



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/JORDAN'S SUSTAINABLE ACHIEVEMENT OF BUSINESS EXPANSION AND QUALITY PROJECT

AUDIT REPORT NO. 6-278-10-004-P

March 31, 2010

RIG/CAIRO



Office of Inspector General

MEMORANDUM

TO: USAID/Jordan Mission Director, Jay Knott
USAID/Jordan Contracting Officer, Charis Nastoff

FROM: Regional Inspector General/Cairo, Jacqueline Bell

SUBJECT: Audit of USAID/Jordan's Sustainable Achievement of
Business Expansion and Quality Project (SABEQ)
(Report No. 6-278-10-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report and made revisions accordingly. We have included USAID/Jordan's comments in their entirety in appendix II.

This report includes eight recommendations for your action. Based on your responses, USAID/Jordan's comments and planned actions are partially responsive to the report recommendations. After reviewing your comments and the documentation provided, we consider that management decisions have been reached on recommendation nos. 2, 3, 5 and 8 and final action has been taken on recommendation no. 5. A management decision for recommendation nos. 1, 4, 6 and 7 will be recorded after USAID/Jordan has developed a plan of action, with target dates, for implementing the recommendations. The Audit Performance and Compliance Division (M/CFO/APC) will make determinations of final action after the mission completes planned corrective actions for recommendation nos. 1, 2, 3, 4, 6, 7, and 8.

I appreciate the cooperation and courtesy extended to the audit team during this audit.

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SUMMARY OF RESULTS

In 2006, USAID/Jordan developed five strategic objectives, one of which focused on improving private sector competitiveness within Jordan during fiscal years (FYs) 2007–2011 under its Sustainable Achievement of Business Expansion and Quality (SABEQ) Project. The 5-year, \$69 million SABEQ contract, awarded on September 26, 2006, to BearingPoint, Incorporated (BearingPoint), was designed to assist the Government of Jordan in enhancing the country's competitiveness in global markets, deepening the public sector reform process, and increasing the number of available jobs (page 3). As of June 30, 2009, USAID/Jordan had obligated \$51.2 million and expended \$38.8 million, which included \$11.1 million for the private sector component of the SABEQ Project (page 5).

The audit test results showed that USAID/Jordan is making progress toward meeting its main goals to improve Jordanian private sector competitiveness and increase jobs available to Jordanians by the end of FY 2011 (pages 6–7).

In FY 2008, USAID/Jordan reported that annual exports from Jordan to both the United States and non-U.S. countries had increased by more than \$78 million. In addition, the mission reported that more than 1,400 university graduates had joined the workforce as a result of U.S. Government-supported training and that more than 410 small and medium-sized enterprises had enhanced their business prospects.

The SABEQ Program focuses on four components: (1) financial integrity, oversight, and broadened capital markets; (2) expanded trade and investment; (3) removal of Government of Jordan constraints on the private sector; and (4) enhanced productivity. The audit reviewed activities associated with enhanced productivity in component four of the project, which the contractor designed to improve the ability of the country's private sector to compete in a global economy and to increase the number of jobs available to Jordanians (page 3).

Although USAID/Jordan and BearingPoint restructured the SABEQ Project's private sector component to reduce the numbers and scope of sector activities by about 75 percent from 13 sectors to 4, the project funding did not decrease. According to mission officials, the amount of work to be performed remained the same, and more effort was to be focused on fewer sectors to have a greater impact (page 5).

In FY 2009, another significant change occurred on the SABEQ Project. In February 2009, BearingPoint filed for Chapter 11 bankruptcy. In May 2009, Deloitte Consulting, Limited Liability Partnership (Deloitte, LLP) acquired BearingPoint. In August 2009, the Defense Contract Management Agency (DCMA) issued a novation agreement.¹ According to the DCMA contract modification provided to USAID/Washington's Office of Acquisition and Assistance and other Federal agencies, the novation agreement among BearingPoint and its subsidiaries, Deloitte, LLP, and the U.S. Government would be

¹ A novation is the substitution of one party in a contract with another. Federal Acquisition Regulation 42.1204, "Applicability of Novation Agreements," provides guidance on the transfer of Government contracts from a contractor to a third party.

effective on May 29, 2009. The contract modification specified that a portion of current contracts would be transferred to Deloitte, LLP (page 4).

Although USAID/Jordan's SABEQ Project activities have achieved positive results based on revised goals for improving private sector competitiveness to date, this report recommends actions to address aspects of the mission's program that should be strengthened. Specifically, the audit found that USAID/Jordan should:

- require that audits of foreign organizations are conducted,
- review and test conflict of interest mitigating processes,
- review and obtain antiterrorism certifications, and
- update the performance management plan (pages 9–14).

USAID/Jordan's comments in their entirety are included in appendix II.

BACKGROUND

Situated in one of the most politically volatile regions of the world, the Hashemite Kingdom of Jordan (Jordan) has enjoyed economic and political stability since gaining its independence in 1946. Today, Jordan is home to approximately 6 million people and faces two challenges: high unemployment rates and low private sector competitiveness. Jordan needs to tackle these challenges in order to achieve a level of sustainable economic growth. The Government of Jordan has been a key U.S. partner in advancing transformational diplomacy in the Middle East. Specifically, the Government of Jordan has been an active participant in USAID assistance programs designed to promote peace and security, democracy and governance, investments in people, and economic growth.

Since 1998, USAID/Jordan has worked closely with the Government of Jordan on activities focused exclusively on the country's public sector and has played a pioneering role in supporting economic reform goals. Consequently, many organizations have conducted studies to identify sectors where the country most likely would be competitive, including a 2-year export strategy that USAID designed to identify the products that could be promoted and exported in different international markets in 2004.

In 2006, USAID/Jordan continued assistance programs to develop program activities designed to increase private sector activities during fiscal years (FYs) 2007–2011. Consequently, the mission implemented the Sustainable Achievement of Business Expansion and Quality (SABEQ) Project to assist the Government of Jordan in stimulating the country's economy. The project was developed to assist the Jordanian government by:

- Strengthening/building financial integrity and oversight and broadening capital markets;
- Expanding trade and investment;
- Removing Government of Jordan constraints on the private sector; and
- Enhancing competitiveness in global markets, strengthening or expanding the public sector reform process, and increasing the number of jobs available for Jordanians.

In September 2006, the mission awarded a 5-year, \$69 million contract to BearingPoint, Incorporated to develop and implement a major program to assist in enhancing Jordan's competitiveness in global markets, deepen the public sector reform process, and increase the number of jobs available to Jordanians. The contractor identified 13 sectors to approach, including the medical, pharmaceutical, textiles, agriculture, tourism, and information communication technology sectors. The private sector component of the SABEQ Project included existing sector, emerging sector, and new sector programs.

AUDIT OBJECTIVES

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

- Is USAID/Jordan's program to increase private sector competitiveness under the Sustainable Business Expansion and Quality (SABEQ) project achieving its goals?

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

AUDIT FINDINGS

Based on a review of a statistical sample of 72 of 189 (38 percent) of the total project activities, USAID/Jordan is making progress toward meeting its main goals to both improve Jordanian private sector competitiveness and increase jobs available to Jordanians by the end of fiscal year (FY) 2011. The mission's FY 2008 Performance Plan and Report reported that, as a result of the project's activities, more than 1,400 university graduates have joined the workforce, and more than 410 small and medium-sized enterprises have increased their business prospects. Mission officials report that USAID/Jordan-supported job fairs in the cities of Amman, Karak, and Aqaba have been successful in linking job seekers with employers. According to USAID/Jordan's FY 2008 Performance Plan and Report, more than 3,270 job seekers found employment during the job fairs. Moreover, the contractor reports that the value of exports from Jordan to both the United States and non-U.S. countries has increased by more than \$78 million annually. The audit found that the contractor completed or partially completed 117 of 189 activities included in the work plans for FYs 2008 and 2009, and met or exceeded planned results for 13 of the 15 randomly selected indicators tested.

In FY 2007, BearingPoint designed the SABEQ Project to include 13 sectors in component four's private sector activities, including projects in medical services, the pharmaceutical and garment industries, and agriculture. Although in FY 2008 USAID/Jordan and the contractor agreed on 13 sectors, a year later they agreed to reduce the number of sectors to 10 and to link clusters of activities to outputs and outcomes to refocus the program resources. In 2009, the mission and the contractor further limited the SABEQ activities to four sectors—medical tourism; contract research organizations; business process outsourcing; and energy, water, and environment activities—as shown in table 1. USAID/Jordan asked BearingPoint to focus on activities that would have the greatest impact on the Jordanian private sector, expecting that the mission would be able to provide the remaining project funds on specific sectors that had the most potential for success.

