



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/AFGHANISTAN'S BUILDING EDUCATION SUPPORT SYSTEMS FOR TEACHERS PROJECT

AUDIT REPORT NO. 5-306-10-006-P  
January 29, 2010

MANILA, PHILIPPINES



*Office of Inspector General*

January 29, 2010

**MEMORANDUM**

**TO:** USAID/Afghanistan Mission Director, William M. Frej

**FROM:** Acting Regional Inspector General/Manila, William S. Murphy /s/

**SUBJECT:** Audit of USAID/Afghanistan's Building Education Support Systems for Teachers Project (Audit Report No. 5-306-10-006-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft audit report and included the comments in their entirety in appendix II.

The audit report contains four recommendations to assist the mission in improving various aspects of the project. On the basis of information provided by the mission in response to the draft report, we determined that a management decision has been reached on recommendations 1, 2, 3, and 4. A determination of final action on the four recommendations will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

I want to thank you and your staff for the cooperation and courtesy extended to us during the audit.

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# SUMMARY OF RESULTS

The USAID/Afghanistan's Building Education Support Systems for Teachers Project has two main goals to help improve the quality of education in Afghanistan:

- To improve teaching by training Afghan teachers.
- To institutionalize structures and systems in the Afghan Ministry of Education that support high-quality teaching.

Under the project, a group of teachers already working for the Ministry of Education was chosen as instructors to train approximately 54,000 teachers in 11 Afghan provinces. The project also assisted the Ministry of Education with its 5-year strategic plan and developed a training curriculum to train ministry officials in management skills. For the period January 27, 2006, to January 26, 2011, the project is being implemented through a \$94 million, 5-year contract with Creative Associates International, Inc. As of September 30, 2009, \$56 million had been obligated and \$48 million had been spent for program activities. (See pages 4 and 5.)

Our audit concluded that the project is making progress but has not achieved its two main goals. Creative Associates stated that they hope to complete all required project efforts by the end of the contract. Our audit found that 50,600 of the target of 54,000 teachers in 11 Afghan provinces had received in-service training for teachers already working for the Ministry of Education. Also, most of the 444 candidates that were part of the project's plan to develop capacity at the Ministry of Education had been recruited and selected. Some tasks had not been completed, however, such as an accelerated learning program for teachers and database training for human resources staff. (See pages 5 and 6.)

Some areas needed improvement. For example, the August 2007 memorandum of agreement between the mission, Creative Associates, and the Ministry of Education had not been reviewed annually and had not been revised. Because of significant changes that the mission had planned for the remaining period of the project, the memorandum of agreement was outdated. (See page 7.)

In addition, high-value modifications to subcontracts awarded by Creative Associates had not received the required approval of the mission's contracting officer. The subcontract modifications pertained to such significant issues as (1) the terms of subcontractor performance, (2) changes in the duration of subcontracts, (3) significant increases in subcontract funding, and (4) one subcontract termination. The mission should have had a chance to review and approve these issues. In the case of the terminated subcontract, the mission was not given information on how subcontractor tasks would be completed. Moreover, the mission could be liable for contract termination costs. (See page 8.)

Furthermore, Creative Associates and a subcontractor were not complying with USAID branding and marking requirements for the project. When we visited the main office of Creative Associates in Kabul and the regional office of a subcontractor in Balkh Province, we found no prominent display of the USAID identity or logo or any other

evidence to visibly acknowledge USAID as the sponsor of the project work. In fact, even some teachers who had received training under the project did not know that USAID was funding the project. (See page 11.)

The audit made four recommendations that were deemed necessary to help the mission properly oversee implementation and evaluation of the project. The recommendations concern:

- Negotiation of a new memorandum of agreement with the Afghan Ministry of Education that would formalize the working relationship between the mission, Creative Associates, and the Ministry of Education. (See page 8.)
- Submission to USAID/Afghanistan by Creative Associates of pertinent information related to all project subcontract modifications for which the mission had not been notified. (See page 10.)
- Performance of a closeout audit of the terminated subcontract to determine whether termination costs are reasonable. (See page 10.)
- Compliance by Creative Associates and its subcontractors with USAID branding and marking requirements or a request for a waiver of the requirements. (See page 12.)

