengthening, behavioral change, and provision of strategic information.

#### **Audit of USAID/Ethiopia's PEPFAR-funded Activities for the Prevention of HIV.**

USAID officials have noted in reports to Congress that most HIV/AIDS interventions focus on prevention and treatment. The reports also state that prevention remains the central challenge in reducing the number of people living with HIV/AIDS. Without an effective vaccine, behavioral change is essential in preventing transmission of HIV. USAID



recognizes the need to help communities identify interventions that can change norms and behaviors that contribute to risk and vulnerability as well as to stigma. In FY 2010, \$162 million was approved for USAID/Ethiopia for HIV/AIDS-related activities.

This audit will determine whether the mission's prevention activities have achieved their goal to reduce the sexual transmission of HIV and whether the mission has effectively implemented recommendations from OIG's June 2009 report of USAID/Ethiopia's PEPFAR-funded activities.

#### **Audit of USAID/Haiti's Prevention of Sexual Transmission of HIV/AIDS in Haiti Project.**

To help address the HIV/AIDS epidemic among the most-at-risk populations in Haiti, in September 2010, USAID/Haiti initiated a \$9.9 million Prevention of Sexual Transmission of HIV/AIDS in Haiti Project. The goal of this project, which is being implemented through a cooperative agreement with Population Services International, is to reduce the number of new HIV infections in Haiti through the increased adoption of safer sexual behaviors by most-at-risk populations.

This audit will determine whether the mission's Prevention of Sexual Transmission in Haiti Project is achieving its goal to reduce the number of new HIV infections in Haiti.

#### **Audit of USAID/Nigeria's Design for Sustainability in Its HIV/AIDS Program.**

In Nigeria, millions of people are estimated to be living with HIV or AIDS. As a result, the U.S. Government provides a significant amount of funding to combat HIV/AIDS in Nigeria. In FY 2010, USAID devoted \$14 million to these efforts.

USAID/Nigeria implements its HIV/AIDS and TB activities under a comprehensive approach with other U.S. Government agencies, including the Centers for Disease Control and Prevention and the Department of Defense.

The audit will determine whether USAID/Nigeria has built sustainability into its HIV/AIDS program.

#### **Audit of USAID/Ghana's Efforts to Integrate Gender Into HIV/AIDS Activities.**

In 2009, USAID updated its gender programming requirements to reflect the Obama Administration's core commitment to gender equality and women's empowerment.

USAID policy now requires gender to be considered as part of high-level planning; during project and activity planning; as part of project and activity procurement for contracts, grants, and cooperative agreements; and during project and activity monitoring and evaluation.

The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (Lantos–Hyde Act) includes revised requirements related to gender, moving gender to the forefront of the HIV/AIDS response. To support the new emphasis, the Office of the U.S. Global AIDS Coordinator called for teams supported by PEPFAR to have systematic and intensified gender programming, coupled with more rigorous strategic planning and monitoring of gender programming, investment in program evaluation and data analysis, and enhanced technical and management capacity. The mission received \$5.5 million in FY 2010 for HIV/AIDS programs.

The audit will determine whether USAID/Ghana has achieved its goal of integrating gender into HIV/AIDS activities supported by the Lantos–Hyde Act.

#### **Audit of USAID/Indonesia’s Maternal and Child Health Integrated Program.**

Indonesia is facing significant challenges in the 21<sup>st</sup> century, especially in improving the health of its population. The country faces extraordinary infant and child mortality rates and has one of the highest TB infection rates in the world. Moreover, cases of HIV/AIDS are rapidly increasing. To address these challenges, USAID is

partnering with Indonesian communities, government bodies, civil society organizations, and business entities. In September 2008, USAID/Indonesia awarded a \$12 million cooperative agreement to Jhpiego Corporation to implement the Maternal and Child Health Integrated Program. The program focuses on improving maternal and newborn health services and on increasing the capacity of district governments to plan, budget, and manage maternal, neonatal, and child health programs.

This audit will determine whether USAID/Indonesia’s Maternal and Child Health Integrated Program is improving maternal, newborn, and child health–care services.

#### **MALARIA**

##### **Audit of USAID/Benin’s Efforts to Treat and Prevent Malaria.**

USAID/Benin’s malaria program focuses on the prevention and treatment of malaria, mainly through the use of artemisinin–based combination therapies, insecticide–treated nets, and indoor residual spraying to prevent malaria.

The audit will determine whether USAID/malaria program has achieved its goals of preventing and treating malaria.

### **Audit of Commodities Funded Under the President’s Malaria Initiative in Ethiopia.**

Ethiopia is one of the original 15 countries included in the President’s Malaria Initiative (PMI), which was launched in 2005. PMI is led by USAID and implemented in conjunction with the Centers for Disease Control and Prevention and other U.S. Government agencies. As a key component of the Global Health Initiative, PMI has been extended under the Lantos–Hyde Act of 2008, and a new 6–year strategy has been developed. Under this new strategy, the goal of PMI is to significantly reduce malaria in at-risk populations in sub-Saharan Africa, thereby removing malaria as a major public health problem and promoting development throughout the region.

PMI funding for Ethiopia was budgeted at \$31 million for FY 2010, with 38 percent for the procurement and distribution of long-lasting insecticide treated nets, 28 percent for improved diagnosis, procurement and use of the malaria drug, ACT; and 28 percent for indoor residual spraying. Activities are carried out through cooperative agreements and contracts.

This audit will determine whether USAID/Ethiopia’s PMI-funded commodities are reaching their intended beneficiaries.

### **Audit of Commodities Funded Under the President’s Malaria Initiative in Kenya.**

Malaria is one of the leading causes of morbidity and mortality in Kenya, with 34,000 children estimated to die from this disease annually. To alleviate this suffering and its effects on development and security, PMI selected Kenya as one of the original 15 focus countries. To assist the Government of Kenya, PMI supports four key interventions to prevent and treat malaria: (1) indoor residual spraying, (2) providing insecticide-treated mosquito nets, (3) buying and distributing lifesaving drugs, and (4) delivering “intermittent preventive treatment” for pregnant women. In FY 2010 alone, the value of PMI-funded commodities procured for Kenya was almost \$10.5 million. The PMI budget for Kenya has risen from about \$20 million in FY 2008 to an estimated \$36 million for FY 2011, of which \$20.8 million or 58 percent is for PMI-funded commodities.

This audit will determine whether funded commodities are reaching intended beneficiaries.

**Audit of USAID/Senegal’s Implementation of the President’s Malaria Initiative.** For FY 2011, \$24 million was set aside for PMI activities in Senegal. Proposed PMI activities align with the 2011–2015 National Malaria Control Strategic Plan and build on previous investments made by PMI,

with the overall objective of reducing morbidity and mortality related to malaria by 50 percent.

USAID has also identified objectives related to insecticide treatment, use of bed nets, direct treatment, and improved program management.

The audit will determine whether

USAID/Senegal has achieved its goal of increasing use of insecticide-treated bed nets, indoor residual spraying, treatment of malaria cases, and coverage of intermittent preventive treatment in pregnant women.