On August 21, 2009, after BearingPoint declared Chapter 11 bankruptcy, Deloitte Consulting, LLP² purchased the company. After the Defense Contract Management Agency issued a novation agreement recognizing the transfer of BearingPoint contracts to Deloitte Consulting, LLP, USAID/Washington's Office of Acquisition and Assistance issued a modification that applied the novation to all of BearingPoint's contracts with USAID retroactive to May 2009. In May 2009, during the third year of the 5-year project, USAID/Jordan had obligated \$51.2 million and disbursed \$37.2 million of \$69 million for the SABEQ Project. On June 30, 2009, USAID/Jordan had expended \$38.8 million, which included \$11.1 million for the private sector component of the SABEQ Project. Of the \$11.1 million allocated for the private sector component, the contractor has awarded grants valued at \$2.8 million.

USAID/Jordan and its contractor expect that reducing the scope of the private sector component of the project will capitalize on Jordan's educated workforce, enhance Jordan's competitiveness in global markets, and increase the number of jobs available for Jordanians in four private sector areas. Table 1 shows details regarding the sector evolution since the start of the project.

² Deloitte Consulting, LLP, is the consulting division of Deloitte & Touche LLP. Its services include human capital, strategy and operations, and technology. In this report, the contractor of record will be noted as BearingPoint.

Table 1. Private Sector Focus From FY 2007 to FY 2009

FY 2007	FY 2008	FY 2009
Medical Services	Medical Services	Medical Tourism
Pharmaceuticals	Pharmaceuticals	Contract Research Organizations
Garments	Packaging	Business Process Outsourcing
Packaging	Agriculture	Energy, Water, and Environment
Agriculture	Information Communication Technology	
Tourism	Business Process Outsourcing	
Information Communication Technology	Architecture and Engineering	
Business Process Outsourcing	Research and Development	
Architecture and Engineering	Light Manufacturing	
Research and Development	Energy, Water, and Environment	
Light Manufacturing		
Energy, Water, and Environment		
Local Economic Development		

A comparison of actual to planned results for 13 of the 15 selected indicators showed achievement levels of 100 percent (see appendix III). The results for the remaining two indicators fell below target. According to the contractor, the lower result for the indicator “number of firms receiving U.S. Government assistance that obtain certification with voluntary standards or regulations in international quality control, environmental and other process” was due to a slow start of the activity to create medical services accreditation under SABEQ’s private sector component during FY 2008. The second indicator that fell below target, “the number of women’s organizations-associations assisted as a result of U.S. Government interventions,” did not achieve its planned results because of a revision of the indicator that reduced the pool of eligible organizations from those that maintained divisions dealing with women’s issues to those that dealt exclusively with women’s issues. Appendix III contains a list of indicators and activity results for FYs 2008 and 2009.

From October 1, 2007, to September 30, 2009, the contractor completed or partially completed 117 of 189 of the SABEQ Project’s private sector activities that supported the mission’s goals of enhancing Jordan’s private sector competitiveness and increasing the number of jobs available for Jordanians. These activities included various training sessions, the creation of call centers, marketing campaigns, and career fairs. During FY 2008, the contractor completed 49 percent or 42 of the 85 activities planned (see appendix IV). During FY 2009, the contractor completed 72 percent or 75 of the 104 activities planned (see appendix V). According to mission and contractor officials, USAID/Jordan and the contractor canceled 53 of the planned 189 project activities for both fiscal years. USAID/Jordan requested that BearingPoint focus on activities that would have the greatest impact on the Jordanian private sector, expecting that the mission would be able to provide the remaining project funds for specific sectors that had the most potential for success. As a result, the mission cancelled activities in the sectors of

tourism and garment industry. Mission officials stated the USAID/Jordan reallocated funding for these activities to support other activities, including contract research organizations. Table 2 shows details regarding the summary of the SABEQ Project's work plan activities for the private sector component.

Table 2. Summary of Work Plan Activities for FYs 2008 and 2009

	FY 2008 Work Plan Activities	FY 2009 Work Plan Activities	Total Number of Activities	Percentage of Total Activities
Completed	26	36	62	33%
Partially Completed	16	39	55	29%
Canceled	34	19	53	28%
Planned	9	10	19	10%
TOTAL	85	104	189	100%

The activities specified in the work plans for FYs 2008 and 2009 focused on three major program areas: a grant program, technical assistance, and training. Notable achievements in these three program areas are discussed below.

Grant Program: As of October 5, 2009, the contractor had awarded 43 grants valued at \$2.8 million to targeted private sector organizations (see appendix VI). The contractor designed the grant program to provide funding to various organizations for institution building and to support unfunded private sector competitiveness activities. Examples of some of the reported accomplishments under the grant program for three grantees that received approximately \$403,000 are discussed below.

- The Jordan Exporters and Producers Association for Fruits and Vegetables (JEPA) received two grants valued at \$61,059.
 - JEPA used market intelligence to identify the best markets for Jordanian products with the highest revenue potential and the best produce that the country could grow to fill gaps in international markets.
 - Local Jordanian pomegranate producers, responsible for about 60 percent of the crop production from two main areas of poverty, benefited from training that JEPA designed to demonstrate new procedures and methods in integrated crop management. During the training, entrepreneurs shared their practices with farmers to enhance skills regarding improved product quality, increased productivity, and a potential for more job opportunities. JEPA selected the farms of three entrepreneurs as best practice models because these farms had high export potential based on fertilizer management, pruning, specialized irrigation technologies, and marketing.
- Al Huson University used \$144,379 in grant funding to build the first Jordanian career development center. The career development center has conducted workforce development workshops and seminars to improve participants' skills. According to the university's records, 1,043 university graduates attended 73 training workshops organized by the career development center at Al Huson University from September 2007 to September 2009. Approximately 612 university graduates received internships that resulted in permanent positions.³

³ Reported data were unaudited.

- In May 2009, the Information Technology Association of Jordan (INTAJ) funded an internship program valued at \$197,316 from grant funding. As a collaborative effort, the Jordanian government established a Web site where information technology (IT) graduates could submit resumes for internships with private companies. INTAJ provided 2 weeks of soft skills training followed by an 18-month internship with a private company. The Government of Jordan and the private companies paid half of each graduate's salary for the first 12 months. For the remaining 6 months, the government paid 25 percent of the graduates' salaries while the private companies paid the remainder of the salaries and benefits. According to contractor's records, Jordanian businesses had hired 160 graduates as interns as of October 2009.

Technical Assistance: During FY 2008, the contractor completed or partially completed 22 of 48 technical assistance activities under the SABEQ Project's private sector component. Accomplishments under these activities included:

- The creation and implementation of a strategy and call center for the business process outsourcing sector
- The enhancement of nursing profession standards
- A salary and benefits survey for the pharmaceutical sector
- An agreement to facilitate cooperation between private sector and research and development institutions
- The identification of improvements for sector competitiveness through research and development activities
- The identification and creation of export opportunities for manufacturing companies pursuing European Health Authority accreditation

Training: The contractor provided training activities to support study tours, participation in international exhibitions, and conferences from 2007 to 2008. These activities included training in institutional development, capacity building, and strategic development that benefited private hospital associations, sector associations, counterparts, and agricultural cooperatives. In addition, various information, communication and technology organizations provided national and regional job fairs and workshops. The contractor reported specific achievements under these activities that included the following:

- Training to educate farmers about the adoption of new agricultural technologies during on session
- Training 30 representatives of public and private sector organizations to develop an agreement for improved cooperation between private sector and research and development institutions
- Training medical sector participants to increase international buyer-seller linkages

Although these successes contributed to major achievements for the SABEQ Project's private sector development, the audit identified four issues that the mission should address to improve its overall administration of the SABEQ program.

- Requiring financial audits of foreign for-profit organizations

- Reviewing and testing conflict-of-interest mitigating processes
- Reviewing and updating antiterrorism certifications
- Updating the performance management plan

USAID/Jordan Should Require That Audits of Foreign Organizations Are Conducted

Summary: Automated Directives System (ADS) 591.3.2, *Audits of Foreign Organizations and Host Government Entities*, provides guidance on audits of foreign organizations to assess risk at least annually to determine when financial audits of foreign for profit organizations are warranted. This guidance further states that the prime recipient must impose the Guidelines for Financial Audits Contracted by Foreign Recipients on foreign subrecipients. Furthermore, ADS 591.3.6, *USAID Audit Rights*, clearly states that USAID retains the right to require audits or otherwise ensure adequate accountability of recipient organizations regardless of the audit requirement. USAID/Jordan did not ensure that audits of incurred costs were conducted on major local subcontractor organizations for the past 3 years. This occurred because of an oversight by USAID/Jordan and its prime contractor. As a result, USAID/Jordan increased its risks of financial loss and cannot ensure that its program funds were used for intended purposes.