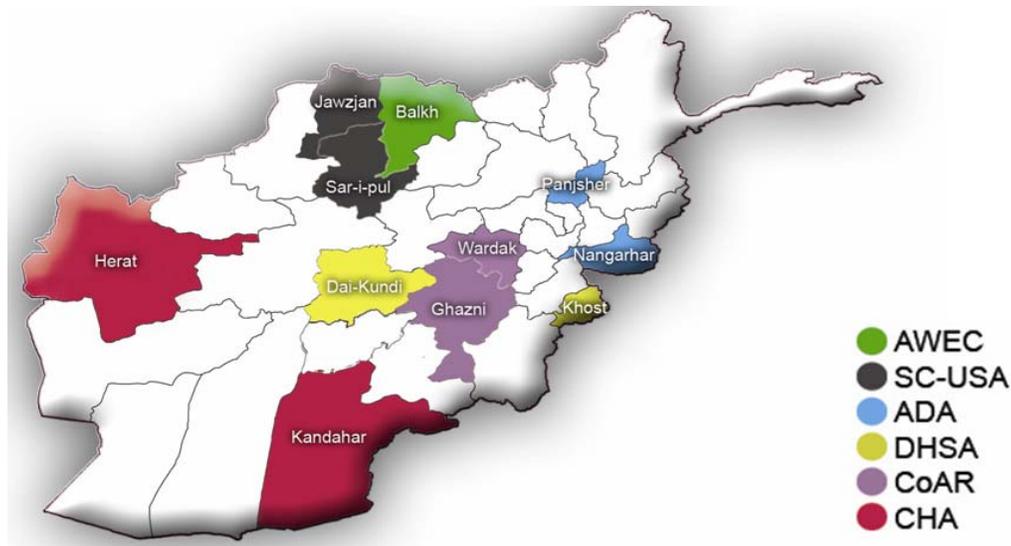
On the basis of an evaluation of the mission's response to the draft report, the Office of Inspector General determined that a management decision has been reached on recommendations 1, 2, 3, and 4 (see page 13). The mission's written comments on the draft report are included in their entirety as appendix II to this report (see pages 17 to 19).

# BACKGROUND

Afghanistan has one of the highest illiteracy rates in the world. More than 11 million Afghans over the age of 15 cannot read or write. In rural areas, where three-fourths of all Afghans live, 90 percent of the women and over 60 percent of the men are illiterate. Under the Taliban, girls were not allowed to go to school, fewer than 900,000 boys were enrolled, and many received religious education in lieu of academics. The implications of this lack of education can be felt in all domains of life. Afghans have little access to information about good health practices, and most of the country's judges and civil servants do not have more than a high school degree. Today more than 5.7 million students attend school. However, the Afghan Government is striving to improve education for its people, and the Ministry of Education is working with USAID and other donors to implement a 5-year National Education Strategic Plan (2006–2010).

USAID's educational strategy in Afghanistan was designed in 2002 to meet the urgent need for textbooks, schools, new curriculums, and trained teachers. USAID funded an accelerated learning program to provide a chance for students denied an education to catch up and complete the sixth grade. The educational strategy was expanded in 2004 to develop the capacity of the Afghan Government to improve the quality of education while increasing access to opportunities in basic education, higher education, and informal training in literacy, productive skills, and youth leadership.

USAID/Afghanistan designed the Building Education Support Systems for Teachers Project to be implemented in 11 Afghan provinces (shown in the map below).



**Project subcontractors operate in 11 Afghan provinces:**

- **AWEC**—Afghan Women's Education Center
- **SC-USA**—Save the Children Federation, Inc.
- **ADA**—Afghan Development Association
- **DHSA**—Development and Humanitarian Services for Afghanistan
- **CoAR**—Coordination of Afghanistan Relief
- **CHA**—Coordination of Humanitarian Assistance.

(Map source: Creative Associates International, Inc.)

To implement the project, the mission awarded a \$73 million contract to Creative Associates International, Inc. The project works directly with the Ministry of Education to improve the quality of education. The project's two main goals are to raise the educational quality of all teachers by (1) improving teaching through teacher training, and (2) institutionalizing structures and systems in the Ministry of Education that support high-quality teaching. The project emphasizes developing curriculums and support programs for teachers that promise not only to improve learning outcomes for Afghan children but also to provide the basis for evaluating teaching and learning.

The contract with Creative Associates had an effective date of January 27, 2006, and an end date of January 26, 2011. Three substantive changes were made to the mission's contract with Creative Associates.

1. A modification issued on May 7, 2007, reduced the contract's estimated ceiling price by \$25 million and made the new ceiling price for the contract \$48 million. The modification also deleted component III, which had been designed to ensure the annual printing and distribution of textbooks. This change left only components I and II remaining in the contract.
2. A revision of the contract's statement of work in February 2008 shifted the primary focus of the contract to component I to emphasize improved teacher training in the 11 provinces covered by the project.
3. Subsequent to audit fieldwork, on August 4, 2009, a modification increased the contract's ceiling price to \$94 million.

As of September 30, 2009, \$56 million had been obligated and \$48 million had been spent for project activities.

## **Audit Objective**

The Regional Inspector General/Manila conducted this audit as part of its fiscal year 2009 annual audit plan to answer the following question:

- Is USAID/Afghanistan's Building Education Support Systems for Teachers (BESST) Project achieving its main goals?

