



Office of Inspector General

September 30, 2012

For: USAID/Pakistan Director, Jonathan M. Conly

From: OIG/Pakistan Director, Joseph Farinella /s/

Subject: Audit of USAID/Pakistan's Assessment and Strengthening Program – Other Matters

We issued our Audit of USAID/Pakistan's Assessment and Strengthening Program (*Audit Report No. G-391-12-009-P, September 30, 2012*). During the Audit, OIG gathered certain information that we are presenting to you separately in this memorandum. These items, for your information and use internally, may be of interest to you in conducting your portfolio review of this program and in determining the most efficient and effective ways to manage it going forward.

- USAID Programs are implemented through grants, contracts and cooperative agreements by U.S. or non-U.S. based organizations. The Mission awarded cooperative agreements to implement the program to three local organizations that also required capacity building assistance themselves. On October 12, 2010, the Mission approved budgets of approximately \$ 771,000 for capacity building for Rural Support Programmes Network (RSPN) and Associates in Development. The mission approved \$784,712 for Lahore University of Management Sciences (LUMS) to improve its management information systems. The mission also approved additional training funds for LUMS in the \$4.2 million budgeted for training local potential USAID partners.
- The approved program budget dated October 12, 2010, that was subsequently revised on February 14, 2012 allocated over five years only \$12 million or 27 percent to direct capacity building program activities. The remaining \$32 million, or 73 percent, was budgeted for program support including labor, fringe benefits, consultants, travel, security, capacity building for the organizations implementing the ASP program, and other operating and indirect costs. We were not provided any further breakdown of these program support costs, or whether any portion could or should have been charged as direct costs to the program.
- The Mission modified RSPN's budget on February 14, 2012 to reduce capacity building program activities such as preaward assessments, capacity building implementation plans, and annual validations by \$865,896. Under this same modification, the mission added \$320,000 to RSPN's budget for international travel to allow RSPN's officials such as the Chief of Party and other RSPN directors to attend training in places such as Turin,

Italy and New York. In addition, the mission also realigned other RSPN's budgetary categories to increase salaries and fringe benefits by least \$546,000.

- The main purpose of the LUMS agreement is to provide training classes to build institutional capacity for local partners new to USAID standards. For the first 16 months of the program, LUMS did not conduct training but billed USAID an estimated \$954,000 dollars for expenses such as salaries, fringe benefits, and travel. LUMS started capacity building training classes in February 2012 and conducted 12 classes between February and May 2012 for 278 people at an estimated cost of \$129,929.
- Associates in Development is developing a database for 1,700 local organizations at an estimated cost of \$200,000. The purpose of the database is to establish baseline data that would identify capacity building needs for 1,700 local organizations. USAID/Pakistan did not identify this large number of organizations as needing assistance to better manage USAID funded programs. By assessing the needs of 1,700 local organizations in Pakistan, the program focus changes from providing assistance to organizations specifically identified as potential key implementing partners of USAID programs.
- Associates in Development is conducting capacity building in seven Government of Pakistan (GOP) organizations at an estimated cost of \$250,000. Each project deals with developing management information systems for budgeting, financial reporting and accounting. Per discussions with officials from the GOP's Controller General Accounts, systems implemented at the project level cannot be integrated with Pakistan's official system for budgeting, financial reporting and accounting unless USAID/Pakistan directly coordinates with the GOP to establish a plan to facilitate this integration.