#### **Audit of USAID/Liberia's Malaria**

**Interventions.** Malaria is the leading cause of death in Liberia, and USAID's interventions to combat the disease include training for clinic health workers, providing antimalarial drugs, and conducting indoor residual spraying.

OIG's audit will determine whether USAID/Liberia's malaria interventions have achieved the mission's goals to reduce malaria mortality and reach vulnerable groups with lifesaving services, supplies, and medicines.

#### **TUBERCULOSIS**

##### **Audit of USAID/Russia's Tuberculosis**

**Treatment Activities.** One-third of the global population is estimated to be infected with TB, and the disease killed approximately

1.7 million people in 2009. The disease is economically devastating to families and communities worldwide. Although TB is a global problem, its geographic distribution is drastically disproportionate. Of all TB cases, more than 90 percent occur in developing countries.<sup>2</sup>

According to the World Health Organization, the disease is a major killer among women of reproductive age and the leading cause of death in HIV-positive people.

In January 2006, the STOP TB Partnership (of which USAID is a member) launched the Global Plan to STOP TB 2006–2015. The plan's goals include halting and beginning to reverse the incidence of TB by 2015, as well as reducing TB prevalence by 50 percent by 2015. During FY 2008 and 2009, USAID/Russia received about \$15 million for these activities.

This audit will determine whether USAID/Russia's tuberculosis activities are having an impact on TB prevalence and related indicators.

#### **Food Security**

##### **Audit of USAID/Bolivia's Design for Sustainability in the Integrated Food Security Program.** USAID/Bolivia's

<sup>2</sup> Kaiser Family Foundation, "The Global Health Initiative," Fact Sheet 8116-02, March 2011.

Integrated Food Security Program, implemented by Abt Associates under a \$26.3 million cost-plus-fixed-fee task order contract, will end in September 2014. The overall goal of this program is to support the Government of Bolivia's Extreme Poverty Alleviation Program to increase food security and decrease chronic malnutrition in rural areas. The program employs an integrated approach that addresses food availability, access and use, and vulnerability to malnutrition. Sustainability of the activities designed and implemented under this contract is critical for the continued welfare of the country.

This audit will determine whether USAID/Bolivia has built sustainability into its Integrated Food Security Program.

**Audit of USAID/Mauritania's Food for Peace Activities.** Mauritania is one of the world's least developed countries as well as a country with a food deficit, and a substantial percentage of its citizens live in poverty.

Ongoing food security programs in Mauritania benefit children under age 5, pregnant and lactating women, individuals with HIV/AIDS, and small farmers and pastoralists. Activities include supplementary feeding targeting vulnerable groups, provision of water supply and essential nutrients, and establishment of microcredit institutions and market gardens. In

FYs 2010 and 2011, Mauritania received approximately \$10 million in USAID-administered food assistance.

The audit will determine whether USAID's food security programs in Mauritania have achieved the Agency's goal to improve health and nutrition, community mobilization (infrastructure development and income-generating activities), and livelihood capacity development.

**Survey of USAID's Progress in Implementing the President's Feed the Future Initiative.** It is estimated that more than 1 billion people—nearly one-sixth of the world's population—suffer from chronic hunger. In response to this growing challenge, President Obama announced the Feed the Future (FTF) Initiative to help eradicate global hunger and achieve food security in 20 focus countries. President Obama's pledge of at least \$3.5 billion for agricultural development and food security over 3 years helped to leverage more than \$18.5 billion in support from other donors. The initiative employs strategic coordination among U.S. Government agencies and among several multilateral institutions to leverage significant food security investments.

USAID is the primary agency responsible for coordinating FTF implementation. The

Administration's FY 2011 budget request for USAID reflects a 30 percent increase for agriculture and nutrition programs from its FY 2010 base request, excluding critical priority countries. USAID is also developing implementation plans to improve food security for FTF focus countries. These plans are a first step towards the development of multiyear strategies and are targeted at investments that will lay the foundation for a new country-level and coordinated approach with a diversity of partners.

The survey will determine what progress USAID has made in implementing the President's FTF initiative.

## *Education*

**Audit of USAID/Lebanon's University Student Assistance Program.** The quality of private education in Lebanon is higher than that of public education, especially in higher education. As a result, increased gaps exist between the more economically advantaged youth and their poorer counterparts who cannot afford quality private education. These gaps result in significant differences in graduates' employment potential for productive and profitable jobs. To address this disparity, USAID/Lebanon awarded two grants to the Lebanese American University and Haigazian University.

The grants, which are valued at \$13.5 million, became effective in September 2010 and will terminate in August 2017. The program is designed to provide scholarships for promising undergraduate students in Lebanon with limited financial resources to attend the Lebanese American University and Haigazian University. Their attendance is intended to promote tolerance, gender and social equality, and critical thinking.

This audit will determine whether USAID/Lebanon's University Student Assistance Program is achieving its goal to provide scholarships to undergraduate students at the Lebanese American University and Haigazian University based on established criteria that may include verifying standards used for student selection for scholarships, ensuring gender equity benchmarks are achieved, and examining retention measures for high-risk population groups.

## **Audit of USAID/Haiti's Education**

**Activities.** In response to Haiti's education challenges, USAID/Haiti plans to spend \$35.6 million between FY 2011 and FY 2015 to strengthen the Government of Haiti's capacity in three areas: the licensing and monitoring of nonpublic schools; the establishment of standards for students, teachers, and institutions;

and technical assistance to the Ministry of Education. Although all of these projects will respond to the Ministry's priorities and focus on improving management capacity at the national level, they will also link to the community level in the target development areas through application of new standards, license provision, and the piloting of in-service teacher training activities.

This audit will determine whether the mission's education activities have achieved their goals to license and monitor nonpublic schools; establish standards; and provide effective technical assistance.

### *Social and Economic Services and Protection for Vulnerable Populations*

#### **Review of USAID/Regional Development**

##### **Mission for Asia's Burma Assistance**

**Program.** Human rights abuses, poverty, inadequate education, and limited health care within Burma's borders remain dire. To respond to these problems, USAID's Regional Development Mission for Asia made awards to Save the Children Federation, Inc.; World Learning, Inc.; Medical Emergency Relief

International; and Internews Network to implement multiple programs in Burma totaling \$10.8 million.

USAID assistance currently emphasizes health, education, governance, and migrant rights for Burmese migrants and refugees in Thailand.

USAID assistance encompasses health programs along the Thai-Burma Border and includes both preventive care and treatment of diseases.

Education focuses on community-based organizations that provide primary education, literacy instruction, and special education.

USAID also supports democracy, civil society, and humanitarian programs to strengthen an independent media and assist organizations that advocate for better governing practices.

OIG's review will determine the status of program actions to provide humanitarian assistance and capacity-building support to Burma and will also identify constraints to program progress.

## Economic Growth and Prosperity

### *Economic Security*

**Review of USAID’s Armenia Energy Efficiency, Demand-Side Management and Renewable Energy Program.** Under this program, USAID seeks to develop local companies to provide energy services and build pilot projects that demonstrate energy efficiency and renewable energy in Armenia. The program entails building gas heating systems and installing solar hot systems and biogas generators. Ancillary activities associated with the program are project development, monitoring and evaluation, energy auditing, transferring practical weatherization skills, providing training to those who desire certification as certified energy managers, and conducting outreach activities such as developing curricula for schoolchildren and issuing public service announcements.