Automated Directives System (ADS) 591.3.2, *Audits of Foreign Organizations and Host Government Entities*, provides guidance on audits of foreign organizations. Specifically, ADS 591.3.2.1, *Foreign Organizations*, states that a mission must assess risk at least annually to determine whether financial audits of foreign for-profit organizations are warranted. Furthermore, ADS 591.3.2.1 requires a Federal cognizant agency or independent auditor to audit the direct and indirect costs⁴ incurred under an award to determine allowable direct costs and to recommend indirect cost rates. The USAID guidance states that the prime recipient must impose the Guidelines for Financial Audits Contracted by Foreign Recipients on foreign subrecipients. These guidelines state that USAID agreements with foreign recipients require recipients to contract independent auditors acceptable to USAID's Office of Inspector General (OIG) to perform financial audits of the funds provided under the agreements.⁵ In addition, ADS 591.3.6, *USAID Audit Rights*, clearly states that USAID retains the right to require audits or otherwise ensure adequate accountability of recipient organizations regardless of the audit requirement.

Only one of the three major subcontractors conducted a review of its indirect cost rate structure in FY 2008. Although some subcontractors agreed to have an annual audit performed and a review of their indirect cost rate structure by an independent audit firm

⁴ According to the Federal Acquisition Regulation, a direct cost is any cost that can be identified with a particular final cost objective, and an indirect cost is any cost that is not directly identified with a single, final cost objective but can be identified with two or more final cost objectives, such as rent, utilities, and supplies.

⁵ Such audits are in accordance with the Inspector General Act of 1978, as amended. The OIG reserves the right to conduct audits using its own staff, notwithstanding acceptable audits performed by other auditors, in cases where special accountability needs are identified.

as a part of their proposal, two major subcontractors did not have audits conducted. In fact, the two major subcontractors did not have audits conducted on their incurred costs for awards valued at \$6.91 million from FYs 2007 through 2009.

In total, BearingPoint awarded subcontracts valued at \$22 million to 14 organizations. These awardees included 3 U.S.-based and 11 Jordanian subcontractors. The contractor awarded \$10.2 million to the U.S.-based subcontractors and \$11.8 million to 11 Jordanian subcontractors. Subcontracts to the Jordanian subcontractors accounted for 85 percent of the local contracts awarded.

According to USAID/Jordan's contracting officer's technical representative (COTR), the audits were not conducted for 3 years because of the lack of oversight by the prime contractor and uninformed subcontractors whom the prime contractor had not notified.

In the absence of financial audits, USAID/Jordan increased its risks of financial loss and could not ensure that funds had been used for intended purposes. Consequently, the mission has not been aware of specific expenditures or been able to take actions to recover unallowable costs. To determine the allowability of project costs, this audit makes the following recommendations:

Recommendation No. 1: We recommend that USAID/Jordan develop and implement procedures to require the prime contractor to periodically conduct independent financial reviews of for-profit local subcontractors' incurred costs to determine if audits are warranted.

Recommendation No. 2: We recommend that USAID/Jordan notify the prime contractor in writing of requirements to conduct incurred costs audits annually, as required by the Guidelines for Financial Audits Contracted by Foreign Recipients.

Recommendation No. 3: We recommend that USAID/Jordan develop a list of for-profit subcontractors that require independent financial audits for funding received for fiscal years 2007, 2008, and 2009; notify the local subcontractors in writing to conduct required audits; and develop a plan of action to conduct these audits.

Recommendation No. 4: We recommend that USAID/Jordan require its prime contractor to conduct audits of incurred costs for fiscal years 2007, 2008, and 2009, and document and develop a plan of action to conduct these audits.

USAID/Jordan Should Review and Test Conflict-of-Interest Mitigating Processes

Summary: ADS 596, *Management's Responsibility for Internal Control*, requires managers to develop and implement appropriate, cost-effective internal controls that reasonably ensure that assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Two SABEQ staff members had substantial interests in subcontractor companies hired under USAID/Jordan's SABEQ Project that created potentially unfair competitive advantages. Although mission documentation showed that Deloitte officials disclosed the potential conflict of

interest in change of key personnel requests addressed to the mission, USAID/Jordan's contracting officer stated that the mission was not made aware of the issue. As a prudent management practice, the mission should exercise management oversight to ensure that its contractors do not have professional or personal conflicts of interest and review mitigating processes as a safeguard to ensure that improprieties are discovered and defused in order to avoid corruption.

ADS 596, *Management's Responsibility for Internal Control*, requires managers to develop and implement appropriate, cost-effective internal controls which reasonably ensure that assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Furthermore, the U.S. Government Accountability Office's *Standards for Internal Controls in the Federal Government* states that managers should review activities at the functional and activity levels. Management review and knowledge of critical communications and events allows officials to assess risks to operations and review and test mitigating controls to ensure effectiveness and efficiency. Generally, as defined by USAID Contract and Information Bulletin 99-17, *Organizational Conflict of Interest*, USAID policy precludes a contractor from furnishing implementation services as the prime contractor or subcontractor when the contractor has a substantial role in the design of an activity under contract with USAID. The audit disclosed two potential conflicts of interest:

- The current Deloitte, LLP, chief of party for the SABEQ Project was the former SABEQ productivity component leader in charge of the overall leadership and management of the private sector component from 2007 to September 2008 and is also the cofounder and chief executive officer of the Arabian Business Consultants for Development (ABCD), a SABEQ Project subcontractor.
- A major local subcontractor under the SABEQ Project who was a productivity component leader from September 2008 through August 2009 is also the owner and managing director of a company that performed work related to competitiveness strategy development for the SABEQ Project in 2007 and 2008.

These two officials have interests in subcontractor companies of Deloitte, LLP, under the SABEQ Project and are also overseeing and evaluating work performed by their competitors. Consequently, based on their official capacities as SABEQ subcontractors, both have unfair competitive advantages since each has access to competitors' confidential information. Such potential conflicts of interest or appearances of conflicts of interest could compromise and possibly corrupt regular business operations.

USAID/Jordan's COTR provided documentation to the audit team that showed that Deloitte, LLP, notified the mission of the potential conflicts of interest in two personnel change requests dated June 19 and July 30, 2008. However, the COTR did not elevate these issues to mission management to determine whether adequate controls were put into place to mitigate any potential conflicts of interest. Although Deloitte noted that the company had "a rigorous process for competitively reviewing use of subcontractors for particular tasks to avoid any conflicts of interest," USAID/Jordan's contracting office staff stated that they were not aware of the documents disclosing Deloitte's personnel changes or the company's rigorous process for competitively reviewing the use of subcontractors for particular tasks. Consequently, USAID/Jordan's contracting officer did not review Deloitte's process to ensure that the company mitigated the risks or perceived risks of potential conflicts of interest or appearances of conflicts of interest.

Deloitte, LLP officials managing the SABEQ Project stated that the managing director of a company subcontracted by the SABEQ Project was not involved in the management of

the company during tenure as a component leader. However, documentation showed that the managing director continued to sign documents related to the SABEQ Project on behalf of a company owned at least 5 months after the managing director became a SABEQ Project component leader.

Effective management controls require oversight of operations and functions to ensure efficiency. Documentation and supervisory review are basic and fundamental tools available to managers to help ensure that Federal resources are safeguarded against fraud, waste, and abuse. Although the presence of a conflict of interest is independent from the execution of impropriety, if discovered, conflicts or potential conflicts of interest should be voluntarily and expeditiously defused before any corruption occurs. As a prudent management control, the mission should establish procedures to maintain effective management oversight to verify contractors' compliance with personal conflict-of-interest safeguards. Therefore, this audit makes the following recommendation:

Recommendation No. 5: We recommend that USAID/Jordan contracting officers document the review of the implementing partner's processes to mitigate the risk or perceived risks of a conflict of interest to determine whether there are substantial advantages in competition or whether the overall competitiveness in bidding processes has been impacted negatively.

USAID/Jordan Should Review and Obtain Antiterrorism Certifications

Summary: Section H.17 (d) of the SABEQ contract states that requirements which apply to USAID-executed grants shall also apply to grants signed by contractor. Moreover, ADS 596.3.1.c, *Establishing Internal Controls*, states that in order for control activities to be effective and efficient to accomplish Agency objectives, management must conduct reviews at the functional and activity level. Although required to do so by the contract, BearingPoint did not obtain antiterrorism certifications from grantees under the SABEQ contract and as a management control, USAID/Jordan did not verify that the contractor obtained the required certifications. BearingPoint officials stated that they were not aware of the requirements. As a result, USAID/Jordan cannot be reasonably assured that USAID funds have not been knowingly used to provide support to entities or individuals associated with terrorism.

Management controls and contractual requirements provide the basis for minimal requirements to ensure that program goals are achieved efficiently and effectively. ADS 596.3.1.c, *Establishing Internal Controls*, states that in order for control activities to be effective and efficient to accomplish Agency objectives, management must conduct reviews at the functional and activity level. As a specific contractual requirement, Section H.17 (d) of the SABEQ contract states that requirements, that apply to USAID-executed grants shall also apply to grants signed by contractor. Executive Order 13224 prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. The antiterrorism certification is used to provide USAID with assurance that the Agency is not entering into an assistance agreement with an individual or organization that provides or has provided assistance to terrorists or terrorist activity. The antiterrorism certification requires an applicant to state that "to the best of its current knowledge, it did not provide, within the previous ten years, and it will take all reasonable steps to ensure that it does not and will not knowingly provide, material support or resources to any individual or entity that has engaged or engages in

terrorist activity.” As a part of USAID/Jordan’s contract with BearingPoint, the contractor was required to abide by all requirements that applied to USAID-executed grants.