Appendix I contains a discussion of the audit's scope and methodology.

# AUDIT FINDINGS

The USAID/Afghanistan Building Education Support Systems for Teachers Project, which is being carried out in 11 Afghanistan provinces, is making progress in helping to improve the quality of education but has not achieved its two main goals: improving teaching through teacher training and institutionalizing Ministry of Education structures and systems that support high-quality teaching.

Consistent with the audit findings, officials at the mission's contractor, Creative Associates International, Inc., stated that they have been meeting the project goals and have achieved some, but not all, of the planned tasks and activities for the project. The two main goals for the project were:

- Component I—Improving the quality of teaching, particularly the effectiveness of teachers already on the job. Creative Associates planned to train a group of teachers who in turn would train approximately 54,000 teachers in 11 provinces who were already working for the Ministry of Education.
- Component II—Institutionalizing structures and systems in the Ministry of Education that support high-quality teaching. Creative Associates planned to help recruit and select 444 candidates who would assist with capacity development at the Ministry of Education and to develop manuals on human resource and personnel policy.

The audit found that under component I much of the training had been completed. For example, 50,600 of the target of 54,000 teachers in the 11 provinces had received in-service training for teachers already working for the Ministry of Education. Although the project has not attempted to measure the extent to which teaching has actually been improved, teachers we spoke with expressed satisfaction with the training they had received. And under component II, much of the technical assistance to the Ministry of Education had been completed. Creative Associates had assisted in recruiting and selecting most of the 444 candidates who were expected to help the Ministry of Education develop its capacity to improve the quality of teaching.

In addition, the audit found that, as part of component I, district teacher training teams had been established to help conduct training in all 11 provinces. This approach used a cascading process of training existing teachers as instructors who in turn would train other teachers. The project teamed with subcontractors to select and hire 181 team leaders, 1,361 team members, and 8 provincial project monitoring officers, all by December 2007. Moreover, as part of component II, the project developed (1) an action plan for the Ministry of Education's 5-year strategic plan, (2) a human resources policy manual, (3) a training curriculum for management skills, and (4) an action plan for the integration of the Human Resources Department and the Reform Implementation and Management Unit at the Ministry of Education.

As part of our audit of the project, we visited the Balkh Province in Afghanistan to learn more about the teacher and school management training that had taken place there. In Balkh Province, we were told that teacher training had taken place in centralized clusters, taking into account how to serve as many people as possible within a given area. We performed about a dozen interviews in Balkh Province, including meeting with

officials of the Afghan Women's Education Center, a Creative Associates subcontractor in the province, and with trainers, teachers, school officials, and Ministry of Education district officials who had been trained or were otherwise familiar with the project. Similar to the results found in a USAID-contracted midterm evaluation, the audit found that all training participants—teachers and school officials alike—were very satisfied with the project training.

However, notwithstanding these accomplishments, the audit found that, almost 4 years into the 5-year project, some significant tasks and activities included in the project's contract and work plan had not been completed. For example, the project had not completed the curriculum development and related in-service teacher training or the accelerated program for teachers who did not meet Ministry of Education teaching qualifications for their specific subject/grade level, as planned under component I. The project also did not complete some activities planned under component II—for example, technical assistance intended for the Ministry of Education's Human Resources Department, such as development of a curriculum and staff training on a human resource database; creation of a training manual for the payroll database for budget staff; and preparation of at least one workshop on pedagogical methods for faculty at each provincial teacher training college. The contractor hoped to complete these efforts by the contract's end.

The audit identified several issues that the mission needs to address, however, to improve the results of the program. For example, the audit determined that:

- The memorandum of agreement between the mission, the contractor, and the Ministry of Education was outdated and needed to be revised.
- High-value subcontract modifications had not been approved by the mission and needed to be reviewed for acceptability.
- USAID branding and marking requirements were not being followed, and the contractor needed to comply with the requirements or request a waiver.

These issues are discussed in more detail in the following sections.

## New Memorandum of Agreement Is Needed

**Summary.** The August 2007 memorandum of agreement between USAID/Afghanistan, Creative Associates International, Inc., and the Ministry of Education for the Building Education Support Systems for Teachers Project required that the agreement be jointly reviewed annually and revised as necessary. During the audit, we determined that the agreement had not been reviewed annually or revised when needed. A new or revised agreement could not be produced because the contracting officer's technical representative did not have sufficient time to evaluate the needs of the project. As a result, the memorandum of agreement was outdated, and the partners had no consensus on how the program funds would be spent, what tasks and activities would be acceptable to the Ministry of Education, and no decisions on how to implement remaining project activities.