This review will determine whether the program is meeting its objectives to develop local companies to provide energy services and pilot renewable energy projects.

**Audit of USAID/Kosovo’s Activities for Economic Growth.** Today approximately 47 percent of Kosovo citizens are unemployed,

and 45 percent are living below the poverty line.<sup>3</sup> Tens of thousands of new workers enter the labor market each year, competing for scarce job prospects. Kosovo requires robust growth to reduce the unemployment rate and provide increased economic opportunities for its citizens. According to the FY 2012 Congressional Budget Justification, Kosovo received nearly \$100 million in FY 2010 in assistance funds.

The audit will determine whether USAID/Kosovo’s economic growth activities are achieving goals to stimulate private sector growth, strengthen economic institutions, and establish a reliable energy supply.

**Audit of USAID/Central Asian Republics’ Design for Sustainability in the Regional Energy Security, Efficiency and Trade Program.** To establish market-based electricity trade in Central Asia and to support the development of market-based solutions to the energy management challenges of the region, USAID/Central Asian Republics awarded Tetra Tech ES, Inc., a \$17 million contract in September 2010 to implement the Regional Energy, Efficiency and Trade Program, originally

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<sup>3</sup> World Bank, “Kosovo: Country Brief 2010.”



named the Regional Energy Markets Assistance Program. Long-term objectives of the program are to support the establishment of an efficient, sustainable, and market-based regime for cooperation and exchange in electricity; to attract investment in national and regional power infrastructure and generation capacities; and to expand trade in electric power within and beyond the Central Asian Republics—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—to Afghanistan and Pakistan. This regional project is being implemented in four of the five Central Asian Republics (not active in Uzbekistan) and in Afghanistan.

This audit will determine whether the mission has built sustainability into the Regional Energy Security, Efficiency and Trade Program.

**Audit of USAID/Central Asian Republics’ Local Development Project in**

**Kyrgyzstan.** Economic growth, specifically increased and expanded economic opportunities, is the current top priority in the Kyrgyz Republic. The government has expressed its willingness and commitment to implement economic reform and support local economic development. To respond to this need, USAID/Central Asian Republics signed a 3-year, \$27 million contract in July 2010 with Chemonics International to implement the Local Development Project in

Kyrgyzstan. This project intends to set the conditions for the longer term competitiveness of the Kyrgyz economy and for economic growth that benefits all segments of society.

This audit will determine whether USAID/Central Asian Republics’ Local Development Project is stimulating rapid, diversified, and sustained economic growth by supporting local economic development in Kyrgyzstan.

**Audit of USAID/Philippines’ Microenterprise Access to Banking**

**Services Program Phase 4.** To accelerate national economic transformation, USAID/Philippines initiated the Microenterprise Access to Banking Services (MABS) Program in 1998 and extended the program in 2008 to implement a fourth phase through March 2013. The MABS 4 program helps rural banks in the Philippines develop the capability to profitably provide financial services—loans, deposits, microinsurance, remittances, and mobile phone banking services—to owners of microenterprises, small farmers, and low-income households by providing microfinance technical assistance and training.

USAID/Philippines awarded \$9.7 million to the Rural Bankers Association of the Philippines to implement the MABS 4 program with oversight

from the Philippine Government through the Mindanao Economic Development Council.

The audit will determine whether the program is increasing economic growth by assisting rural banks to profitably provide financial services to microenterprises.

**Audit of USAID/Colombia’s Alternative Development and Alternative**

**Livelihoods Activities.** USAID/Colombia plans to award two contracts in priority municipalities under the National Consolidation Plan after the Government of Colombia has guaranteed a minimum level of permanent security.

This audit will determine whether USAID/Colombia’s alternative development and alternative livelihoods activities are strengthening and linking public and private organizations, promoting citizen participation, strengthening the municipal and departmental governments, and promoting licit economic opportunities.

**Follow-Up Audit of USAID/Sudan’s Road Infrastructure Activities.** USAID/Sudan’s major road infrastructure activity is upgrading the 192-kilometer Juba–Nimule road in Southern Sudan from a gravel road to a paved road. A FY 2009 OIG audit of the mission’s road infrastructure activities (Report No. 4-650-09-

009-P) found that, although the Juba–Nimule road was likely to achieve its main goals, the project was over budget and behind schedule. At the time of the initial audit, the road paving was 8 months behind schedule, with an estimated completion date of November 2010. Moreover, the cost had risen from an initial estimate of \$87 million to \$163.8 million.

Since that time, the mission has developed a revised schedule and budget for completion of the road. For example, at the February 2011 inauguration event to witness the launch of tarmacking of the road, the mission announced that the road would cost approximately \$225 million with an anticipated completion date of February 2012.

This follow-up audit will determine whether the Juba–Nimule road is on track to be completed on schedule and within budget and whether USAID/Sudan has built sustainability into its road infrastructure activities.

**Audit of USAID/Egypt’s Egyptian Economic Support Program.** The revolution in Egypt has inspired unprecedented political and social transformation. The causes of the revolution vary, but the economic disparity and lack of opportunity faced by the majority of Egyptians today have been contributing factors. Many Egyptians are unemployed or in low-wage

jobs, millions live in poverty, and a growing social and economic gap exists between wealthy Egyptians and poorer Egyptians who represent the majority of the population. Minimizing job losses and maintaining household income levels are critical to stabilizing Egypt's current economy.

To address these concerns, USAID/Egypt issued an Annual Program Statement for the Egyptian Economic Support program, and the Agency intends to award up to 60 grants that respond directly to Egyptian-identified needs. Subject to availability of funds, the mission plans to provide up to \$100 million to support this program, which began in March 2011.

This audit will determine whether USAID/Egypt's Egyptian Economic Support Program is achieving its goal to support economic growth in Egypt through job creation, poverty alleviation, and economic development.

**Review of the USAID/ Regional Development Mission for Asia's Tibet Assistance Program.**

As a vulnerable population and ethnic minority, Tibetans in China face particular challenges from geographic, cultural, linguistic, and political limitations that hinder their socioeconomic development. Social and economic indicators in rural Tibetan areas remain far below national averages, and many nomadic regions are comparable to those of the

world's most impoverished populations.

USAID's Regional Development Mission for Asia signed awards totaling \$25 million with Winrock International, the Poverty Alleviation Fund, and The Bridge Fund to assist in the implementation of USAID's Tibet Assistance Program.

This review will determine the status of USAID's Regional Development Mission for Asia's programs intended to preserve cultural traditions and promote sustainable livelihoods and environmental conservation in Tibetan communities in the Tibetan Autonomous Region and other Tibetan areas of China and will also identify constraints to program progress.