USAID/Jordan included the antiterrorism clause in its contract with the SABEQ Project contractor. According to antiterrorism clause requirement in the SABEQ contract, the contractor is required to include the clause in all subcontracts and grants under the contract. However, USAID/Jordan did not, as a minimal management control, verify that the contractor obtained the required antiterrorism certifications for grants awarded under the SABEQ contract.

The contractor stated that staff was not aware of the certification requirement under AAPD 04-14 and that USAID/Jordan did not provide any guidance on this issue. As a management control, USAID/Jordan’s contracting officer stated that mission checked some of the contractor’s key personnel and some subcontractors against the Department of Treasury’s Excluded Parties List System before awarding the SABEQ contract.

Management control activities are an integral part of a mission’s accountability for the stewardship of government activities. These control activities include verifications that provide evidence of the execution of the required activities as well as appropriate documentation so that management can compare actual performance to requirements. If USAID missions do not remind implementers about USAID’s antiterrorism requirements and do not periodically verify that procedures are followed, both the Agency and USAID/Jordan will not be assured that their programs do not knowingly provide support to entities or individuals associated with terrorism. Given the sensitivities, complexities, and visibility of antiterrorism issues, we believe that the mission could benefit from internal procedures until more formal USAID/Washington guidance is finalized and publicized. Accordingly, this audit makes the following recommendations:

Recommendation No. 6: We recommend that USAID/Jordan provide instruction to its prime contractor to obtain and review antiterrorist certifications for grants under the SABEQ contract, and implement specific procedures to require its prime contractor to obtain antiterrorism certifications before awarding any new grant.

Recommendation No. 7: We recommend that USAID/Jordan implement specific procedures as a notice to remind its prime contractor of the antiterrorism certification requirements, and periodically verify that procedures are followed.

USAID/Jordan Should Update Its Performance Management Plan

Summary: ADS 203.3.4.6, *Updating Performance Management Plans*, states that usually, as part of an operating unit’s annual portfolio review process, operating units should update these plans regularly with new performance information as programs develop and evolve. Despite the requirement, USAID/Jordan has not updated its performance management plan for its SABEQ Project activities for the past 3 years, although the mission revised the project’s scope. According to mission officials, the plan was not updated because the economic growth portfolio

had not changed since 2007 and projects continued to reflect the status of the portfolio. Without an updated plan, USAID/Jordan lacks a critical tool for planning, managing, and documenting the performance of its program activities.

ADS 203.3.3, *Performance Management Plans*, notes that a performance management plan is a “tool to plan and manage the process of monitoring, evaluating, and reporting progress towards achieving an assistance objective.” ADS 203.3.4.6, *Updating Performance Management Plans*, states that usually, as part of their annual portfolio reviews, USAID missions should update these plans regularly with new performance information as programs develop and evolve. Further, Section E of USAID/Jordan’s performance management plan states that the mission’s economic growth office staff is required to review and update the document annually in conjunction with activity implementation reviews.

USAID/Jordan’s Economic Growth Office has not updated its performance management plan for the past 3 years. The mission and its contractor made adjustments at the end of year three to focus and improve the program performance. According to the COTR, neither the focus of the economic growth office nor the portfolio has changed since 2007. Furthermore, the modification of the performance management plan was not necessary since it continued to reflect the status of the portfolio. The COTR also stated that the mission submitted a new strategic statement⁶ for FYs 2010–2014 on October 12, 2009. After USAID/Washington approves the new strategy, mission officials plan to update the performance management plan to reflect the changes and include new indicators where appropriate.

Without an updated performance management plan reflecting current activities, USAID/Jordan does not have a critical tool for planning, managing, and documenting the performance of its program activities. Since the mission has revised and decreased its SABEQ activities from 13 to 4 focus areas, managers and reviewers will not be able to rely on the performance management plan to provide the most up-to-date information to measure progress or make management decisions regarding funding. Therefore, this audit makes the following recommendation:

Recommendation No. 8: We recommend that USAID/Jordan develop and implement procedures that require the contracting officer’s technical representative to review and update the project’s performance management plan and require current activities to be documented.

⁶ The mission created a strategic statement as a document to guide its programming by using information on its programs to help it achieve desired results in a specific country.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Jordan's comments and planned actions are partially responsive to the report recommendations. In their response, USAID/Jordan mission officials generally agreed with four recommendations and did not agree with four recommendations. For the recommendations with which the mission agreed, USAID/Jordan made four management decisions on recommendation nos. 2, 3, 5, and 8, and plans to take final action on recommendation nos. 2 and 3 by June 30, 2010, and on recommendation 8 by September 30, 2010. The mission took final action on recommendation no. 5.

Regarding recommendation no. 1, USAID/Jordan did not agree with the recommendation to develop and implement procedures to require the prime contractor to periodically conduct independent financial reviews of local subcontractors incurred costs to determine if audits are warranted. Although USAID guidance stipulates a mission's right to require audits or otherwise ensure adequate accountability of recipient organizations regardless of the audit requirement, USAID/Jordan did not think its staff should be required to address subcontractor issues. Since the mission did not ensure that its SABEQ prime contractor conducted any audits of USAID program funds for 3 years, the risk exposure to both USAID and the mission increased unnecessarily. A management decision will be reached on the recommendation after USAID/Jordan establishes a plan of action and target dates to implement specific procedures to require its prime contractor to periodically conduct independent financial reviews of for-profit local subcontractors' incurred costs to determine if audits are warranted.

To address recommendation no. 2, USAID/Jordan generally agreed with the recommendation to remind the contractor in writing of USAID contractual and audit requirements. Accordingly, a management decision has been reached on this recommendation.

Regarding recommendation no. 3, USAID/Jordan agreed to request that its SABEQ contractor develop a plan to remind its subcontractor to conduct required financial audits. Accordingly, a management decision has been reached on this recommendation.

Regarding recommendation no. 4, USAID/Jordan did not clearly state its agreement or disagreement with the recommendation. However, USAID guidance specifically states that USAID retains the right to require audits or otherwise ensure adequate accountability of recipient organizations regardless of the audit requirement. Since the mission has not developed a plan of action or a target date for completion, a management decision has not been reached on this recommendation.

Regarding recommendation no. 5, USAID/Jordan agreed with the recommendation and stated that its Office of Economic Growth had obtained and reviewed documents of the implementing partner's processes to reasonably mitigate the risk or perceived risks of potential conflicts of interest. Consequently, after a Regional Inspector General/Cairo (RIG/Cairo) review of the implementing partner's processes in this regard, a

management decision has been reached and the mission took final action required.

Regarding recommendation no. 6, USAID/Jordan did not agree with the recommendation. While RIG/Cairo recognizes that AAPD 04-14 is not applicable to the contract and revised the criteria accordingly, the mission awarded grants valued at \$2.8 million under the BearingPoint contract. In accordance with Section H.17 (d) of the SABEQ contract, "requirements which apply to USAID-executed grants shall also apply to grants signed by contractor." Since the mission did not ensure that its prime SABEQ contractor obtained the required certifications before awarding the grants, the risk of providing support to entities or individuals associated with terrorism increased exponentially. A management decision will be reached on the recommendation after USAID/Jordan establishes a plan of action and target dates to instruct its prime contractor to obtain and review antiterrorist certifications for grants awarded under the SABEQ contract, and implements specific procedures to require its prime contractor to obtain the required antiterrorist certifications before awarding any new grants.

Regarding recommendation no. 7, USAID/Jordan did not agree with the recommendation, and asserted that adequate and reasonable procedures and guidance are already in place to mitigate the risk of financing terrorists. However, the mission did not ensure that its contractor implemented these procedures and guidance. A management decision will be reached on this recommendation after USAID/Jordan establishes a plan of action and target dates to implement specific procedures designed to remind its prime contractor of the antiterrorism certification requirements, and periodically verify that procedures are followed.

To address recommendation no. 8, USAID/Jordan agreed with the recommendation and is working to develop and implement procedures requiring the contracting officer's technical representative to review and update the project's performance management plan and documentation of the current activities. Accordingly, RIG/Cairo believes that a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo (RIG/Cairo) conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions 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 purpose of this audit was to determine whether USAID/Jordan's program to increase private sector competitiveness under the Sustainable Achievement of Business Expansion and Quality (SABEQ) Project is achieving its goals. There were no prior audits associated with the areas reviewed.

The scope of the audit was limited primarily to the fourth or private sector development component of the SABEQ Project. The audit was performed in Jordan from September 23 through October 15, 2009, with updates through March 16, 2010. Fieldwork was conducted at USAID/Jordan, the BearingPoint offices in Amman and Irbid, and at selected grantees' and counterparts' offices in Amman to review implemented program activities through June 30, 2009.