According to the August 2007 memorandum of agreement between USAID/Afghanistan, Creative Associates International, Inc., and the Ministry of Education for the Building Education Support Systems for Teachers Project, the memorandum of agreement was supposed to be jointly reviewed annually. The joint review would give the parties to the agreement a clear understanding of one another's roles and responsibilities and promote a consensus on changes that could be necessary for the project.

However, the audit found that the memorandum of agreement had not been reviewed annually or revised when needed and that a new or revised agreement was needed between the mission, Creative Associates, and the Ministry of Education. As explained below, the memorandum of agreement is now outdated because of significant changes the mission has planned for the remaining period of the project.

The mission was trying to prepare a statement of work for the continued funding of the project but had not established a new, formalized memorandum of agreement with the Ministry of Education. The mission was relying on verbal statements from various Ministry of Education staff and had not sought to update the memorandum of agreement. Moreover, a May 2009 draft memorandum from the mission's project director to the acting mission director sought to increase the contract ceiling price by \$46 million and modify the scope of work. The draft memorandum further proposed activities in the remaining period of the current contract, such as accelerated learning courses, in-service training for teachers that would focus on subject-specific pedagogy, activities for school managers to support teachers in their schools, and delivery of radio-based long-distance education. These activities are not reflected in the current memorandum of agreement. In addition, the contracting officer's technical representative stated that because of uncertainty over the Ministry of Education's expectations and needs, the current-year work plan had not been finalized and thus not approved.

A new or revised memorandum of agreement could not be arranged because the technical representative did not have sufficient time to evaluate the needs of the project. USAID auditors were told by the current technical representative that, at best, she and the alternate technical representative spend only about 20 percent (1 day per week) of their time on the project and do not have enough time to fully address all related issues. The technical representative stated that she needs at least 3 days a week for the project rather than the 1 day she now has to spend. However, the technical representative said that

plans were underway to shift her responsibilities for the project to a Foreign Service national, and she could then oversee several education programs. The project would benefit from this plan to give project personnel more time to review the project's needs.

Because the current memorandum of agreement with the Ministry of Education is outdated, the mission has had minimal assurance of consensus on what tasks and activities will be acceptable to the Ministry of Education and the appropriateness of instructions it provides to Creative Associates under the next phase of the project. Therefore, this audit makes the following recommendation:

**Recommendation 1.** *We recommend that USAID/Afghanistan negotiate a new memorandum of agreement with the Afghan Ministry of Education to formalize a working relationship between the mission, Creative Associates International, Inc., and the Ministry of Education to be used for accomplishing tasks and activities for the remaining period of the Building Education Support Systems for Teachers Project.*

## **High-Value Subcontract Modifications Were Not Approved by the Mission**

**Summary.** The contract between the mission and Creative Associates International, Inc., and subsequent instructions from the mission contracting officer, require that Creative Associates obtain the contracting officer's written approval with consent of the technical representative, prior to the award of subcontracts, and subsequent modifications. Creative Associates did not seek or obtain required approvals from the mission's contracting officer for all of its project subcontract modifications. Many of these modifications resulted in substantial increases in subcontractor funding levels, and one modification terminated the project's monitoring and evaluation subcontractor without mission approval. According to Creative Associates, they believed they did not need to obtain approval to modify the subcontracts, since they had received earlier approval to make the original subcontract awards. Since the mission was unaware of some of Creative Associates' subcontract modifications, the mission had little if any assurance of the acceptability of the terms and costs associated with these modifications. Of particular note, in the case of the subcontract termination, the mission may even be liable for contract termination costs.

The contract between the mission and Creative Associates International, Inc. and subsequent instructions from the contracting officer required the contracting officer's, written approval with consent of the technical representative, prior to the award of subcontracts, and subsequent modifications.

Although the audit found that the issuance of subcontracts had originally been approved, some of the project subcontract modifications issued by Creative Associates had not. For example, the audit determined that the mission had been notified of, and had approved, subcontracts with Save the Children Federation, Inc., the Afghan Women's Education Center, Coordination of Humanitarian Assistance, Afghan Development

Association, Coordination of Afghan Relief, Development and Humanitarian Services for Afghanistan, and JBS International, Inc.—Aguirre Division. The estimated costs for these seven subcontracts and modifications issued by Creative Associates to help implement the project totaled \$23.4 million. However, the mission's contracting officer had not been aware of and had not approved some subcontract modifications issued by Creative Associates. These modifications pertained to such significant issues as the terms of subcontractor performance, changes in the duration of subcontracts, and significant increases in funding that the mission should have had a chance to review and approve. For example, Creative Associates issued modifications to the following subcontracts without the contracting officer's approval:

**Save the Children Federation, Inc.** This subcontract was signed on July 11, 2006, for \$3.6 million, with an end date of September 30, 2010. Subsequent modifications increased the ceiling amount to \$5.9 million and changed the end date to May 31, 2009.

**Afghan Women's Education Center.** This subcontract was signed on June 1, 2006, for \$1.1 million, with an end date of December 26, 2010. Subsequent modifications increased the ceiling amount to \$3.6 million and changed the end date to May 31, 2009.

**Coordination of Humanitarian Assistance.** This subcontract was signed on June 1, 2006, for \$2.3 million, with an end date of December 26, 2010. Subsequent modifications increased the ceiling amount to \$4.2 million and changed the end date to May 31, 2009.

**Afghan Development Association.** This subcontract was signed on July 10, 2006, for \$1.8 million, with an end date of November 26, 2010. Subsequent modifications increased the ceiling amount to \$2.8 million and changed the end date to May 31, 2009.

**Coordination of Afghan Relief.** This subcontract was signed on June 1, 2006, for \$1.2 million, with an end date of December 26, 2010. Subsequent modifications increased the ceiling amount to \$2.7 million and changed the end date to May 31, 2009.

**Development and Humanitarian Services for Afghanistan.** This subcontract was signed on June 1, 2006, for \$1.7 million, with an end date of December 26, 2010. Subsequent modifications increased the ceiling amount to \$1.9 million and changed the end date to May 31, 2009.

The audit also found that Creative Associates had entered into a \$5 million monitoring and evaluation subcontract with Aguirre on June 19, 2006. Later, on February 26, 2008, because it had determined that the services of Aguirre were no longer needed, Creative Associates terminated the subcontract with Aguirre and reduced the estimated cost of the subcontract to \$2.3 million to cover work performed. Although the Aguirre subcontract had been named in pre-award documentation submitted to the mission and thus had de facto approval, Creative Associates did not inform the mission that the Aguirre subcontract was being terminated by mutual written agreement between Creative Associates and Aguirre.

The failure of Creative Associates to notify the mission's contracting officer of the terminated Aguirre subcontract raises two issues. First, because the mission did not know about modifications to the subcontract or the termination, it could not review the costs being charged by Aguirre for work requirements and closing out the subcontract.

The mission thus had little, if any, assurance that the costs charged to the project were reasonable, allocable, and allowable. The mission also may be liable for contract termination costs associated with the termination. Second, the mission was not given any information on how Creative Associates intended to complete those tasks previously performed by Aguirre and thus could not determine to what extent the project could be negatively affected by the termination.

According to Creative Associates, since they had received approval for the project's subcontracts early in the process, they did not think they were required to go back later for approval to modify the subcontracts. However, in addition to the requirements of the contract cited earlier, Creative Associates had been informed by the mission's contracting officer in an email dated February 13, 2006, that it was required to obtain approval for any increase in the subcontract award amounts. Moreover, Creative Associates stated that they were not aware that termination of the Aguirre subcontract, through a modification, required notification to or approval by the mission's contracting officer.

Since the mission's contracting officer was unaware of the subcontract modifications by Creative Associates, the mission had little, if any, assurance that the terms, conditions, and costs for the subcontract modifications were acceptable. Because Creative Associates had failed to properly notify the mission of its subcontract modifications or obtain the mission's consent, the mission could have unknowingly paid for unnecessary services or overpaid for services performed on its behalf. As a result, this audit makes the following recommendations:

***Recommendation 2.*** We recommend that USAID/Afghanistan require Creative Associates International, Inc., to submit all pertinent information related to all Building Education Support Systems for Teachers Project subcontract modifications for which the mission has not been notified. After receipt of the pertinent information from Creative Associates International, Inc., the mission should determine and document the acceptability of the subcontract modifications.

***Recommendation 3.*** We recommend that USAID/Afghanistan require a closeout audit of the subcontract between Creative Associates International, Inc., and JBS International, Inc.—Aguirre Division related to the Building Education Support Systems for Teachers Project and take all corrective actions detailed in the closeout audit report.

## USAID Branding and Marking Requirements Are Not Being Followed

**Summary.** The contract between USAID/Afghanistan and Creative Associates International, Inc., contained provisions concerning branding and marking requirements with which Creative Associates was supposed to comply. However, Creative Associates and at least one of its subcontractors were not complying with USAID branding and marking requirements. Creative Associates believed that, because of the risks created by hostilities in Afghanistan, they should not be required to prominently display the USAID identity or logo indicating that USAID is funding the project on behalf of the American people. Some visitors to the offices of Creative Associates and its subcontractors, such as the stakeholders, beneficiaries, and the general public, would likely not be aware that the Building Education Support Systems for Teachers Project is supported by the American people. Notably, even some of the teachers who had received training under the project did not know that USAID was funding the project.

According to USAID's framework legislation, the Foreign Assistance Act of 1961, Public Law 87-195, section 641, all programs under the act must be identified appropriately overseas as "American Aid." In addition, the USAID Automated Directive System (ADS) contains USAID's policies and required procedures on branding and marking USAID-funded programs, projects, activities, public communications, and commodities (ADS 320). The contract between USAID/Afghanistan and Creative Associates International, Inc., contained provisions concerning branding and marking with which Creative Associates was required to comply. "Branding" identifies the sponsor of the work performed and refers to how a program or project is named and positioned. "Marking" identifies the organizations supporting the work by applying graphic identities or logos to program materials or project signage to visibly acknowledge contributors.

The audit found that Creative Associates and the Afghan Women's Education Center (one of Creative Associates' subcontractors) were not complying with ADS 320.3.2.4, "Marking Requirements for Specific Contract Deliverables". Under paragraph (b) of this provision, program, project, or activity sites financed by USAID contracts must prominently display the USAID identity, unless a USAID-approved exception or waiver applies. When we visited the main office of Creative Associates in Kabul, we could not find any prominent display of the USAID identity or logo or any other notable evidence to visibly acknowledge USAID as the sponsor of the project work being implemented by Creative Associates. Moreover, when we visited the regional office of the Afghan Women's Education Center in Balkh Province, we found no prominent display of the USAID identity or logo or any other notable evidence to visibly acknowledge USAID as the sponsor of the project work being implemented by Creative Associates.

Creative Associates and the Afghan Women's Education Center regional office in Balkh Province were not complying with ADS 320, "Branding and Marking," or related contract requirements. They believed that they should not have to prominently display the USAID identity or logo because of the hostilities in Afghanistan. The chief of party of Creative Associates told USAID auditors that they did not have a waiver concerning compliance with USAID marking requirements. In fact, in August 2007, Creative

Associates was informed by a mission program official that any presentations regarding programs funded by the mission should have the USAID logo, and instructions were provided on how to obtain the logo.

According to ADS 320.3.2.6, “Waivers to Contract Marking Requirements”, contractors may request waivers of the marking requirement, in whole or in part, through the contracting officer, and the technical representative then assists in processing a waiver request to the mission director. Approved waivers flow down to subcontractors unless otherwise specified. The USAID mission director has the authority to waive, in whole or in part, USAID marking requirements. The mission director may exercise this authority only after determining that the markings would pose compelling political, safety, or security risks or that the markings have caused or will cause an adverse reaction in the cooperating country. In exceptional circumstances, the mission director may approve a blanket waiver by region or country. Only the contracting officer has the authority to inform the contractor of a waiver decision and to direct the contractor to comply with it.

Creative Associates and its subcontractors, unless they receive an approved waiver from the mission, should comply with the branding and marking requirements of USAID. In the case of Creative Associates, visitors to their offices may not know that the project is funded by USAID and the American people. Likewise, in the case of the nongovernmental organization subcontractor Afghan Women’s Education Center, visitors to their offices might not know that the project is being funded by USAID. In fact, some of the teachers we met with in Balkh Province, where one of the Afghan Women’s Education Center regional offices is located, did not know that USAID was funding the training which they had been provided. The teachers stated that they had thought the project was funded by the Afghan Women’s Education Center. Thus, the American people were not receiving full recognition for funding the project in Balkh Province.

Because Creative Associates and at least one of its nongovernmental organization subcontractors are not complying with USAID branding and marking requirements, the stakeholders, beneficiaries, and the general public who visit their offices would likely not be aware that USAID/Afghanistan is funding the project. Therefore, this audit makes the following recommendation:

***Recommendation 4.*** *We recommend that USAID/Afghanistan require Creative Associates International, Inc. and its subcontractors to provide documented proof of compliance with requirements of USAID Automated Directive System 320, “Branding and Marking”, or submit a written request to the mission for a waiver from the requirements.*

# EVALUATION OF MANAGEMENT COMMENTS

On the basis of an evaluation of the mission's response to the draft report, the Office of Inspector General determined that a management decision has been reached on recommendations 1, 2, 3, and 4. The status of each of the four recommendations is shown below.

For recommendation 1, the mission stated that a new memorandum of agreement will be drafted and signed by all parties by August 30, 2010. The new memorandum of agreement will include additional activities proposed for the remaining period of the current contract, such as accelerated learning programs for teachers, distance education, an education stabilization initiative grant program, and the project's contribution to the national exam for teachers. In addition, the memorandum of agreement will be jointly reviewed annually to give both parties a clear understanding of one another's roles and responsibilities and promote consensus on any changes that might be necessary for the project for which the agreement will be modified accordingly.

For recommendation 2, the mission stated that it has received all subcontract modifications from Creative Associates International, Inc. and that each will be reviewed by the contract officer for acceptability and approval by February 15, 2010. As noted in the audit report, the contract officer's review of the subcontract modifications should take into account such significant issues as the terms of subcontractor performance, changes in the duration of subcontracts, and significant increases in funding amounts.

For recommendation 3, the mission stated that it will require Creative Associates to conduct a closeout audit of JBS International, Inc.—Aguirre Division. The closeout audit requirement will be communicated to Creative Associates by January 31, 2010. Furthermore, upon completion of the closeout audit the mission stated that it will ensure that all corrective actions detailed in the closeout audit report are taken.

For recommendation 4, the mission stated that it will formally advise Creative Associates of its responsibility to be compliant with the approved USAID branding and marking plan and reissue the plan to Creative Associates and its subcontractors by January 31, 2010. We expect that the mission will provide a statement, photographs, or other documents indicating the compliance of the contractor and its subcontractors. In addition, the mission stated that Creative Associates will be required to provide training to its staff and subcontractors in the proper implementation of the approved USAID branding and marketing plan by April 30, 2010.

We consider that a management decision has been reached on each of the four recommendations. Determinations of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

The mission's written comments on the draft report are included in their entirety as appendix II to this report.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/Manila conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The objective of this audit was to determine whether USAID/Afghanistan's Building Education Support Systems for Teachers project was achieving its main goals.

USAID/Afghanistan awarded a 5-year, \$73 million contract to Creative Associates International, Inc., to implement the Building Education Support Systems for Teachers Project, with a start date of January 27, 2006, and an end date of January 26, 2011. Later, the contract with Creative Associates was increased to \$94 million when the scope of work for the contract was revised. As of September 30, 2009, \$56 million had been obligated, and \$48 million had been spent for project activities.

The audit fieldwork was conducted in Afghanistan from May 20 through June 10, 2009, and covered the project activities implemented by Creative Associates from the contract's inception to June 2009. We conducted audit fieldwork at USAID/Afghanistan and Creative Associates' headquarters office in Kabul, Afghanistan. Additionally, we made site visits to the Afghan Women's Education Center, the Creative Associates subcontractor in Balkh Province in Afghanistan. As part of the audit, we met with project subcontractors, trainers, teachers, school officials, and local government officials in Afghanistan to obtain their observations about the assistance provided.

Because of security restrictions, we had to modify the selection of project beneficiaries interviewed in Balkh Province. Also, logistical problems that the mission program office in Kabul could not overcome prevented us from pursuing our planned visit with project beneficiaries in Jalalabad, Afghanistan. However, we believe that these restrictions, attributable to security concerns and logistical problems, did not adversely affect the conclusions in this report.

As part of the audit, we assessed USAID/Afghanistan's significant internal controls in place to monitor the project activities. The assessment covered controls related to whether the mission had (1) conducted and documented site visits to evaluate and monitor progress, (2) required and approved the contractor's work plan and monitoring and evaluation plan, (3) reviewed progress reports submitted by the contractor, and (4) compared the contractor's reported progress to planned progress and the mission's own evaluations of progress. The assessment also covered controls related to the contents of the contracting officer's technical representative's files to help determine the adequacy of project oversight. Additionally, we reviewed the mission's annual self-assessment of internal controls in accordance with the Federal Managers' Financial Integrity Act of 1982.<sup>1</sup> Finally, we reviewed relevant prior audit reports.

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<sup>1</sup> Public Law 97-255, as codified in 31 U.S.C. 1105, 1113, and 3512.

## Methodology

At the time of the audit, Creative Associates did not have an approved project work plan. The Creative Associates draft work plan for year 4, which had not been submitted to the mission for approval was incomplete—it was in matrix format with only minimal narrative description of tasks to be achieved. Therefore, to answer the audit objective, we modified the audit approach and designed audit steps to test for project achievements on the basis of the Creative Associates work plan for years 2 and 3 (August 2007 through December 2008), which had been approved by the mission.

Specifically, to answer the audit objective, we interviewed officials and staff from USAID/Afghanistan, Creative Associates International, Inc., the Ministry of Education, Creative Associates subcontractors, and a USAID-contracted evaluation team hired by the mission to perform an evaluation of the project. We also reviewed and analyzed relevant documents at offices of the mission and the contractor. This documentation included annual work plans, the contract and its modifications, site visit and other monitoring reports, progress reports, and financial reports and records. Regarding the monitoring and evaluation system at the contractor, we reviewed the data reporting system to determine whether accurate results were being captured.

The contractor planned its activities to be performed under the contract on the basis of tasks and expected results identified in components I and II of the contract with the mission. We judgmentally tested significant tasks identified in component I, sections A and B, and component II, sections A and B. We reviewed the supporting information for tasks that Creative Associates claimed to have completed to verify whether the tasks had been completed. The results of the tests could not be specifically projected to the population as a whole. As part of the interview process with beneficiaries in Balkh Province, we asked questions about their understanding of the project and whether they believed the project was meeting its two main goals.

# MANAGEMENT COMMENTS



## MEMORANDUM

**TO:** Bruce N. Boyer, Regional Inspector General/Manila

**From:** William Frej, Mission Director, USAID/Afghanistan /s/

**DATE:** January 18, 2010

**SUBJECT:** Audit of USAID/Afghanistan's Building Education Support Systems for Teachers Project (Agreement No. 306-M-00-06-00508-00) (Audit Report No. 5-306-10-XXX-P)

**REFERENCE:** BBoyer/WFrej memo dated December 17, 2009

Thank you for providing the Mission the opportunity to review the subject draft audit report. We would like to express our gratitude for the professionalism, flexibility, resourcefulness, and hard work exhibited by the audit team while travelling to several insecure areas throughout Afghanistan to conduct field work. We are providing confirmation of the actions that have been taken or are planned to be taken to address the recommendations in the audit report.

### **MISSION RESPONSES TO AUDIT RECOMMENDATIONS**

***Recommendation No. 1: We recommend that USAID/Afghanistan negotiate a new memorandum of agreement with the Afghan Ministry of Education to formalize a working relationship between the mission, Creative Associates International, Inc., and the Ministry of Education to be used for accomplishing tasks and activities for the remaining period of the Building Education Support Systems for Teachers Project.***

The Mission agrees with this recommendation.

### **Actions To Be Taken:**

A new memorandum of agreement will be drafted and signed by all parties by August 30, 2010. The new agreement will include additional activities proposed for the remaining period of the current contract such as accelerated learning programs for teachers, distance education, education stabilization initiative grant program, and BESST's contribution to the national exam for teachers. In addition, the memorandum of agreement will be jointly reviewed annually in order to give both parties a clear

understanding of one another's roles and responsibilities and promote consensus on any changes that might be necessary for the project for which the agreement will be modified accordingly.

Based on the above, the Mission deems that a management decision has been reached on this audit recommendation and requests your concurrence.

***Recommendation No 2: We recommend that USAID/Afghanistan require Creative Associates International, Inc. to submit all pertinent information related to all Building Education Support Systems for Teachers Project subcontract modifications for which the mission has not been notified. After receipt of the pertinent information from Creative Associates International, Inc., the mission should determine and document the acceptability of the subcontract modifications.***

The Mission agrees with this recommendation.

**Actions Taken:**

Since contract inception, Creative Associates International, Inc. (CAI) sought initial consent from the Contract Office for all subcontracts with the individual organizations. After receiving approval from USAID for the subcontractor budget estimates, documents on administrative actions between CAI and the sub-contractors such as funding modifications were not submitted to USAID for approval.

CAI has now provided USAID with all subcontract modifications. Each subcontract modification will be reviewed by the Contracting Officer for acceptability and approval by Feb 15, 2010.

Based on the actions taken above, the Mission deems that a management decision has been reached and corrective actions are being taken to address audit recommendation No. 2, and requests your concurrence.

***Recommendation No 3: We recommend that USAID/Afghanistan require a closeout audit of the subcontract between Creative Associates International, Inc., and JBS International, Inc.-Aquirre Division related to the Building Education Support Systems for Teachers Project and take all corrective actions detailed in the closeout audit report.***

The Mission agrees with this recommendation.

**Actions To Be Taken:**

The Mission will require CAI to conduct a close-out audit of JBS International. This requirement will be communicated to CAI by January 31, 2010. Furthermore, upon completion of the close-out audit the Mission will ensure all corrective actions detailed in the report are taken.

Based on the above, the Mission deems that a management decision has been reached on this audit recommendation and requests your concurrence.

***Recommendation No 4: We recommend that USAID/Afghanistan require Creative Associates International, Inc. and its subcontractors to provide documented proof of compliance with USAID Automated Directive System Chapter 320, Branding and Marking, requirements or submit a written request to the Mission for a waiver from the requirements.***

The Mission agrees in principle with the recommendation. The Mission plans to implement corrective actions that meet the intent of the audit finding and recommendation.

**Actions To Be Taken:**

The Mission will formally advise CAII of its responsibility to be compliant with the approved branding and marking plan and re-issued plan to CAII and its sub-contractors by 01/31/2010. In addition, CAII will be required to provide training to its staff and subcontractors in the proper implementation of the approved branding and marketing plan by April 30, 2010.

Based on the above, the Mission deems that a management decision has been reached on this audit recommendation and requests your concurrence.

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