**Audit of USAID/Vietnam's Support for Trade Acceleration Plus Program.** The full range of commitments under the U.S.-Vietnam Bilateral Trade Agreement and World Trade Organization membership are far-reaching and encompass multiple aspects of trade, investment, and regulatory reform with extensive supporting administrative reforms. Completion and fulfillment of these requirements will demand unrelenting efforts over the next few years and far greater institutional capacity, human resource development, and skills training than presently exist. USAID/Vietnam awarded an \$11.7 million contract to Development Alternatives, Inc./Nathan Group to implement the Support

for Trade Acceleration Plus Program. The purpose of the program is to support the Government of Vietnam's own efforts to implement trade and investment reforms, including changes in economic governance and macroeconomic areas, as well as to ensure an environment attractive for investment, trade, and private sector growth.

This audit will determine whether the mission's Support for Trade Acceleration Plus Program is helping to implement trade and investment reforms to improve the business environment.

#### **Audit of USAID/Haiti's Development**

**Credit Authority Activities.** Because Haiti faces economic challenges, including the lack of a robust financial sector, financial institutions and investors restrict the amount of credit they extend to firms. Informal firms, which play a significant role in the Haitian economy, face additional hurdles to secure the financial resources necessary to invest in, expand, and improve their operations, given that they may not have formal title to collateral assets.

A poor business-enabling environment also constrains the growth of Haitian firms, particularly small- and medium-size enterprises.

To help address Haiti's challenges, USAID/Haiti's \$33.5 million Development Credit

program is intended to support local banks that finance loans to small and medium enterprises in productive sectors in Haiti, such as agriculture, handicraft, tourism, textile industries, waste removal, construction and infrastructure, and fisheries.

This audit will determine whether USAID/Haiti's Development Credit Authority program is achieving its primary objectives of providing loans to small- and medium-sized enterprises to stimulate economic growth, create new jobs, and reduce poverty.

#### **Audit of USAID/Mali's Economic Growth**

**Activities.** Mali has greater food security than other countries in the West African region because it produces rice, millet, sorghum, and other grains. However, it continues to face demographic and socioeconomic challenges.

USAID/Mali allocates funding for four programs to accelerate Mali's economic growth, which include agriculture, the financial sector, trade and investment, and private sector competitiveness. Compared with the amount in the FY 2010 budget, funding for Mali's economic growth program objective has increased by \$50 million, from \$35.6 million to \$85.6 million requested in FY 2011. The audit will determine whether USAID/Mali's economic growth activities are achieving their goals to increase

productivity in agriculture while reducing poverty and increasing broad-based nutrition.

### **Audit of USAID/Sierra Leone's**

**Agricultural Sector Activities.** Sierra Leone is one of the poorest nations in the world, with an unskilled and uneducated workforce. For stability to prevail, factors such as extreme destitution, urban unemployment, lack of skilled youth, and food insecurity must be addressed. Seventy percent of the population lives in poverty, and approximately half of the population depends on subsistence agriculture.<sup>4</sup> Agriculture has been identified as the most effective driver of growth, capable of generating jobs and activities that can restore hope and provide constructive livelihoods for the rising population of youth.

USAID activities focus on improving productivity of sustainable agriculture through the adoption of improved management practices and technology and by increasing linkages along the market chain. These activities are also intended to reduce food insecurity, increase incomes, and minimize the threat that unemployed youth pose to maintaining stability in Sierra Leone.

The audit will determine whether USAID/Sierra Leone's agricultural sector productivity activities are cultivating sustainable agriculture through

adopting improved management practices and technology and increasing linkages along the market chain.

### **Audit of USAID's Office of Development Credit's Use of Loan Guarantees.**

Development Credit Authority (DCA) is the legislative authority that allows USAID to achieve development objectives by issuing partial loan guarantees to private lenders. DCA guarantee agreements are designed to encourage lenders to extend financing to new sectors and regions, or to improve loan terms. By encouraging these local channels of financing, USAID supports entrepreneurs in developing countries at minimal cost to the U.S. taxpayer.

According to USAID, since 1999 the DCA guarantee program has supported \$2.3 billion in loans to more than 260 parties at a cost of \$82 million to USAID. Substantial growth has occurred in the number of DCA guarantees, almost 40 percent between 2006 and 2010 (from 18 to 46 guarantees). During this period, the total value of loans made available through these guarantees grew by 33 percent, from \$159 million to nearly \$480 million, while the cost to USAID decreased 36 percent. Of the DCA guarantees that ended before or during FY 2010, USAID reported a utilization rate of 79 percent and a default rate of 1.6 percent.

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<sup>4</sup> CIA World Factbook.

In 2006, OIG issued a report that summarized the audit work conducted at five USAID missions in an audit of USAID's DCA. These audits were designed to determine whether USAID managed its authority to ensure that intended results were achieved.

This audit will further that work and examine whether USAID's Office of Development Credit is achieving its goals to perform risk assessments, monitor payment of utilization rates and fees, review and pay claims, recover remittances from guaranteed parties, and collect interest due from the U.S. Department of the Treasury on loan guarantees.

## *Environment*

### **Audit of USAID's Controls to Protect the Environment Under Its Malaria Prevention and Treatment Programs.**

PMI is a \$1.2 billion, 5-year initiative with the goal of reducing malaria-related deaths by 50 percent in 15 countries. The initiative intends to reduce malaria-related mortality with methods including insecticide-treated bed nets and indoor residual spraying with insecticides. Though approved for use, these insecticides could have lasting effects on the environments and communities in which they are used if not properly managed and monitored.

This audit, which will be conducted in Washington, DC, and at selected USAID missions overseas, will determine whether USAID's controls under its malaria prevention and treatment programs are effective in protecting the environment and surrounding community.

### **Review of the USAID/Regional Development Mission for Asia's Coral Triangle Initiative Program.**

The Coral Triangle region spans six countries between the Western Pacific and Indian Oceans. The marine and coastal resources of the Coral Triangle are at risk from factors that include overfishing, pollution, and climate change.<sup>5</sup> These factors adversely affect more than 120 million coastal people dependent on fishing, tourism, and coastal resources for their livelihoods.

USAID's Regional Development Mission for Asia signed awards with the World Wildlife Fund and Associates in Rural Development (now Tetra Tech ARD) to form USAID's Coral Triangle Initiative. These agreements, totaling \$43 million, are funded by three USAID missions.

The program is designed to improve the management of biologically and economically

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<sup>5</sup> Asian Development Bank, "Support to the Coral Triangle Initiative," May 2009.

important coastal and marine resources and associated ecosystems that support the livelihoods of peoples and economies in the Coral Triangle.

This review will determine whether USAID's Regional Development Mission for Asia's Coral Triangle Initiative Program is improving the management of biologically and economically important coastal and marine resources in the Coral Triangle of Southeast Asia.

#### **Audit of USAID/Peru's Environment**

**Activities.** USAID/Peru's environmental programming is designed to improve the Government of Peru's (GOP) environmental policy and strengthen the ability of environmental institutions to promote sustainable forest management and protect biodiversity. USAID/Peru's assistance, expected to total over \$42 million through FY 2012, will help build the GOP's capacity to enforce environmental laws and prosecute environmental crimes. Additionally, the program intends to strengthen systems for meaningful public participation in environmental and natural resources policy and regulatory decisions, including the establishment of a trade and environment advisory committee.