We reviewed and analyzed the activities supporting the established goals for increasing private sector competitiveness and the number of jobs available to Jordanians. The contractor reported monthly, quarterly, and annually on progress toward increasing private sector competitiveness.

As part of the audit, we assessed the management controls used by USAID/Jordan to monitor program activities. The assessment included controls related to documentation, supervisory review, and separation of duties to determine whether USAID/Jordan and its implementing partners (1) conducted and documented site visits to monitor quality and evaluate progress, (2) required and approved an annual plan, (3) reviewed progress reports submitted by the contractor, and (4) compared reported results with planned results. We also reviewed the mission's fiscal years 2008 and 2009 reports required by the Federal Managers' Financial Integrity Act of 1982, as well as the risk assessment related to the antiterrorism financing.

As of June 30, 2009, USAID/Jordan had obligated \$51.2 million and disbursed \$38.8 million, including \$11.1 for activities under the private sector component.

Methodology

To answer the audit objective, we interviewed officials from USAID/Jordan, the contractor, and some grantees. We also reviewed and analyzed relevant documents at both mission and contractor offices. The documentation included the performance management plan, the contract between USAID/Jordan and the contractor, subcontracts, and some grant agreements. We further reviewed contractor site visit and other monitoring reports, progress reports, and financial records.

To determine whether USAID/Jordan's program to increase private sector competitiveness under the SABEQ Project is achieving its goals, we reviewed the accomplishments reported in the implementing partner's quarterly reports and compared actual accomplishments with the specific outputs as defined in the approved annual plans. The comparison included examining supporting records for completed and substantially completed activities for evidence that the expected results were achieved. RIG/Cairo considered partially completed activities as activities that contained multiple deliverables at various stages, including completed, in progress, and canceled activities. In addition, we conducted site visits to the implementing partner offices in Amman and one of its satellite offices in Irbid to verify reported data.

The audit team also reviewed the mission's compliance with requirements to document program performance. The compliance requirements included Automated Directives System Chapters 200, *Introduction to Programming Policy*; 201, *Planning*; 202, *Achieving*; and 203, *Assessing and Learning*; the contract; and other applicable policies, procedures, and management controls. We then evaluated the mission's compliance with the relevant program management controls and policies.

To determine the impact of the results achieved, we interviewed USAID/Jordan's officials, implementing partners, and beneficiaries. We also reviewed the mission's and implementing partners' reported data. We further discussed activities with grantees and counterparts during our site visits.

We selected and performed a statistically projectable sample at the 90 percent confidence level with a 5 percent error rate. The resulting sample consisted of 72 activities (38 percent) activities from a universe of 189 activities implemented in the private sector from October 2007 to September 2009. The results of this testing were deemed appropriate. In assessing the project's progress toward its overall goals, we established a materiality threshold of 90 percent. If the program's work plans adequately reflected the program goals and the contractor had achieved at least 90 percent of its planned outputs during the audit period, the program was judged to be making acceptable progress toward its overall goals.

MANAGEMENT COMMENTS



OFFICE OF THE DIRECTOR

MEMORANDUM

TO: Jacqueline Bell, Regional Inspector General/Cairo

FROM: Jay L. Knott, Mission Director

DATE: March 15, 2010

SUBJECT: Management's Comments on the Audit of USAID/Jordan's Sustainable Achievement of Business Expansion and Quality (SABEQ) Project (Draft Audit Report No. 6-278-10-XXX-P dated February 15, 2010)

USAID/Jordan would like to thank the RIG/Cairo audit team for their efforts on this audit.

The following represents Mission Management's comments and documents both actions already taken and actions planned to be undertaken to address the recommendations contained in the report.

Recommendation No. 1: We recommend that USAID/Jordan develop and implement procedures to require prime contractors to periodically conduct independent financial reviews of for-profit local subcontractors' incurred costs to determine if audits are warranted.

Under the terms of the contract with Deloitte Consulting (formerly BearingPoint) and ADS 591, USAID's legal relationship is with Deloitte Consulting, as the prime contractor under SABEQ, and not with its subcontractors. Accordingly, pursuant to ADS 591.3.2.1 and FAR 52.215-2 (Audit and Records – Negotiation), it is the prime contractor's responsibility to include the FAR Audit and Records clause in all subcontracts that exceed the simplified acquisition threshold and to establish a system for monitoring its subrecipients.

Accordingly, USAID/Jordan is not in agreement with this recommendation because a Mission-level process would not be the appropriate venue to address subrecipient-level issues. In fact, ADS 591.3.2.1 states that "subrecipients must submit copies of their audits to the prime recipient for review by their independent auditor as part of the prime's annual audit." In this case, as Deloitte Consulting is a U.S. For-Profit Organization, ADS 591.3.1.2 requires that audit risks associated with Deloitte Consulting, and its subcontracts, be assessed by M/OAA/CAS in order to determine when an audit is

required. As such, any process or procedure identified in this recommendation should be developed at the Washington-level and implemented Agency-wide, applicable to all contractors, rather than just to a specific project such as SABEQ.

In addition, the Mission already has procedures in place to audit its recipients and associated risk. The Mission develops an annual audit plan that it sends to the RIG and the Mission prepares a financial review and risk assessment plan for recipients that do not fall under the recipient-contracted audit requirement. Starting FY 2010, financial reviews and risk assessments will also include procedures to verify whether recipients are fulfilling audit requirements for all sub-recipients reaching the relevant dollar amount thresholds.

Recommendation No. 2: We recommend that USAID/Jordan notify prime contractors in writing of requirements to conduct incurred costs audits annually, as required by the Guidelines for Financial Audits Contracted by Foreign Recipients.

As noted in the response to Recommendation No. 1, the required FAR Audits and Records clause was included in USAID's contract with Deloitte Consulting and is required to be included in Deloitte Consulting's subcontracts. In fact, the OIG's Guidelines for Financial Audits Contracted by Foreign Recipients states that for subrecipients expending \$300,000 or more in USAID awards in their fiscal year, "USAID standard audit provisions require that recipients ensure that audits of subrecipients are performed annually in accordance with these Guidelines."

Accordingly, USAID/Jordan is not in agreement with this recommendation, insofar as it is recommending the implementation of a new notification requirement, because the prime contractor, Deloitte Consulting in this case, was already notified through its contract with USAID of its audit responsibilities and its responsibilities with regard to its subcontractors. However, given the concerns expressed by the RIG/Cairo audit team, USAID/Jordan agrees to officially remind Deloitte Consulting in writing of requirements as stated in its contract with USAID, in ADS 591 and in the OIG's Guidelines for Financial Audits Contracted by Foreign Recipients. The Mission will also request that Deloitte Consulting prepare a plan to meet these requirements and the Mission will monitor the implementation of that plan. Further, the Mission will suggest to Deloitte Consulting that it perform independent financial reviews of all required foreign subrecipients vs. the required risk assessment, due to the materiality of the subcontracts and time remaining in the activity. Upon completion of the financial reviews, the Mission will review Deloitte Consulting's determination of whether audits are required and if so request an implementation plan and monitor it until completion.

Recommendation No. 3: We recommend that USAID/Jordan develop a list of for-profit subcontractors that require independent financial audits for funding received for fiscal years 2007, 2008, and 2009; notify the local subcontractors in writing to conduct required audits; and develop a plan of action to conduct these audits.

As noted in the response to Recommendation No. 1, USAID's legal relationship is with Deloitte Consulting, and not with Deloitte Consulting's subcontractors. Accordingly, it is Deloitte Consulting's responsibility to monitor the compliance of its subrecipients with the terms of their contracts, including audit requirements.

Accordingly, USAID/Jordan is not in agreement with this recommendation, as it is not the Mission's responsibility to communicate directly with subcontractors. In fact, for U.S. contractors and recipients, ADS 591.3.4.1 states the following:

“Missions must include all agreements with U.S. contractors and recipients, including fixed price contracts, fixed obligation grants, and cash transfer and nonproject assistance awards, in their audit inventories and confirm that they are included in the M/OAA/CAS audit inventory. **Subrecipient agreements are not to be included in the audit inventory or annual audit plan.**”

For foreign contractors and recipients, ADS 591.3.4.2 states:

“Missions must maintain an inventory of all contracts, grants, and cooperative agreements, including cash transfer and nonproject assistance awards, awards financed with host country-owned local currency, and activities in nonpresence countries for use in determining audit requirements. **The inventory or annual audit plan does not include subrecipient agreements.**”

USAID/Jordan's written reminder to Deloitte Consulting, as agreed to under Recommendation No. 2, will include as request for a plan for meeting requirements in connection with its subcontracts, as detailed above.

Recommendation No. 4: We recommend that USAID/Jordan require its prime contractor to conduct audits of incurred costs for fiscal years 2007, 2008, and 2009, and document and develop a plan of action to conduct these audits.