This audit will determine whether USAID/Peru's environmental activities are achieving their goals to improve the Government of Peru's

environmental policy and strengthen the ability of environmental institutions to promote sustainable forest management and protect biodiversity.

#### **Review of USAID/Peru's Public Financial Management Risk Assessment of the**

**Ministry of Environment.** The Office of the Chief Financial Officer is committed to increasing USAID's use of host-country systems to deliver aid in support of the U.S. Government's' commitment to the Accra Agenda for Action and the Paris Declaration. USAID selected Peru as one of the four host countries to participate in a pilot program for development and testing of the Public Financial Management Risk Assessment Framework. In October 2010, USAID/Peru conducted a preliminary assessment of the Ministry of Environment as a potential implementer. A potential secondary assessment will focus on the fiduciary risk and areas of opportunity associated with increasing foreign assistance to the Ministry of Environment.

This review will determine whether USAID/Peru's Public Financial Management Risk Assessment of the Ministry of Environment provides reasonable assurance of identifying significant vulnerabilities that could result in waste or misuse of U.S. Government resources.

## Humanitarian Assistance

### *Protection, Assistance, and Solutions*

#### **Audit of USAID's Complex Emergency Project in Zimbabwe Managed by USAID's Office of U.S. Foreign Disaster Assistance.**

The Office of U.S. Foreign Disaster Assistance (OFDA) is the office within USAID responsible for facilitating and coordinating U.S. Government emergency assistance overseas. Since 2002, OFDA has provided more than \$86 million in assistance to Zimbabwe through the Complex Emergency Project. Nearly 60 percent of this amount was provided in FY 2009 and 2010, and \$12.9 million is planned for FY 2011. Under the project, implemented in response to the U.S. Ambassador's yearly declaration of a state of emergency, OFDA provides grants ranging from \$500,000 to \$2.5 million to nongovernmental organizations in key intervention areas, including cholera prevention, water and sanitation, and agriculture and food security.

This audit will determine whether OFDA's Complex Emergency Project in Zimbabwe is achieving its program goals.

**Audit of USAID/Haiti's New Settlement Construction Activities.** Haiti's January 2010 earthquake displaced roughly 2.3 million

Haitians, of which 1.3 million still live in tents or transitional shelters. Providing safe shelter for internally displaced persons (IDPs) is a difficult and costly challenge; the total expense of rebuilding homes lost in the earthquake is estimated at \$2.3 billion.

To provide sustainable shelter for IDPs permanently displaced and to help set Haiti on a new path, USAID/Haiti plans to spend \$53 million to develop approximately 15 new settlements that will include permanent shelter solutions for up to 90,000 IDPs and middle-income populations away from congested Port-au-Prince neighborhoods.

This audit will determine whether USAID/Haiti's New Settlement Development activities are resulting in housing that reflects the best practices in urban planning and growth management, meets regional standards for housing and services, and promotes economic and community development through public-private partnerships in the shelter sector.

### *Disaster Prevention and Mitigation*

**Audit of USAID's Haiti Recovery Initiative Activities Managed by the Office of Transition Initiatives.** USAID's Office of



Transition Initiatives (USAID/OTI) is implementing several activities aimed at stabilizing Haiti (e.g., revitalizing communities and restoring basic government functions). USAID/OTI awarded an 18-month, \$53 million contract to Chemonics International to implement the activities. This audit will

determine whether USAID/OTI's Haiti Recovery Initiative activities are achieving their goals to stabilize Haiti through community revitalization and the restoration of basic government functions.

## Management Capabilities

### *Financial Management*

#### **Audit of USAID's Fiscal Year 2012**

**Financial Statements.** The Government Management Reform Act requires OIG to audit the Agency's consolidated financial statements. OIG's objective is to determine whether USAID's FY 2012 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-136. OIG will review USAID's internal control structure and perform tests of compliance with laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

Several OIG regional audit offices may participate in this audit at locations within their regions. Auditors contracted by the OIG will perform the audit at other missions and in Washington.

**Oversight of OMB Circular A-133 Audits; Defense Contract Audit Agency Audits; Enterprise Fund Audits; Audits Contracted by USAID; and Audits Contracted by Overseas Contractors and Grant Recipients.** Under the terms of OMB Circular A-133, the Support for Eastern European Democracy Act, Federal Acquisition Regulations, and the terms of grant and cooperative agreements, annual audits are required and conducted in accordance with generally accepted government auditing standards.

USAID relies on nonfederal auditors to audit the operations of nonprofit grantees and USAID enterprise funds, and on federal auditors to audit the operations of its for-profit contractors.

OIG conducts oversight activities to ensure that:

- Nonfederal auditors have adequately assessed allowability of USAID awards expended.
- Federal audits meet USAID's needs.
- Bills are reviewed before being paid to federal auditors.
- Adequate internal control assessments have been made.
- Nonfederal auditors are familiar with the compliance auditing requirements of the enterprise fund programs.
- The independence of the nonfederal auditors has not been compromised, in appearance or fact.

OIG's objectives are to ensure that nonfederal auditors are independent, are familiar with the compliance auditing requirements of USAID's programs, and have adequately assessed the allowability of USAID awards expended and the adequacy of the internal controls of audited entities.

### **Quality Control Reviews of Audits Performed by Independent Public**

**Accountants.** OIG conducts quality-control

reviews to ensure that nonfederal auditors are independent, are familiar with compliance auditing requirements of USAID's programs, and have adequately addressed applicable federal and American Institute of Certified Public Accountants audit standards in determining the allowability of USAID-funded activities.

### **Monitoring and Reporting on the American Recovery and Reinvestment**

**Act (ARRA).** ARRA and OMB require inspectors general to provide oversight to agencies receiving ARRA funds. USAID is using the funds to complete the development of the Global Acquisition and Assistance System (GLAAS). OIG's objective is to track the resources that the agency expends to determine whether (1) the recipients and the use of the funds are transparent to the public, (2) funds are used for authorized purposes, (3) delays and cost overruns are avoided, (4) program goals are achieved, and (5) reports are compliant and timely.

### **Review of Management's Discussion and Analysis Section in USAID's Financial Statements for Fiscal Year 2012.**

The Government Management Reform Act of 1994 requires the annual preparation and audit of organizationwide financial statements for certain departments and agencies of the U.S. Government. These financial statements must

include a section entitled “Management’s Discussion and Analysis,” which briefly describes the reporting entity and its mission, activities, program and financial results, and financial condition.

This review will examine certain USAID controls related to this section of the financial statements and determine whether the section meets form and content standards.

### **Monitoring and Reporting on the Improper Payments Elimination and**

**Recovery Act.** The Improper Payments Elimination and Recovery Act requires inspectors general to monitor the activities of agencies to assess their compliance with the act.

As part of the audit, OIG will determine whether USAID has performed a program specific risk assessment; published improper payment estimates for all programs and activities susceptible to significant improper payments, along with programmatic corrective action plans and annual reduction targets; reported a gross improper payment rate of less than 10 percent for each program; and reported on the Agency’s efforts to recapture improper payments.

OIG will also examine the accuracy of the USAID’s high-dollar overpayment report to OMB, whether the Agency’s performance in reducing and recapturing improper payments is

reasonable, and whether its corrective action plan focuses on the root causes of improper payments.

## ***Management Accountability***

### **Summary Audit of the Design for Sustainability in Selected USAID**

**Programs.** USAID has worked with host-country governments and its partners to develop and implement programs that improve the lives and health of people around the globe. These programs include building infrastructure, constructing schools and improving the quality of education, improving health care and agricultural programs, and enabling economic growth. One key development goal is for programs to be self-sustaining after USAID funding ends.

This summary will report whether USAID missions have built sustainability into selected programs.

### **Audit of USAID’s Management of U.S.**

**Personal Services Contractors.** In January 2010, as part of the Quadrennial Diplomacy and Development Review, Secretary of State Hillary Clinton expressed concern about the reliance on contractors for core government work and the loss of professional and institutional capacities. She further said that USAID and the State Department must have the “staff, the expertise, and the resources to design, implement, and evaluate our programs.”

Over the last decade, as USAID's responsibilities and funding drastically increased and staffing levels decreased, the Agency has come to rely on outside contractors to supplement its ranks. One mechanism USAID uses to contract the services of an individual is through a personal services contractor (PSC). A PSC may be hired as a source of specialized assistance or knowledge to support the design and implementation of development programs, often used to fill a temporary need when other options for hiring, like a U.S. direct hire, have been exhausted. These contracts are funded through both operating expenses and program funding. According to the Web site USASpending.gov, USAID devoted more than \$91 million in funding for PSCs in FY 2010.

This audit will determine whether USAID has procured and utilized U.S. personal services contractors in accordance with selected policies and procedures.

### **Audit of USAID's Compliance With the Federal Information Security**

**Management Act for FY 2012.** The Federal Information Security Management Act of 2002<sup>6</sup> requires each federal agency to develop, document, and implement an agencywide information security program for the data and information systems that support the operations

and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will contribute to the protection of data and computer equipment from unauthorized access, modification, and destruction. Specifically, it will determine whether USAID's information system security program meets selected requirements of the act.

### **Audit of USAID's Implementation of the Global Acquisition and Assistance**

**System.** In February 2008, USAID began implementing GLAAS, a multi-million-dollar system that will capture acquisition and assistance activity. The system is scheduled to be deployed worldwide in FY 2012 at a cost of approximately \$100 million.

OIG's February 2005 OIG audit report on USAID's core accounting system<sup>7</sup> noted that interconnectivity performance fell short at USAID's missions in Asia and Near East and to a greater extent in less-developed or remote areas of Africa, where telecommunications infrastructure is inherently limited. This limited infrastructure can hinder GLAAS's operation.

<sup>6</sup> Public Law 107-347.

<sup>7</sup> Audit of USAID's Information Technology Infrastructure (Report No. A-000-05-006-P, February 22, 2005).

This audit will determine whether USAID's implementation of GLAAS (1) is achieving its intended purpose and (2) whether significant gaps must be addressed. It will also determine whether USAID has collected and used knowledge learned throughout system's rollout to improve delivery and output of future projects.

**Audit of USAID/Southern Africa's Acquisition and Assistance Process for HIV/AIDS Programs.** Federal law encourages the use of competition in awarding grants and cooperative agreements in order to identify and fund the best partners to achieve program objectives. Historically, USAID has approved the use of other than fully competitive procedures for making certain assistance awards; however, USAID's overall procurement process is currently under review in conjunction with procurement reform efforts that the USAID Administrator announced in 2010.

In FY 2009, USAID received \$2.27 billion in funding for HIV/AIDS programs worldwide. Of this amount, \$487.6 million was provided for eight countries managed by the Office of Acquisition and Assistance at USAID/Southern Africa. After conducting several audits of HIV/AIDS activities in Southern and Eastern Africa, OIG noted that most of the awards reviewed were not competed, resulting in tens or

hundreds of millions of dollars being spent every year by USAID without the assurances provided by the competition process (e.g., that USAID obtains the best services and prices and that fraud is avoided).

This audit will determine whether (1) USAID/Southern Africa is appropriately using waivers from full and open competition in its acquisition and assistance process for HIV/AIDS programs and (2) USAID procurement reform initiatives are improving USAID/Southern Africa's acquisition and assistance process for HIV/AIDS activities.

**Follow-Up Review of USAID's Process for Suspension and Debarment.** OIG officials have twice provided testimony on the topic of suspension and debarment since issuing OIG's September 2009 report on the Agency's suspension and debarment process, and OIG has publicly committed to conducting additional follow-up work in this area.

The September 2009 audit found that USAID's suspension and debarment process had not adequately protected the public interest by responding to contractor impropriety in accordance with federal guidance. The audit noted, among other things, that USAID took too few suspension and debarment actions, that those taken were poorly executed, and that the

Agency's decision-making process contained flaws and constraints that prevented it from operating effectively.

This follow-up review will determine whether the Agency's planned actions in response to the recommendations in OIG's report, "Audit of USAID's Suspension and Debarment Process" (No. 9-000-10-001-P) were implemented and effective.

### **Review of USAID's Past Performance**

**Evaluations for Contractors.** The use of contractor past performance evaluations has garnered high-level interest among officials at OMB, the Government Accountability Office, and the Commission on Wartime Contracting in Iraq and Afghanistan. USAID is required to conduct past performance evaluations of its contractors; however, the Agency estimates that only 10 percent of the required past performance reports for contractors were submitted to the Contractor Performance Assessment Reporting System. USAID has attributed this low reporting percentage to the lack of an enforcement mechanism and clarity on what types of performance issues should be reported. OIG has publicly committed to exercising oversight in this area during FY 2012.

This review will determine whether USAID is completing timely and high-quality past performance evaluations of its contractors.

### **Audit of USAID/Angola's Public-Private Partnerships for Development.**

The Global Development Alliance (GDA) initiative actively promotes strategic alliances between USAID and private and public sector partners as a business model for achieving U.S. Government development assistance objectives. The Agency defines a GDA alliance as a public private agreement with shared responsibility, joint planning and decision making, new partners and new approaches, shared credit, and an equal or greater ratio of partner funds to U.S. Government funds. USAID/Angola manages 15 GDAs, with proposed life-of-project funding totaling approximately \$153 million from USAID and \$31 million from partners. This audit will determine whether selected USAID/Angola public-private partnerships are achieving their development goals.

### **Audit of USAID's Small and Disadvantaged Business Utilization**

**Practices.** The Small Business Act of 1953 (Public Law 85-536) created the Small Business Administration (SBA), whose function is to aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns. The act

also stipulated that the SBA would ensure that small businesses receive a fair portion of government contracts.

and disadvantaged businesses in USAID-financed development assistance programs and activities.