As noted above, Deloitte Consulting is a U.S. for-profit organization, and therefore M/OAA/CAS is responsible for assessing risk associated with Deloitte Consulting and determining whether it should be audited. Pursuant to ADS 591.3.2.1 and FAR 52.215-2 (Audit and Records – Negotiation), it is the prime contractor's responsibility to include the FAR Audit and Records clause in all subcontracts that exceed the simplified acquisition threshold and to establish a system for monitoring its subrecipients.

USAID/Jordan's written reminder to Deloitte Consulting, as agreed to under Recommendation No. 2, will serve as a reminder to Deloitte Consulting of its responsibilities with regard to its subcontracts and USAID will monitor the related plan for meeting such responsibilities.

Recommendation No. 5: We recommend that USAID/Jordan contracting officers, document the review of the implementing partner's processes to mitigate the risk or perceived risks of a conflict of interest to determine whether there are substantial advantages in competition or whether the overall competitiveness in bidding processes has been impacted negatively.

USAID/Jordan takes issues relating to conflicts of interest very seriously and expects the same of its implementing partners. In fact, although not required to follow all ethics rules that are applicable to federal employees, contractors are expected to have a satisfactory record of integrity and business ethics as determined by the Agency at the pre-award responsibility determination stage (FAR 9.104.1), and most follow internal codes of

conduct.

In this case, a review of the relevant documentation (See Attachments) shows that USAID/Jordan, through its Office of Economic Growth, had obtained and reviewed documents of the implementing partner's processes to reasonably mitigate the risk or perceived risks of potential conflicts of interest, and the Mission believed these processes adequately responded to the issue. This communication was saved in the files of the Contracting Officer's Technical Representative.

Accordingly, USAID/Jordan is in agreement with this recommendation and the related review and documentation was already carried out in the course of on-going contract management.

Recommendation No. 6: We recommend that USAID/Jordan create and document procedures that require the Mission's contracting officer to obtain and review antiterrorist certifications from the implementing partner.

AAPD 04-14 is a policy directive that is applicable only to assistance instruments. The SABEQ program is being implemented through a contract, which is an acquisition instrument. There is no similar certification requirement for acquisition instruments. There is, however, a required contract clause on terrorism financing. This clause, relating to the Executive Order on Terrorism Financing (Feb 2002), can be found in Section H.11 of the contract with Deloitte Consulting and it states:

"The Contractor/Recipient is reminded that U.S. Executive Orders and U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the responsibility of the contractor/recipient to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontract/subawards issued under this contract/agreement."

There are also other processes in place at the Mission to mitigate the risk of terrorist financing, including:

- Names of contractors and grantees/cooperative agreement recipients are checked against the Specially Designated Nationals List ("SDN" list) administered by the Department of the Treasury's Office of Foreign Assets Control ("OFAC") (see ADS 302.3.6.13 and 303.3.9 or successor policy)
- FAR clause 52.225-13, which prohibits purchase of supplies or services in OFAC-barred transactions, is included in all contracts (see ADS 302.3.6.13 or successor policy). See also, Section I.1 of the contract with Deloitte Consulting.
- Prior to making an award, the Contracting Officer makes a responsibility determination for the contractor, which will also consider any information available concerning terrorist affiliation (See ADS 302.3.6.5 and 303.3.9 or successor policy).
- Prior to awarding a contract, the Contracting Officer makes a responsibility determination on the awardee. This is in accordance with FAR 9.104-1 and

ensures that the awardee has a satisfactory record of integrity and business ethics. USAID also confers with the Embassy RSO to ensure that the awardee has no known terrorist affiliation.

Finally, beginning in 2009, the Mission annually reviews all USAID programs in Jordan in order to record the Mission's compliance with terrorist financing guidance approved by Deputy Secretary of State Negroponte in February 2008. In August 2009, after consultation with USAID/SEC and Post's RSO Office, the Mission concluded that all USAID/Jordan programs were low risk.

Accordingly, USAID/Jordan is not in agreement with this recommendation, as AAPD 04-14 does not apply to contract recipients.

Recommendation No. 7: We recommend that USAID/Jordan create and document procedures that require providing guidance on USAID's antiterrorism requirements to its implementers.

As noted in the response to Recommendation No. 7, there are several processes being followed in order to mitigate the risk of terrorist financing. For the SABEQ project, the required terrorism financing clause was included in Section H.11 of USAID's contract with Deloitte Consulting and is required to be included in all subcontracts and subawards.

Accordingly, USAID/Jordan is not in agreement with this recommendation, given that adequate and reasonable procedures and guidance are already in place.

Recommendation No. 8: We recommend that USAID/Jordan develop and implement procedures that require the contracting officer's technical representative to review and update the project's performance management plan and require current activities are documented.

USAID/Jordan is in agreement with this finding. The Mission's Office of Economic Growth will work to develop and implement procedures requiring the contracting officer's technical representative to review and update the project's performance management plan, as well as requiring documentation of current activities.

Attachments:

- Attachment 1: Key Personnel Change request for Laith Qasem.
- Attachment 2: Key Personnel Change request for Nisreen Barakat.
- Attachment 3: Accessing Local Subcontractors.
- Attachment 4: Approval Process and Payment Documentation for Events and publications.
- Attachment 5: Compliance for Expenditures and Event Approval.
- Attachment 6: SABEQ Contractual Process.
- Attachment 7: Steps for Requesting Technical Assistance Orders.
- Attachment 8: Terms of Reference, Statements of Work, Job Description.
- Attachment 9: Letter from ABCD stating that Laith Qasem had resigned.
- Attachment 10: Input from SABEQ.

**Clearance for Mission’s Response to the Audit of USAID/Jordan’s Sustainable Achievement of Business Expansion and Quality (SABEQ) Project
(Draft Audit Report No. 6-278-10-XXX-P Dated February 15, 2010)**

Clearances:

E. Palmer, CONT _____ Date: _____

S. Gonyea, EG _____ Date: _____

C. Nastoff, RCO _____ Date: _____

K. Stevens, OPM _____ Date: _____

H. Pataki, RLA _____ Date: _____

D. Mansuri, D. Dir _____ Date: _____

Drafted:

FMO: A. Shalan _____ Date: _____

SABEQ Project
Results of Verification of Selected Performance Indicators
for the Private Sector Component for Fiscal Years 2008–2009

Indicator	FY 08		FY 09		Verified		Accomplishment	
	Target	Actual	Target	Actual	FY 08	FY 09	FY 08	FY 09
Number of trade-related business that are at least 50 percent self-funded as a result of USG assistance	4	5	5	5	8	6	Exceeded	Exceeded
Number of capacity-building service providers receiving USG assistance	3	4	3	4	4	4	Exceeded	Exceeded
Number of firms receiving USG assistance that obtain certification with voluntary standards or regulations of international quality control, environmental, and other processes	10	2	5	10	2	10	Not Met	Exceeded
Number of firms receiving capacity-building assistance to export	15	50	10	20	50	11	Exceeded	Exceeded
Number of new technologies or management practices under research as a result of USG assistance	1	2	4	4	2	4	Exceeded	Met
Number of additional hectares under improved technologies or management practices as a result of USG assistance	20	40	10	25	44	25	Exceeded	Exceeded
Number of producers' organizations, water users' associations, and community-based organizations receiving USG assistance	3	17	3	5	17	5	Exceeded	Exceeded
Number of agriculture-related firms benefiting directly from USG-supported interventions	10	17	7	20	17	20	Exceeded	Exceeded
Number of new members in private business associations as a result of USG assistance	50	161	100	110	246	110	Exceeded	Exceeded
Number of business associations and trade unions that are at least 50 percent self-funded as a result of USG assistance	4	5	5	5	5	5	Exceeded	Met
Number of persons participating in USG-funded workforce development programs	400	41,389	2,500	45,100	Note A ⁷	Note A	Exceeded	Exceeded
Number of persons completing USG-funded workforce development programs	320	2,926	3,500	4,534	Note A	Note A	Exceeded	Exceeded
Number of persons gaining employment or more remunerative employment as a result of participation in USG-funded workforce development programs	160	1,167	1,300	5,368	1,167	5,360	Exceeded	Exceeded
Number of persons transitioning to further education and training as a result of participation in USG-funded workforce development programs	40	58	100	100	58	100	Exceeded	Met
Number of women's organizations or associations assisted as a result of USG interventions	8	14	20	11	14	11	Exceeded	Not met

Note: FY = fiscal year; USG = U.S. Government

⁷ Information is based on attendance documentation from job fairs, training workshops, and awareness sessions.