This audit will determine whether USAID is achieving its goal to increase the use of U.S. small

## OIG Activities Planned for FY 2012

### United States African Development Foundation

#### Management Capabilities

##### *Financial Management*

##### **Audit of the United States African Development Foundation's FY 2012 Financial Statements.**

The Government Management Reform Act and Accountability of Tax Dollars Act require inspectors general to conduct audits of federal agencies' consolidated financial statements. An independent audit firm contracted and monitored by OIG will conduct the audit of United States African Development Foundation's (USADF's) FY 2012 financial statements.

The objective of the audit is to determine whether USADF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-36. The auditors will review USADF's internal control structure and perform tests of compliance with laws and regulations that could have a direct and

material effect on the principal statements and required supplementary information.

##### *Management Accountability*

##### **Audit of the United States African Development Foundation's Compliance With the Federal Information Security Management Act (FISMA) for FY 2012.**

FISMA requires each agency to develop, document, and implement an agencywide information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether USADF's information system security program meets selected FISMA requirements.



## OIG Activities Planned for FY 2012

### Inter-American Foundation

### Management Capabilities

#### *Financial Management*

##### **Audit of the Inter-American Foundation's FY 2012 Financial Statements.**

The Government Management Reform Act and Accountability of Tax Dollars Act require inspectors general to conduct audits of federal agencies' consolidated financial statements. An independent audit firm monitored by OIG will conduct the audit of Inter-American Foundation's (IAF's) FY 2012 financial statements.

The objective of the audit is to determine whether IAF's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and OMB Circular A-136. The auditors will review IAF's internal control structure and perform tests of compliance with

laws and regulations that could have a direct and material effect on the principal statements and required supplementary information.

#### *Management Accountability*

##### **Audit of the Inter-American Foundation's Compliance With the Federal**

##### **Information Security Management Act**

**for FY 2012.** FISMA requires each agency to develop, document, and implement an agency-wide information security program for the data and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether IAF's information system security program meets selected FISMA requirements.

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## OIG Activities Planned for FY 2012

### Millennium Challenge Corporation

#### Economic Growth and Prosperity

##### *Economic Security*

###### **Audit of MCC's Resettlement**

**Activities.** Resettlement of populations is often a prerequisite to the ultimate completion of infrastructure projects. A fundamental requirement for resettlement activities is to restore standards of living and preferably improve the livelihoods of those households, families, extended families, and individuals who lose land, assets, or access to resources because of a project's

implementation. Compensation for lost assets can be monetary, in-kind (e.g., new land, housing and social infrastructure, workplaces, or other replacement for lost assets), or a combination of both.

This audit will determine whether MCC has implemented controls to ensure that persons affected by its development projects are identified and compensated in accordance with MCC's resettlement requirements.

#### Investment in People

##### *Health*

###### **Audit of MCC's Water and Sanitation**

**Activities in Mozambique.** The Government of Mozambique and MCC signed a 5-year compact in June 2007 that totaled \$506.9 million. The compact funds four projects, the largest of which is a \$203.6 million water and sanitation project.

The goal of the project is to increase access to a safe, reliable water supply and sanitation services, with the aim of reducing waterborne diseases. The project has an expected

economic rate of return of 24.1 percent over a 20-year period and is expected to reach 1.8 million beneficiaries.

This audit will determine whether MCC has identified and addressed major risks to the water and sanitation project in order to achieve program success.

## Management Capabilities

### *Information Technology*

#### **Audit of MCC's Compliance With Provisions of the Federal Information Security Management Act of 2002 for FY 2012.**

FISMA requires each agency to develop, document, and implement an agencywide information security program for information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

This audit will determine whether MCC's information system security program meets FISMA requirements for program management and information security controls. The audit will test areas of repeated weakness in MCC's management of information security and recommend ways to protect data files, computer equipment, and resources from unauthorized activity.

#### **Monitoring of MCC's Activities to Implement Its Administrative and Finance Information System.**

MCC officials have requested OMB approval to use approximately \$2 million in administrative funds to implement an integrated financial and contract management system. Specifically, MCC plans to implement an

integrated financial and contract management system to improve efficiency, effectiveness, and accuracy of (1) financial management, (2) contract management, and (3) financial reporting.

OIG will monitor MCC's activities to assess progress in implementing the system and to identify areas that need further attention. As MCC takes steps to implement the system, MCC officials must employ effective controls to ensure project success, use resources responsibly, and manage risks appropriately. This monitoring effort began in FY 2010 and will continue until MCC implements the new system. OIG will inform MCC management of problems so that they can be addressed appropriately.

#### **Follow-Up Audit of MCC's Implementation of Key Components of a Privacy Program for Its Information Technology Systems.**

Laws, regulations, and directives governing the protection of individual privacy, as well as privacy breaches in recent years, have increased public interest in individual privacy protections.

In FY 2010, OIG identified significant weaknesses in MCC's privacy program.

Those weaknesses could have serious consequences for the organization, such as violations of laws and regulations or damage to its reputation. To prevent such consequences, MCC must correct the identified weaknesses in its privacy program.

The objective of this audit will be to assess whether MCC took corrective action to address the weaknesses OIG identified in its previous audit report on the corporation's privacy program.

### *Financial Management*

**Audit of MCC's FY 2012 Financial Statements.** In accordance with the Government Corporation Control Act and the Chief Financial Officers Act, MCC must have its consolidated financial statements audited by OIG or an independent external auditor. OIG will contract with an independent external auditor to review MCC's FY 2012 financial statements.

This audit will determine whether MCC's principal financial statements present the financial condition of MCC fairly in all material respects and whether the financial statements conform to generally accepted accounting principles. OIG will review MCC's internal control structure and perform tests of compliance with laws and regulations that could have a direct and

material effect on the principal statements and required supplementary information.

### **Oversight of Contracted Financial Audits of MCC Program Implementing Entities (Fund Accountability Statement Audits).**

Each country that receives an MCC compact must establish an accountable entity to manage the implementation of the compact. This accountable entity is generally referred to as a Millennium Challenge Account (MCA). MCC compacts require MCAs to perform financial audits of funds provided under the compact at least annually. These financial audits are referred to as fund accountability statement audits and must include a specific audit of MCC-funded programs.

This review will establish whether reasonable assurance exists that fund accountability statement audits of MCC-funded programs meet set standards. These standards relate to the independence of nonfederal auditors, accuracy of accounts, adequacy of internal controls, and compliance with compact terms.

OIG will review the audit firms' fund accountability statement audits to ensure that their quality control standards and professional capabilities are sufficient.

### **Quality Control Reviews of Audits Performed by Independent Public Accountants.**

OIG will conduct quality control reviews of audit firms to establish reasonable assurance that nonfederal auditors are independent, are familiar with compliance auditing requirements of MCC's projects, and have adequately followed applicable generally accepted government auditing standards in determining the allowability of expenditures for MCC-funded activities. OIG plans to carry out these reviews in Morocco, Namibia, the Philippines, and Senegal.

**Limited-Scope Reviews.** OIG plans to conduct limited-scope reviews in the areas of sustainability, procurement, expenditure, and other areas agreed to by MCC. These reviews typically focus on narrow issues and, unlike audits, do not require adherence to government auditing standards.

- **MCC procurement.** Procurement reviews will assess whether MCC and MCAs have procedures in place to assess risk in their contracts and obtain and use independent audits (e.g., Defense Contract Audit Agency and A-133 audits and audits conducted by independent audit firms) when appropriate.

- **MCA expenditures.** Expenditure reviews will assess whether MCAs are complying with the terms of their compacts, fiscal accountability plans, and cost principles.

As needed, these reviews will also include elements normally found in a performance audit, such as (1) identifying the reasons for changing the scope of projects and associated costs and (2) noting issues that could affect the compact's success.

OIG plans to conduct these reviews in Morocco, Namibia, the Philippines, and Senegal.

**Review of Independent Auditors.** OIG will visit Indonesia, Jordan, Malawi, and the Philippines during FY 2012 to vet independent audit firms. Selected firms will be placed on a list of qualified audit firms eligible to conduct fund accountability statement audits.

### *Management Accountability*

**Audit of MCC's Oversight of Procurements Made by Millennium Challenge Accounts.** Countries with signed compacts solicit, award, and administer procurements for goods, works, and services based on the programs designed

in their compacts. These procurements are awarded and administered by the country through an MCA, the organization established by the country to manage the programs identified by the compact. MCC is not a party to these contracts, some of which are valued in multimillions of dollars; however, it does have oversight responsibility to ensure that MCAs adhere to MCC's procurement policies.

This audit will examine MCC's internal controls over the monitoring of MCAs' procurement processes to ensure that contracts, especially large infrastructure contracts, were awarded using a full and open competition process. The audit will determine whether MCC has proper controls in place to prevent fraud, waste, and abuse in procurements made by the MCAs.

**Audit of MCC's Compact Closeout Process in El Salvador.** In November 2006, MCC signed a 5-year, \$461 million compact with the Government of El Salvador. The compact included \$234 million for a transportation/connectivity project, \$95 million for a human development project, \$87 million for a productive development project, and \$45 million for accountability and program administration. The compact, which began in

September 2007, is scheduled to end in September 2012.

This audit will evaluate the sustainability of the projects and determine whether the compact achieved its intended results to improve the lives of Salvadorans through strategic investments in education, public services, agricultural production, rural business development, and transportation infrastructure. In addition, the audit will determine whether MCC ensured that program closure guidelines were followed.

**Audit of MCC's Compact Closeout Process in Mali.** In November 2006, MCC signed a 5-year, \$461 million compact with the Government of Mali. The compact included \$90 million for an airport improvement project, \$235 million for the Alatona Irrigation Project, \$94 million for an industrial park project, and \$42 million for monitoring and evaluation and compact administration. However, the compact was subsequently restructured to allocate funds from the industrial park project to the airport improvement project. The compact, which began in September 2007, is scheduled to end in September 2012.

This audit will evaluate the sustainability of the projects and determine whether the compact achieved its intended results to increase agricultural production and

productivity and to expand Mali's access to markets and trade. In addition, the audit will determine whether MCC ensured that program closure guidelines were followed.

**Review of MCC Compact Results.** This review will synthesize and report on the performance goals of MCC's development programs as stated in its compacts and compare them against the performance results that the programs have achieved or plan to achieve. It will also look at whether planned economic rates of return for MCC's programs and numbers of beneficiaries are being achieved. Past audits have identified significant changes that MCC has had to make to its development programs during the implementation of its compacts.

**Survey of the Efficiency of MCC's Implementing Millennium Challenge Accounts.** According to the World Bank and the International Monetary Fund, excessive high overhead costs relative to the amount of aid dispersed should be avoided. MCC dedicates resources to ensure that the programs funded will have an economic rate of return of at least 10 to 15 percent; however, it is unclear how much overhead MCC is incurring to fund its development programs.

Aid agencies around the world vary in how much aid is disbursed for every aid employee.

For example in Italy, \$11 million is disbursed per aid employee; in Canada, \$1 million is disbursed per aid employee; and in the United States it is estimated to be about \$4 million per aid employee.<sup>8</sup>

This audit will determine whether MCC's funds are being used efficiently to disburse foreign aid by examining how much MCC and its host country implementing entities, known as Millennium Challenge Accounts, spend on overhead and administrative costs and how much aid is disbursed per employee.

### **Survey of MCC's Contract**

**Management Process.** MCC relies heavily on contractors to perform its work. For example, MCC hires consultants to perform impact evaluations, independent engineers to assist with infrastructure projects, information technology specialists to develop MCC specific software, and contractual employees to assist with its work. Contracting officers' technical representatives (COTRs) are responsible for monitoring a contractor's progress in fulfilling technical requirements specified in a contract and ensuring that all required documentation and data are submitted in accordance with the procurement deliverable schedule.

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<sup>8</sup> Source: Journal of Economic Perspectives, Volume 22, Number 2, *Where Does the Money Go? Best and Worst Practices in Foreign Aid* by William Easterly and Tobias Pfütze. Spring 2008.

Should the contractor fail to fulfill the contractual requirements, the COTR must inform the contractor of that failure. The COTR also informs the contracting officer of any technical or contractual problems or delays and maintains administration records, approves invoices, and performs final inspection and acceptance of work performed under the contract.

This survey will review MCC's contract management process and determine whether MCC's contracting office is managing contracts in accordance with the Federal Acquisition Regulation and best practices.

#### **Audit of MCC's Human Capital**

**Resources.** MCC conducted reorganizations in October 2007 and in August 2010. The reorganization in 2007 restructured two existing departments, Operations and Accountability, to form two new departments—one that focused on compact development and the other that focused on compact implementation. The

reorganization in 2010 combined the two departments into one department for compact operations. This audit will focus on MCC's strategic human capital planning and organizational alignment and whether they reflect best practices identified by the Office of Personnel Management and the Government Accountability Office.

#### **Audit of MCC Follow-Up on Audit**

**Recommendations.** OMB Circular A-50, "Audit Follow-Up," requires follow-up action on past audit recommendations. This audit will determine whether MCC is acting on past audit recommendations and correcting problems as required.

**Other Direct Activities.** OIG conducts activities that directly support the review and oversight of MCC activities. These include management meetings, planning sessions, and liaison activities. OIG also provides training to MCC and recipient country staff as well as to overseas audit firms that audit MCC-funded programs.

## Appendix II OIG Activities Planned for FY 2012

### *Millennium Challenge Corporation*

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## Appendix III

### ABBREVIATIONS

ARRA	American Recovery and Reinvestment Act (Public Law 111-5)
COTR	contracting officer's technical representative
DCA	Development Credit Authority
FISMA	Federal Information Security Management Act
FTF	Feed the Future
FY	fiscal year
GDA	Global Development Alliance
GLAAS	Global Acquisition and Assistance System
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
HSPD-12	Homeland Security Presidential Directive 12
IAF	Inter-American Foundation
IDP	internally displaced person
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
NTD	neglected tropical disease
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTI	Office of Transition Initiatives
OVC	orphans and vulnerable children
PEPFAR	President's Emergency Plan for AIDS Relief
PMI	President's Malaria Initiative
PSC	personal services contractor
SBA	Small Business Administration
TB	tuberculosis
USADF	United States African Development Foundation