**SABEQ Project Activities
Private Sector Activities for Fiscal Year 2008**

Activity	Completed	Cancelled	Planned	Partially Completed
Implementation of Jordan Food and Drug Administration (JFDA) Transformational Plan for building their capabilities and raising their standards	X			
Arrange a study tour to Beirut to benchmark with the Lebanese experience in the field of association capacity building		X		
Attract and retain qualified medical services personnel		X		
Build Jordan Chamber of Industry's (JCI) capacity to offer training programs to its members		X		
Communicate public-private success stories		X		
Conduct a 10 Certified Training for GAP/HASAP (Good Agricultural Practices/Hazard Analysis and Critical Control Point) training identified in assessment	X			
Conduct Ajiloun Castle site upgrade in the north		X		
Conduct awareness and recruitment initiatives to attract women to study nursing	X			
Conduct immediate sector skill training identified in Packaging Sector Strategy for JCI Members	X			
Conduct Karak Castle site upgrade in the south				X
Conduct Public Private Dialogue session with JFDA, Jordan Association of Pharmaceutical Manufacturer and Medical Appliances, and (local and International) manufacturers to define areas of weaknesses for JFDA		X		
Conduct salary and benefits survey for key positions in the pharmaceutical sector and certain positions in the Jordanian labor market	X			
Conduct sector-specific public awareness campaign(1): awareness and training campaigns on water and energy savings to tourism services		X		
Conduct sector-specific public awareness campaign(1): marketing and public relations for Business Process Outsourcing (BPO) in Jordan–Near Shoring Marketing Campaign	X			
Conduct Um Qais site upgrade in the north		X		
Create call center and BPO strategy and implementation for Jordan				X
Create medical services accreditation staff training strategy and plan for attracting foreign patients	X			
Develop a process and a practical model of linking research and development providers with private sector		X		
Develop awareness campaign targeting female students to consider careers in design		X		
Develop different tour packages in the north		X		

APPENDIX IV

Activity	Completed	Cancelled	Planned	Partially Completed
Develop different tour packages in the south		X		
Develop green Architecture and Engineering (A and E) best practices study tour		X		
Develop horticulture cold chain network				X
Develop new codes for green buildings, roads, environment, and buildings			X	
Enable Information and Communication Technology sector infrastructure	X			
Enhance nursing profession standards	X			
Enhance Private Hospital Association's effectiveness and sustainability		X		
Establish Information and Communication Technology governance reform at government levels	X			
Expand existing tourism site experiences				X
Facilitate access to finance		X		
Facilitate cooperation between private sector and research and development institutions				X
Facilitate two internships inviting international students in packaging and design to be placed in a Jordanian firm	X			
Gather comprehensive sector information for utilization in the Ministry of Information and Communications and Technology's Economic Unit				X
Identify where sector competitiveness may be improved by research and development activities	X			
Improve Ministry of Public Works and Housing service culture			X	
Improve signs in the north and south		X		
Improve system of qualifying engineering and construction companies			X	
Increase competitive positioning and Information and Communication Technology (ICT) sector promotion				X
Increase farmers' level of awareness toward the adoption of new agricultural technologies				X
Increase farmers' level of awareness toward the adoption of new agricultural technologies and toward new markets and products	X			
Increase tourist satisfaction				X
Link agriculture sector with educational and training institutions	X			
Offer National Horticultural Training Programs	X			
Provide implementation assistance for producers to help them implement projects in the areas of saving energy, water, recycling, and material utilization		X		
Support Jordanian handicraft development				X
Update tendering audit process at the Ministry of Public Works			X	
Upgrade capability of locals in performing events				X

APPENDIX IV

Activity	Completed	Cancelled	Planned	Partially Completed
Upgrade infrastructure and testing capabilities to ensure compliance with international specifications and standards		X		
Upgrade visitor centers in the north and south				X
Analyze the impact of existing and new trade agreements on the agriculture sector in order to increase export opportunities-workshop		X		
Assess the profitability of drug markets in lesser-developed countries		X		
Build capacity of JCI to be a hub for providing information about the sector				X
Conduct sector-specific public awareness campaign (2): Support promotional efforts of Jordanian pharmaceuticals companies		X		
Create export opportunities by supporting promotional efforts of Jordanian pharmaceuticals companies	X			
Create market strategy for horticulture products	X			
Design and build medical services sector database				X
Develop medical services national marketing and promotional strategy and plan		X		
Develop medical services sector business linkages with Jordanian travel agencies		X		
Develop National Agricultural Management Information System		X		
Develop scale and create export opportunities by preparing the manufacturing companies for pursuing European Health Authority Accreditation			X	
Develop scale and create export opportunities by preparing the manufacturing companies for pursuing Food and Drug Administration (FDA) accreditation			X	
Develop scale and create export opportunities by preparing the manufacturing companies for pursuing World Health Organization (WHO) accreditation		X		
Enhance capital access, financing, and investment opportunities for call center and BPO	X			
Establish marketing intelligence unit for A and E services		X		
Establish marketing opportunities unit for A and E business council			X	
Establish national competitive legal framework for BPO market in Jordan	X			
Foster linkages between packaging industry-producers and exporters-consumers		X		
Foster medical services sector international buyer-seller linkages	X			

APPENDIX IV

Activity	Completed	Cancelled	Planned	Partially Completed
Identify market opportunities and market intelligence requirements in nontraditional markets				X
Identify packaging export and investment opportunities	X			
Improve operating efficiency of local wholesale markets				X
Increase competitive positioning and Information and Communication Technology sector promotion		X		
Increase competitiveness and local value-added opportunities for locally made garments	X			
Link A and E business council to international counterparts		X		
Participate in and attend international exhibitions/conferences/forums		X		
Presentation of packaging sector strategy to main stakeholders and players		X		
Support implementation of national marketing and promotional plan (public awareness campaign)		X		
Upgrade A and E business council Web site	X			
Conduct Three Zweig White Certified Training for A and E Members	X			
Conduct training needs assessment for A and E members	X			
Develop a best practices document to be distributed to all members			X	
Develop a code of A and E ethics document to be distributed to all members		X		
Develop a management best practices document to be distributed to all members			X	
Provide specialized training to the A and E business council to extend to its members		X		
Provide component, solution, or sector project management oversight	X			
TOTAL	26	34	9	16

**SABEQ Project
Private Sector Activities for Fiscal Year 2009**

Activity	Completed	Cancelled	Planned	Partially completed
Advertise Energy Water Audits for Small and Micro Enterprises (SME's) (20)				X
Develop an alternative fuel for engines				X
Improve the efficiency of flat plate solar water heaters using nanocoating				X
Assess and analyze current relicensing and continuing education for nurses' instructions		X		
Conduct regional integration sessions for the economic strategy in the regions				X
Establish medical malpractice law implementation mechanisms			X	
Build and strengthen the capacity of the existing development units in Irbid and Karak under the Ministry of Interior				X
Build and strengthen the capacity of the Regional Economic Councils				
Secure plastic and recycling jobs through regulation of plastic use	X			
Set up signs in Karak Castle to facilitate use of audio guides	X			
Adapt existing technology for the utilization of animal waste for energy production in Jordan				X
Assist the citrus producers through Al-Adasieh Association to improve their production capability and capacity and assist in marketing	X			
Assist the garment sector in advocacy efforts		X		
Build capacity in pattern digitizing, order and marker preparation, and preparation and plotting of markers to enhance productivity and material utilization	X			
Build capacity of manufacturers on the batch record review expectations of regulatory agencies and measure the effectiveness of the review process				X
Build capacity of manufacturers to respond effectively to nonconformance, failures, deviations, and complaints by identifying root causes and implementing corrective and preventive actions			X	

Activity	Completed	Cancelled	Planned	Partially completed
Build capacity of manufacturers to use proven sewing performance data to accurately determine the time required to perform sewing operations		x		
Define production process pitfalls and bottlenecks to increase downtime	x			
Design and implement water-harvesting projects in Jordan to enhance competitiveness of the agricultural sector				X
Develop handicrafts sector in the regions				X
Develop horticultural cold chain network in the regions				X
Develop national nurses' credentialing system under Jordanian Nursing Council	x			
Enhance packaging for the cosmetics manufacturers				X
Enhance the efficiency of farmers to protect their produce from the frost effect	x			
Enrich tourist experience in Karak				X
Identify where garment and pharmaceutical sectors' competitiveness may be improved by research and development				X
Identify where sector competitiveness may be improved by research and development			x	
Implement recommended activities for sector development				X
Improve fresh fruit and vegetable products packaging designs by providing implementation assistance for selected nongovernmental organization to design product packaging			x	
Increase the value of fruits and vegetables through improved post-harvest techniques	x			
Introduce cost-cutting and return on investment measures, strategies, and best practices available to the pharmaceutical industry to enhance profitability, future development, and sector competitiveness		x		
Mentor Local Economic Development (LED) activities implementation based on SABEQ sector integration approach	x			
Promote and conduct a business matchmaking event to secure linkages between SMEs and Medium and Large Enterprises			x	

Activity	Completed	Cancelled	Planned	Partially completed
Promote the integration of sustainable development into rural communities through the "Greener South" project and campaign		x		
Provide manufacturers with practical guidance on compliance with the requirements of process validation to reduce the risk of nonconformances and avoid costly delays and rejections by regulatory authorities		x		
Reexamine supply chain models and sourcing strategies by facilitating group buying to reduce manufacturing costs and secure market share				x
Review, finalize, and implement the plan for selected tourism attraction destination				x
Revise and evaluate the factory layout, productivity, engineering standards and methods, workflow, and payroll systems		x		
Provide support at the firm level in acquiring U.S. patents				x
Support female farmers in Bani Kinanah association in the production of herbs				x
Support the women of Ghour Safi to produce, process, and market different vegetable-based products				x
Continue the implementation of the national nursing awareness and recruitment campaign to attract women to study nursing		x		
Support the attendance of two Jordan Institute of Standard and Metrology employees to attend "Global Gap Certified Trainer" training course in the United States			x	
Build the capacity of Jordanian designers to provide innovative solutions for specific sectors	x			
Facilitate two internships inviting international students in packaging and design to be placed in Jordanian firms	x			
Support the establishment of a post-harvest lab in the University Station in Jordan Valley		x		
Assess BPO zones at a high level in infrastructure, training, and policy framework (BPO 5)	x			
Assess the current liability insurance capacities in Jordan			x	

Activity	Completed	Cancelled	Planned	Partially completed
Assist in attracting new importers from high value targeted countries			X	
Build capacity of the manufacturers on preparation methodology and requirements of Abbreviated New Drug Applications, according to U.S. FDA, registration, and assessment of the dossier	X			
Build the capacity of Jordanian design firms to improve design firms' processes and performance	X			
Build the capacity of the Jordanian design firms to better meet market demand			X	
Conduct sectoral development activities (i.e., set up local chapter for International Association of Outsourcing Professionals) and increase industry exposure of Jordan BPO sector and participate in key industry events. (BPO 12)	X			
Create offshore referral and telemedical function				X
Develop exports targeting the U.S. market and identify packaging improvement requirements				X
Develop medical services national marketing and promotional strategy and plan			X	
Develop scale and create export opportunities by preparing the manufacturing companies to pursue international accreditation	X			
Enhance the capacity of the health attaché to be more effective and expand embassies' roles to include marketing and promoting medical tourism; and to provide facilitation, guidance, and support services to implement marketing and promotional strategies	X			
Enhance the opportunities of contract research organizations expansion to meet international demand and become internationally recognized and accredited	X			
Enhance the opportunities of pharmaceuticals sector international buyer-seller linkages through networking and promotional efforts				X
Enhance the opportunities of pharmaceuticals sector international buyer-seller linkages through networking and promotional efforts (international exhibitions/conferences/forums)				

Activity	Completed	Cancelled	Planned	Partially completed
Establish a market linkage program for crafts	x			
Establish medical tourism council		x		
Facilitate networking with regional health regulatory authorities' through training on Intellectual Property and pharmaceutical regulations and practices		x		
Foster medical services sector international buyer-seller linkages				x
Identify and promote export opportunities for furniture products manufacturers to improve competitiveness within the industry			x	
Identify detailed requirements for physical (i.e., facilities) and business enabling environment for BPO zones (BPO 7)	x			
Identify detailed requirements for technology infrastructure for BPO zones (BPO 8)	x			
Identify environmental packaging opportunities for paper and board and flexible packaging			x	
Identify export opportunities for the stone and marble products manufacturers in Jordan	x			
Improve operating efficiency of the new Irbid Wholesale Market				x
Improve the standards and performance of Jordan Association of Pharmaceutical Manufacturers (JAPM), JFDA, and firms by conducting the 2nd Bio Equivalence Conference for Evaluation of Bioequivalence Studies				x
Increase capacity within the Information Technology Association – Jordan (INT@J) to develop strategies/action plans and deliver key projects related to their mandate, including the National ICT strategy			x	
Maximize economic benefits resulting from increased emissions trading through a national carbon trading action plan	x			
Promote the development of the Agricultural Product Map of Jordan and train the farmers and exporters to use it	x			
Provide support for firms in renewable energy sector	x			

Activity	Completed	Cancelled	Planned	Partially completed
Support hosting of international conference on hospital management and medical tourism				x
Support implementation of national marketing and promotional plan (public awareness campaign)				x
Support the A and E business council's efforts to introduce green buildings into Jordan	x			
Support the establishment of a production center to collect, process, and market dairy products				x
Upgrade infrastructure for the packaging sector to provide better services and products	x			
Work with an international market research firm in conjunction with Department of Statistics to produce an ICT Sector yearbook				x
Assist municipalities in developing specific priorities and strategies and working with them to implement economic initiatives with local economic stake holders within the priority sectors; and provide technical assistance for municipalities				x
Assist the society in preparing their biannual conference				x
Enhance the competitiveness of pomegranate producers through a national campaign	x			
Increase awareness of national competitiveness	x			
Support study and affiliation tour for Jordan Medical Council board member and staff to explore best practices in physicians' credentialing and initiate affiliation with potential U.S. partners			x	
Assist municipalities in developing specific priorities and strategies and working with them to implement economic initiatives with local economic stake holders within the priority sectors; and provide technical assistance for municipalities	x			
Building local stakeholders' capacity to produce and operate their projects (training unit and herbs)			x	
Conduct a feasibility study to establish a central bakery			x	
Create and manage Arabic digital content				x

Activity	Completed	Cancelled	Planned	Partially completed
Design, build, and deploy a joint program with int@j to certify local ICT companies against applicable elements of the Software Engineering Institute's Capability Maturity Model Integration project				x
Develop a feasibility study to assist investors with establishment of an industrial firm in Karak		x		
Engage BPO sector stakeholders in market development strategic assessment, profiling, and consensus on differentiated positioning of Jordan in the Global BPO marketplace. Leverage international network in creation of BPO service provider or client demand opportunities in Jordan.				x
Enhance handling management systems for engineering products manufacturers	x			
Improve communication and service delivery skills of medical and supporting staff in hospitals		x		
Improve the capability of Jordanian researchers in proposal writing				x
Improve the capability of Jordanian researchers in research and development commercialization				x
Develop a LED media and outreach campaign to improve awareness across the regions	x			
Enhance published industrial magazines	x			
Increase the number of networking opportunities for professionals in the light manufacturing industry	x			
Increased efficiency of ICT as a representation of local industries				x
Provide component, solution or sector project management oversight	x			
Component, solution or sector project management oversight				x
Operational budget				x
Provide component, solution or sector project management oversight				
Subtotal for 2009	36	19	10	39
Subtotal for 2008⁸	26	34	9	16
Grand Total	62	53	19	55

⁸ Totals are provided from information in appendix IV.

SABEQ PROJECT GRANTS

1	AIESEC (Association Internationale des Étudiants en Sciences Économiques et Commerciales)	\$103,713
2	Al al-Bayt University	\$48,729
3	Al Huson University	\$144,379
4	Business and Professional Women Association	\$111,175
5	Bani Kinana Women Association	\$58,2623
6	EAM	\$190,751
7	Events Unlimited	\$16,737
8	Excellence INC	\$20,904
9	Garment Design and Service Center	\$65,244
10	Hammamat Qusaib	\$30,720
11	Int@j (Information Technology Association – Jordan)	\$393,226
12	Irbid Chamber of Commerce	\$90,819
13	Jordan Exporters and Producers of Fruit and Vegetables	\$61,059
14	Jordan Exporters Association	\$49,847
15	Jordan Forum for Business and Professional Women	\$130,349
16	Jordan Furniture Exporters and Manufacturers Association	\$13,746
17	Jordan Garment Accessories and Textile Association	\$55,954
18	Jordan Hashemite Fund for Human Development	\$36,707
19	Jordan University for Science and Technology	\$69,350
20	JIPA (Jordan Intellectual Property Association)	\$82,074
21	Jordan National Forum for Women	\$6,953
22	Jordan Olive Products Exports Association	\$7,062
23	Jordan Society for Quality	\$24,979
24	Jordan Society for Scientific Research	\$9,887
25	Jordan Stone and Marble Exporter Association	\$54,408
26	Jordan Association for Pharmaceutical Manufacturers	\$122,194
27	Jordan Cultural Association for Development of Laws	\$5,653
28	Jordanian Nursing Council	\$9,811
29	Karak Sheep Breeding Association	\$124,859
30	King Abdullah Center for Excellence	\$56,682
31	Manshiat Abu Hammour	\$100,000
32	Mutaa University	\$38,136
33	National Energy Research Center	\$100,282
34	North Shouneh Association	\$30,261
35	Pioneer Road Event Management Company	\$23,249
36	Private Hospital Association	\$53,333
37	Queen Rania Center for Entrepreneurship	\$4,449
38	Shabakat Al Ordon	\$40,113
39	Shafa Al Khair Association	\$115,763
40	Jordanian American Business Association	\$9,294
41	University of Jordan	\$19,774
42	Young Entrepreneurship Association	\$66,000
43	YWCA (Young Women's Christian Organization)	\$27,300
	Grand Total	\$2,824,189

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave., NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig