



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST BANK AND GAZA'S PEACE AND RECONCILIATION PROGRAM

AUDIT REPORT NO. 6-294-13-016-P
September 15, 2013

CAIRO, EGYPT



Office of Inspector General

September 15, 2013

MEMORANDUM

TO: USAID/West Bank and Gaza Acting Director Jonathan Kamin

FROM: Acting Regional Inspector General/Cairo, David Thomanek /s/

SUBJECT: Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program
(Report No. 6-294-13-016-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and included them, without attachments, in Appendix II. The final report includes seven recommendations to improve the management of USAID/West Bank and Gaza's Peace and Reconciliation Program. Based on management's comments on the draft report and other information provided, we acknowledge that the mission made management decisions on all seven recommendations. The mission completed final action on Recommendation 7, which will be closed upon the issuance of this report.

Please provide the Audit Performance and Compliance Division with the necessary documentation to achieve final action on Recommendations 1, 2, 3, 4, 5, and 6.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

CONTENTS

Summary of Results	1
Audit Findings	4
Mission Did Not Follow Conflict Management and Mitigation Guidance at Program Level	4
Some Implementers Lacked Capacity	6
Some Reported Data Were Not Accurate	8
Weakness Was Identified in Access Controls to Mission’s Data Reporting System.....	10
Evaluation of Management Comments	12
Appendix I—Scope and Methodology	14
Appendix II—Management Comments	16

Abbreviations

The following abbreviations appear in this report:

APS	annual program statement
AOR	agreement officer’s representative
CMM	conflict mitigation and management
DCHA	Bureau for Democracy, Conflict, and Humanitarian Assistance
FY	fiscal year
Geo-MIS	USAID/West Bank and Gaza data reporting system
NGO	nongovernmental organization
RIG	Regional Inspector General

SUMMARY OF RESULTS

USAID/West Bank and Gaza's Peace and Reconciliation Program is part of a worldwide effort to support a "people-to-people"¹ conflict mitigation and reconciliation process between Israelis and Palestinians. The program's goal is to improve mutual understanding and dialogue on areas of common concerns to ultimately address and resolve the root causes of conflict. The mission implements this program through a number of awards with U.S. and local organizations that address conflict management and mitigation (CMM).

According to USAID and the State Department, CMM awards are part of a congressionally mandated effort. Since the program's inception in 2004, USAID/West Bank and Gaza and the U.S. Embassy in Tel Aviv, Israel have given 55 awards for Israel and the West Bank and Gaza. According to mission records, it had 22 active awards totaling \$20.3 million and disbursed \$10 million as of March 31, 2013.

The Regional Inspector General/Cairo (RIG/Cairo) conducted this audit as part of its fiscal year (FY) 2013 audit plan to determine whether USAID/West Bank and Gaza's Peace and Reconciliation program is achieving its main goals of bringing together people of different ethnic, religious, or political backgrounds and providing them with opportunities to address issues, reconcile differences, promote greater understanding and mutual trust, and work on common goals.

The audit found that the program was successful in bringing people from opposite sides to discuss and work on common goals. Furthermore, most implementers commented that the agreement officer's representatives (AORs) provided guidance on data reporting and technical assistance in implementing their activities. The mission also provided numerous training and support services to help them develop reporting practices and financial management systems specific to USAID requirements.

The implementers of the Peace and Reconciliation Program achieved the following noteworthy successes.

- The residents of Battir Village in West Bank, the Nature and Parks Authority in Israel, and Friends of the Earth Middle East filed a joint petition to the Israeli High Court of Justice to stop the construction of a separation barrier on a potential UN Educational, Scientific and Cultural Organization (UNESCO) World Heritage site in Nahal Refaim Valley, West Bank. Their action led the court to issue an interim injunction to halt construction until the Israeli Ministry of Defense could justify why it had not nullified or reconfigured the barrier's route to preserve the site so the Battir Village residents can continue to use their ancient agricultural system.
- The first joint policy commission of the Israeli and Palestinian Olive Oil Councils and the Israeli Crossing Authority was formed under the Olive Oil without Borders program implemented by Near East Foundation. It facilitated \$1.2 million in shipments of olive oil from

¹ According to USAID guidance, "people-to-people" conflict resolution entails bringing together representatives of conflicting groups to interact. This type of work addresses divisions within a community that may be rooted in group differences such as ethnicity or religion.

West Bank into Israel in February 2013. This effort resulted in a groundbreaking agreement that allowed the oil to be traded between Israel and West Bank.

- While participating in the Creating Change Agents program implemented by American Friends of Neve Shalom/Wahad al-Salam, one person advocated a law to allow a fair representation of Arabs and Christians in government offices and later prepared a successful appeal for stopping the passage of a bill that would give employment preference to military veterans in Israel. Had the proposed legislation passed, it would have reduced opportunities for Arabs and Christians to get jobs in the Israeli Government.
- In 2010 the Jerusalem All-Stars, a team made up of Palestinian and Israeli girls aged 12 to 17, competed in Israel's National Youth League. It was the first integrated team from East and West Jerusalem to participate in the league. Now 3 years later, the All-Stars, a component of the USAID-supported Twinned Basketball Clubs program implemented by Peace Players International, has become a permanent presence in the league.
- Friends of the Earth Middle East worked with schoolchildren in an ecological garden, shown below in the photo on the left. Students learned about water reuse and how to use raw materials to make useable products such as soaps and oils, shown in the photo on the right. The participants then sold the products to the local community.



USAID funds a program that helps children use plants they grow in a special garden to make products they can sell. (Photos by RIG/Cairo, May 9, 2013)

Despite these successes, the mission lacked data to determine whether the program was making progress toward reconciling differences and promoting greater understanding and mutual trust. The mission began measuring changes in perception; however, only 12 of 22 implementers had this indicator in their performance management plans, and, as of May 2013, only 3 of those 12 had reported results.

For example, Parents Circle-Families Forum, an organization of bereaved Palestinians and Israelis who promote reconciliation as an alternative to hate and revenge, implemented a program called “Where Parallel Lines Meet,” supporting three groups—social activists, media people, and educators—that share stories. Program participants showed an increase of 87 percent in positive perception of the other side. While this one instance shows that

perceptions were changed, it alone is not sufficient to state that all activities were having the same influence.

The audit found that because the mission did not fully follow CMM guidance at the program level, it did not have a way to assess the impact that this program has had on resolving or mitigating issues of conflict, or changing people's perceptions (page 4). We also identified the following areas in the program that need strengthening.

- Some organizations lacked capacity to implement programs (page 6). Weak capacity resulted in significant data reporting problems and hindered implementers' ability to focus on program implementation.
- Some reported data were not accurate (page 8). Consequently, the mission cannot make informed decisions about the program and might not be allocating resources efficiently.
- A weakness was identified in access controls to the mission's data reporting system (page 10). Weak access controls resulted in increased risk of data manipulation and decreased data reliability.

To improve the Peace and Reconciliation Program's effectiveness, the audit recommends that USAID/West Bank and Gaza:

1. Implement procedures describing how it intends to incorporate the conflict and mitigation management guidance in its Peace and Reconciliation Program starting in FY 2014 (page 6).
2. Implement its plan to hire an accounting firm to conduct and follow up on preaward surveys and build the financial capacity of organizations (page 8).
3. Implement a capacity-building plan for the implementers of its Peace and Reconciliation Program (page 8).
4. Implement and document mission-specific procedures that include (1) requiring AORs to perform and document reviews of reported results in the mission's data reporting system, and (2) periodically validating their compliance with these procedures (page 10).
5. Issue guidance to implementers on how to calculate reported results for the program's indicators (page 10).
6. Coordinate with the implementers of the Peace and Reconciliation Program to correct errors in data reported in Geo-MIS data reporting system (page 10).
7. Review access rights for implementers within the mission's data reporting system and restrict access to the prior year's data (page 11).

Detailed findings appear in the following section, and Appendix I contains information on the audit's scope and methodology. Management comments are included, without attachments, in Appendix II.

AUDIT FINDINGS

USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) has issued guidance on how to implement conflict mitigation programs. In September 2005 the bureau issued a CMM policy, which states that all USAID operating units are expected to consider how the proposed activities would address the causes and consequences of the conflict. The policy also refers to tools that DCHA developed to provide technical officers with guidance on incorporating conflict sensitivity into program designs, such as best practices, monitoring and evaluation methods, and indicators.

In June 2010 USAID issued additional guidance in *The Theories of Change and Indicator Development in Conflict Management and Mitigation*. This report explains the connection between a conflict assessment and a theory of change. An assessment provides "an understanding of the dynamics that may, given particular catalysts, lead to or prevent violent conflict." After the mission has developed or identified an assessment, the report suggests developing a theory of change to document expectations of how an intervention could change the conflict. Program managers can then use the theory of change to design indicators that measure changes.

In March 2013—before the mission began soliciting for FY 2013 awards—the Agency published *Theories and Indicators of Change*, which gave missions more guidance on developing theories of change. It suggests they perform a seven-step process to manage a CMM program: (1) conduct a conflict analysis identifying the causes of conflict, (2) identify the causes of conflict the program will address, (3) identify the program's goals, (4) develop the program's approach, (5) document the theory(ies) of change for the program, (6) assess the theory(ies) of change, and (7) monitor and evaluate outcomes and impacts. The report states that each step could be repeated as conditions change and the mission obtains data on the results and impact of the program.

In implementing its Peace and Reconciliation Program, the mission did not fully consider the best practices and suggested tools in the available CMM guidelines. Nor did it document the steps suggested in the June 2010 guidelines when developing the CMM program: conducting a conflict analysis, developing a theory of change, and designing indicators that would measure the changes. Instead, it required the potential implementers to complete these tasks for individual activities within their respective programs.

We reviewed seven proposals that the mission awarded to local nongovernmental organizations (NGOs) to determine whether they appropriately addressed the causes of conflict and theories of change. Two proposals did not address the cause of the conflict, and two others did not include theories of change on how to resolve conflict. One proposal had a theory of change but did not have a conflict analysis, which made it unclear what the program was targeting.

Starting in FY 2010, the mission adapted USAID/DCHA's annual program statement (APS)² to implement its own Peace and Reconciliation Program. It then began modifying the program to include certain target areas. Beginning in FY 2011, it revised the APS to focus on youth and small grants. For FY 2012, the mission added focus on gender, the disabled, and issues of

² USAID uses APSs to generate competition for awards when it intends to support a variety of approaches toward developing methods to assess and implement development objective activities.

common concerns for Israelis, Palestinians, and Jordanians. For FY 2013, the APS included emphasis on regionalization³ of the program.

However, the mission did not formally document why it made these changes to the APS and did not follow the suggested guidelines issued in 2005 and 2010. Mission officials could only provide the audit team with informal documents—e-mails and minutes from meetings—about the events that led to the changes. None of this information addressed the types of conflicts that the mission wanted to mitigate or the types of changes that it expected to see from the program activities.

Members of the mission's CMM team said they did not document the adaptations formally because they considered themselves as part of the global DCHA program and therefore adapted elements of the larger program. A DCHA official whom the mission consulted about this finding wrote, "The Reconciliation Fund is a congressional directive which specifies that funding is to support people-to-people reconciliation programs which bring together individuals of different ethnic, religious and political backgrounds from areas of civil strife and war. In this way, Congress has legislated the Reconciliation Fund's theory of change, making further conflict analysis unnecessary and superfluous."

As a result of not conducting the suggested analysis and developing the theory of change, the mission struggled to design indicators to measure changes. For example, it had difficulty measuring the program's overall impact on changing people's perceptions. The mission began using an indicator in FY 2012 for this purpose, but three partners interviewed questioned its usefulness. Two said it was not possible to measure permanent change in perception for short-term programs like those in the CMM portfolio that range from 18 months to 3 years. The third partner said the new indicator was not comprehensive enough to measure the outcome of the program.

Of the 22 implementing partners active as of March 31, 2013, 12 were measuring perceptions as part of their performance management plans. However, only three had reported data to USAID/West Bank and Gaza. Furthermore, by requiring implementers instead of the mission to assess the causes of conflict, develop theories of change, and develop performance indicators on their own, there was no consensus on what the causes of conflict were or how to address them—especially considering some of the NGOs' lack of capacity (discussed in the next finding).

Finally, the mission's process results in a variety of activities being implemented without a clear focus on the root causes of conflict. It is not clear whether this broad approach is effective. The program office commented that the legislative requirement was only for a people-to-people approach; however, this requirement does not prevent the mission from implementing a more focused people-to-people approach—for example, focusing on economic growth in a geographical area.

If the mission had completed its own conflict analysis at the program level and developed a theory of change, and indicators—as the guidance suggest—it could have more assurance that the Peace and Reconciliation Program targeted the correct causes of conflict. Furthermore, the mission would be in a better position to make programmatic changes as indicator results become available. This process should help the mission validate that the portfolio is on the right

³ The 2013 APS was regional in scope, thus allowing applicants to focus on issues common to four groups: Israeli Arabs and Jews, Palestinians, and citizens of other Middle Eastern countries.

track as well as provide an opportunity to develop a more comprehensive set of indicators. The same DCHA official also agreed that some elements of the guidelines are relevant and should be incorporated, if feasible, at the program level. Therefore, we make the following recommendation.

Recommendation 1. *We recommend that USAID/West Bank and Gaza implement procedures describing how it intends to incorporate the conflict and mitigation management guidance in its Peace and Reconciliation Program starting in fiscal year 2014.*

Some Implementers Lacked Capacity

One of USAID’s worldwide initiatives is to promote sustainable development by supporting local partners that can assist with program implementation and build the capacity of smaller, grassroots organizations. To help develop capacity, USAID recommended that missions use organizational capacity assessments to help partners assess their capacity and use the assessments as monitoring and planning tools to improve.

USAID/West Bank and Gaza sought to support local organizations, work with new partners, and build the capacity of local organizations to manage U.S. Government awards through the Peace and Reconciliation Program. In an effort to implement USAID’s initiative, the mission issued the 2011 and 2012 APSs requiring sustainable local organizations to promote, strengthen, and support activities after awards have ended.

As shown in the table below and on the next page, 10 of the 11 implementers reviewed lacked capacity in one or more of the following areas: financial management, program data management, and/or USAID reporting requirements. For example, the staff for one local partner struggled to submit their November-December 2012 invoices in a timely manner because they did not have accounting policies and procedures, and turnover was high. Moreover, the implementer did not submit any payment requests to USAID/West Bank and Gaza for at least 5 months because the director wanted to be certain that the organization’s financial records were in order. Another nine implementers had data management problems or reporting difficulties such as getting field staff to use and submit attendance sheets for events. Seven implementers had problems complying with USAID’s data reporting requirements; two used their own reporting periods (e.g. July 2011 to June 2012) instead of USAID’s fiscal year, and one did not enter any data for its customized indicators into the mission’s information system for fiscal years 2011 and 2012.

Table 1. Implementers With Capacity Problems (Audited)

Agreement Number	Financial management problems identified?	Data management problems identified?	Reporting problems identified?
294-G-12-00002	No	No	No
294-A-11-00007	Yes	Yes	Yes
294-A-11-00018-00	N/A	Yes	No
294-A-00-10-00108-00	Yes	Yes	Yes
294-A-11-00005	No	Yes	No
294-A-00-10-00113-00	No	Yes	Yes
294-A-00-10-00109-00	N/A	No	No
294-A-12-00002	No	Yes	Yes

Agreement Number	Financial management problems identified?	Data management problems identified?	Reporting problems identified?
294-A-11-00011	No	Yes	Yes
294-A-00-10-00206-00	No	Yes	Yes
294-A-11-00010	No	Yes	Yes
Total	2	9	7

Nearly half the implementers interviewed also reported challenges learning and complying with USAID rules and regulations. Their employees said this added a substantial burden, unlike other international donors they worked with. One project director said that during the first year, the employees were familiarizing themselves with USAID rules and regulations and did not start focusing on implementing their program until the second year.

The mission struggled to develop implementers' capacity to manage U.S. Government awards because (1) mission officials and implementers did not take appropriate action to close preaward recommendations in a timely manner, and (2) AORs did not use an organizational capacity assessment tool for its partners.

Preaward Recommendations. The mission uses a preaward survey to examine a prospective implementer's systems to determine whether it has the organization, experience, accounting and operational controls, and technical skills necessary to achieve a program's objectives. Types of preaward recommendations include segregating accounting and procurement duties, developing written policies and procedures for budgeting, and creating travel authorization forms and expense reports. In general, the mission required implementers to address all preaward recommendations within 60 to 90 days after an award was signed, which the mission's financial management office would verify within 90 days afterward. One agreement stipulated that failure to implement these recommendations could result in suspension or termination of the award.

As of May 2013, four of five new USAID implementers had not closed all identified preaward recommendations. Thirty-seven of 66 (56 percent) recommendations remained open for more than 18 months, and the mission closed others without obtaining supporting documentation to confirm that corrective action was taken.

The mission was delayed in ensuring that implementers closed recommendations because Congress put a hold on the mission's FY 2012 funding, which prevented it from renewing a purchase order with a local accounting firm that expired in September 2012. The firm helped the mission conduct and follow up on preaward surveys and also built implementers' financial capacities. In lieu of using the accounting firm, three employees from the mission's financial management team had to follow up on preaward surveys.

As a result, the mission could not be certain that the new implementers addressed the preaward recommendations within the required time frames. Meanwhile, implementers continued to carry out program activities while waiting for USAID's formal follow-up and verification that they had addressed the recommendations appropriately. During this time, the financial management office gave informal assistance to the implementers regularly to answer questions.

Organizational Capacity Assessments. The AORs did not use the organizational capacity assessment tool that the Agency recommends for developing local partners' capacities because they did not know about it. Although the mission made efforts to train implementer staff on USAID performance, vetting, and financial requirements, there was no evidence that periodic

organizational capacity assessments were conducted to give the partner a summary of its overall capacity, how operations can improve, and to serve as the basis for an action plan to address shortcomings identified in the assessment.

The implementers' challenges in complying with USAID's rules and regulations hindered their ability to focus on program implementation. Moreover, weak capacity resulted in significant data reporting problems, as described in more detail in a subsequent finding, and problems during financial audits. Using local capacity development tools may help improve the efficiency of the local organizations' operations and promote stronger partnerships with USAID and other donors. USAID/West Bank and Gaza officials said they are in the process of hiring an accounting firm to follow up on the preaward surveys and build the financial capacity of the implementers. However, we make the following recommendations.

Recommendation 2. We recommend USAID/West Bank and Gaza implement its plan to hire an accounting firm to conduct and follow up on preaward surveys and build the financial capacity of organizations.

Recommendation 3. We recommend USAID/West Bank and Gaza implement a capacity-building plan for the implementers of its Peace and Reconciliation Program.

Some Reported Data Were Not Accurate

USAID Automated Directives System 203.3.11.1 states that performance data should be sufficiently precise to present a fair picture of performance, to enable management to make decisions, and to reflect stable, consistent data collection processes over time. Further, high-quality data form the cornerstone for making decisions and should meet five quality standards: validity, integrity, precision, reliability, and timeliness. Data should be valid to represent the intended results clearly and adequately, and they should be reliable to reflect a stable, consistent collection process so management can analyze the data over time.

Some of the reported data for the Peace and Reconciliation Program in USAID/West Bank and Gaza's data reporting system (Geo-MIS) were not reliable for 7 of the 10 implementers reviewed. We judgmentally selected 11 out of 22 active implementing partners to test. One partner was not required to report its activity results for any performance indicators in Geo-MIS because it was reporting against specific milestones and deliverables; so we reviewed only 10.

We tested their data for two performance plan and report indicators, and found that data reported in Geo-MIS for seven were not accurate. There were major differences between the number of events and participants reported and the actual number supported by source documentation, such as event attendance sheets. The table on the next page summarizes the discrepancies for the indicators reviewed.

Table 2. Discrepancies for Performance Indicators Reviewed (Audited)

Indicator Name	Accumulated Reported Result	Accumulated Actual Result	Percentage Difference
<i>Number of USG [U.S. Government]-supported events</i>	1,954	1,670	15
<i>Number of people participating in USG-supported events</i>	7,549	5,640	25

Inaccurate results occurred because of (1) inconsistencies in how partners calculated results, (2) insufficient supporting documentation for reported results, (3) lack of validation by the AORs, and (4) incorrect reporting periods used.

Inconsistencies in Calculated Results. For *Number of USG-supported events*, one implementer counted the number of communities that participated in cross-border events instead of counting each cross-border event. Partners did not follow the same methodology when counting and reporting the number of participants who completed workshop sessions or training. For example, one implementer said it would report the number of participants who attended the majority of training sessions. However, when asked what the majority meant, the partner replied it was common sense but could not define criteria used. In contrast, another implementer used a 70 percent attendance rate as evidence of participation being completed, and another implementer included participants in the data count if they attended either two out of three, or more than one of six sessions of a workshop or training activity.

Insufficient Supporting Documentation. Four of 10 implementers could not provide sufficient documentation to support their reported data for the two indicators tested. One implementer could provide only a summary tracking sheet of the events and participants to support the data reported in the first 18 months of the program. Three implementers could not provide attendance sheets to support the number of participants attending activities; instead, they used participant lists or estimations as support.

Lack of AOR Validation of Results. As stated in the AOR's designation letter, the AOR is responsible for making sure implementers comply with reporting requirements in Geo-MIS for data accuracy, relevance, and timeliness, using proper validation and quality control tools. Although the designation letter does not explicitly state that the AOR is required to conduct periodic site visits, it specifies that an AOR must maintain adequate work files so any subsequent AOR can understand historical actions taken and justification for those actions, as well as for audit purposes.

According to most of the implementers and AORs, while AORs conducted office site visits, they seldom spot-checked the reported data by comparing them to supporting documents. This significantly affected one of the implementers because the director said the staff did not know they were collecting information incorrectly until 7 months into the program when a team from the mission came to review their data. The implementer had to redo the way it collected and reported data.

Incorrect Time Period Used. Two of 10 implementers used reporting periods different from USAID's October-to-September fiscal year. Some used their organizational fiscal year cycle from July to June, which distorted the actual results that should have been reported. No one from the mission had informed them otherwise.

Because of these inconsistencies, the mission cannot make informed decisions about the program and might not be allocating resources efficiently. Reporting accurate program results in Geo-MIS is important because they are aggregated as part of reported results for USAID/West Bank and Gaza's democracy governance office and the mission as a whole, and the data are used to respond to requests from various sources. To address these issues, we make the following recommendations.

Recommendation 4. *We recommend that USAID/West Bank and Gaza implement and document mission-specific procedures that include (1) requiring agreement officer's representatives to perform and document reviews of reported results in the mission's data reporting system, and (2) periodically validating agreement officer's representatives' compliance with these procedures.*

Recommendation 5. *We recommend that USAID/West Bank and Gaza issue guidance to implementers on how to calculate reported results for the program's indicators.*

Recommendation 6. *We recommend that USAID/West Bank and Gaza coordinate with the implementers of the Peace and Reconciliation Program to correct errors in data reported in Geo-MIS data reporting system and document the results.*

Weakness Was Identified in Access Controls to Mission's Data Reporting System

USAID/West Bank and Gaza uses a Geo-MIS system as a monitoring, oversight, and reporting tool. The system helps the mission monitor its activities by knowing who is doing what and where, while tracking achievements by governorate, sector, and program. It also gives first-hand information to the mission personnel who, in many cases, are restricted in their ability to visit sites because of security reasons.

According to the mission, only the system administrator for its Geo-MIS has authority to revise reported results and planned targets on program activities from the past year. These controls align with the National Institute of Science and Technology Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*, which states that government agencies should use the principle of least privilege—giving users access to only what they need to do their work in accordance with organizational missions and business functions.

However, during audit fieldwork we verified that 4 of the 10 implementers could access the Geo-MIS to modify the prior year's targets and actual results. Mission officials said that during a May 2013 upgrade and deployment of a new version of the Geo-MIS, they turned off one of the system controls that prohibit partners from modifying prior year data. This was done to complete the data migration process. During the interim period, the mission did not expect implementers to access the system and modify prior year information. As a result, mission officials did not know that implementers had accessed the data until the audit team brought it to their attention.

Weak access controls increase risk of data manipulation and decrease data reliability. Because of the incorrect data reported for its program performance (described on page 8), the mission may not know whether it is meeting USAID's developmental objectives in the region. To secure data integrity of the performance results of mission programs, we make the following

recommendation.

Recommendation 7. We recommend that USAID/West Bank and Gaza review access rights for implementers within the mission's data reporting system and restrict their access to the prior year's data.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/West Bank and Gaza agreed with all seven recommendations. We have acknowledged management decisions on all recommendations, and final action was taken on Recommendation 7. A detailed evaluation of management comments follows.

Recommendation 1. The mission agreed to implement procedures describing how it intends to incorporate the CMM guidance in its Peace and Reconciliation Program starting in FY 2014. It will work closely with DCHA/CMM to examine the theoretical framework of the Conflict Assessment Framework 2.0 in relation to the Israeli-Palestinian conflict, and determine how the mission can best enhance the current framework based on congressional intent, availability of resources, and the current political situation. The mission plans to complete this by December 31, 2013. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken when the mission completes its analysis to identify additional refinements, potential impact indicators, and a more focused approach to address the compliance of people-to-people activities with the elements of the Conflict Assessment Framework 2.0 that are most salient to the conflict and design of the FY 2014 solicitation.

Recommendation 2. The mission agreed to hire an accounting firm to conduct and follow up on preaward surveys and build the financial capacity of organizations. By September 30, 2013, it will procure the services of one or more of the five local RIG/Cairo-approved certified public accounting firms to conduct and follow up on pre-award surveys of prospective CMM implementing partners as identified by the Office of Democracy and Governance. The firm will follow up with the implementing partner within 90 days of signing the award to ensure the adequacy and sustainability of corrective actions taken on material weaknesses. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken when the mission procures services to conduct and follow up on a preaward survey of implementers.

Recommendation 3. The mission agreed to implement a capacity-building plan for the implementers of its Peace and Reconciliation Program. By December 31, 2013, it will examine the organizational capacity assessment tool that the Agency recommends for augmenting local partners' capacities as relevant to the USAID/West Bank and Gaza program, based on the availability of resources, and submit a capacity-building plan. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken when the mission submits the capacity-building plan.

Recommendation 4. The mission agreed to implement and document mission-specific procedures to require AORs to perform and document reviews of reported results in the mission's data reporting system, and periodically validate AORs' compliance with these procedures. The mission stated that Geo-MIS now requires AORs to certify all information related to CMM activities and performance indicators that are uploaded by implementing partners. These procedures will be implemented fully in FY 2014, after data errors are

corrected, as described in the mission's response to Recommendation 6 below. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken by October 31, 2013, when the mission completes its corrective actions on Recommendation 6.

Recommendation 5. The mission agreed to issue guidance to implementers on how to calculate reported results for the program's indicators. This mission is working on clearly defining indicators, beneficiaries, and data counting methods. It will revise the performance indicators' reference sheets accordingly and upload them to the Geo-MIS system by September 10, 2013. The mission plans to provide a training session on the new guidance to all CMM partners on September 17, 2013. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken when the mission completes the training session.

Recommendation 6. The mission agreed to coordinate with the implementers of the Peace and Reconciliation Program to correct errors in data reported in Geo-MIS data reporting system. The mission will work with all current CMM implementing partners based on newly issued guidance (stated in mission's response to Recommendation 5). The mission's corrective actions on this recommendation will be completed by October 31, 2013. Based on the mission's supporting documentation and action plan, we acknowledge that the mission has made a management decision. Final action will be taken when the mission completes the corrective actions.

Recommendation 7. The mission agreed with and completed its review of access rights for implementers within the data reporting system. The mission completed this action on May 31, 2013. The upgraded Geo-MIS system restricts implementing partners' access to change or modify prior years' data without the mission's approval. Based on the mission's actions and supporting documentation provided, we acknowledge that the mission has made a management decision and final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/West Bank and Gaza's Peace and Reconciliation Program was achieving its main goals of bringing together people of different ethnic, religious, or political backgrounds, and providing them with opportunities to address issues, reconcile differences, promote greater understanding and mutual trust, and work on common goals. As of March 31, 2013, the mission had 22 active awards funded through 21 cooperative agreements and 1 fixed obligation grant. As of this date, the mission had obligated \$20.3 million and disbursed \$10 million for these awards. Because this audit focused on program performance instead of specific financial transactions, the team did not audit the disbursements.

The audit covered awards active as of March 31, 2013. In planning and performing the audit, we assessed management controls related to documentation and data verification; reporting; supervisory and management review of program processes and activities; program performance management plans; and establishment and review of performance measures and indicators. We assessed the following significant controls: performance monitoring, internal controls at recipient organizations, financial management, and partner vetting.

We conducted fieldwork from May 7 to June 12, 2013, at the USAID/West Bank and Gaza mission in Tel Aviv and at recipient organizations located throughout Israel and the West Bank. We also visited seven program activities located in Israel and the West Bank.

Methodology

To answer the audit objective, we first identified the program's main goals and significant risks. We met with key personnel at the mission and reviewed relevant documentation provided throughout the audit. We gained an understanding of the program design and of how USAID planned to monitor and measure the results.

We reviewed USAID/West Bank and Gaza's and implementing partners' compliance with Executive Order 13224, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism," and with USAID/West Bank and Gaza Mission Order No. 21, "Anti-Terrorism Procedures" through sample testing. Our antiterrorism compliance testing included reviews of relevant documentation, such as USAID/West Bank and Gaza's cooperative agreements, event sign-in sheets, and training agendas. We tested a sample of organizations and individuals to verify that the mission vetted institutions and trainees to verify that they met the antiterrorism criteria. Since this was not a random sample, we did not project the results to the total population of activities. We also interviewed the USAID/West Bank and Gaza vetting specialists.

To verify reported results, we used judgmental sampling to select 11 projects for testing due to limited audit resources and the large number of agreements under the program. Because of this sampling method used, we could not project the testing results to the intended population. We interviewed the program directors for these projects and, if possible, observed ongoing program activities. We also traced reported results to the implementer's supporting documents. Based on the test performed we consider the data reliable, except for problems identified in the finding on page 8.

During site visits, we interviewed beneficiaries to gain an understanding of whether the program met their expectations and of their experiences in working with the implementing partner and USAID. We also observed and discussed the quality of training and workshops. Last, we asked beneficiaries about their change in perception because of the USAID-funded program.

The results and overall conclusions related to this testing were limited to the items tested and cannot be projected to the entire audit universe. However, we believe that our work provides a reasonable basis for our conclusions.

MANAGEMENT COMMENTS



UNCLASSIFIED

ACTION MEMORANDUM

DATE: September 3, 2013

TO: Regional Inspector General, Cairo, Catherine Trujillo

FROM: Acting Mission Director, USAID West Bank and Gaza, Jonathan T. Kamin/s/

THROUGH: Acting Deputy Mission Director, Brian Carney/s/

SUBJECT: Mission's Comments on the Draft Performance Audit Report of the USAID/West Bank and Gaza's Peace and Reconciliation Program.

Draft Audit Report No. 6-294-13-XXX-P received on July 30, 2013

REFERENCE: Trujillo/Harden memorandum dated July 30, 2013

USAID West Bank and Gaza (USAID/WBG) wishes to thank the Regional Inspector General/Cairo (RIG) for conducting the referenced performance audit of the USAID/West Bank and Gaza's Peace and Reconciliation Program. The subject draft audit report has been thoroughly reviewed by the Democracy and Governance Office in collaboration with other offices of the Mission.

We concur with each of the seven audit report's recommendations and either have a plan to respond to each by a date certain or have already taken action. The Mission appreciates this opportunity to comment on the draft audit report and the seven recommendations therein as the RIG prepares the final report. Peace building in the Middle East has never been a simple task; the prolonged absence of a viable peace process, combined with regional volatility in the wake of the "Arab Spring" have inspired Israeli and Palestinian societies to turn inward and away from bilateral engagement. People-to-people initiatives face emboldened opposition from ideological opponents of reconciliation, abetted by the apathy of silent majorities on both sides. Nonetheless, the Mission believes it has navigated well this challenging environment – managing a Congressional directive and achieving notable successes while partnering with organizations that are new to USAID. We have achieved consistently positive results with direct

participants and local communities, establishing promising foundations for broader social-structural impact over time.

USAID/West Bank and Gaza’s Peace and Reconciliation Program has been essential to sustaining a diverse and vibrant Israeli-Palestinian peace building sector. The program is creating the potential to scale up impact for further peace initiatives and building a cadre of partners with the capacity to effectively engage the broader Israeli and Palestinian populations in peace building. A newly completed independent assessment of the Mission’s CMM program noted “the Annual Program Statement selection criteria and grant making priorities developed by CMM and local USAID Mission staff reflect a sound analysis of current dynamics on the ground, in their emphases on linking intervention strategies to broader social-structural changes, framing bilateral interventions around common interests and shared problems, and on the synergy of uni-national and bi-national elements in program design.”⁴

USAID/WBG has proactively been working through a rigorous interagency management process to ensure that Israelis and Palestinians are engaged under the program in focused and meaningful people-to-people activities to effectively manage this Congressional directive. Despite numerous and growing demands, the CMM program continues to more effectively meet the Congressional intent through a new focus on youth, women in conflict, reaching out to smaller local organizations, and working on “issues of common interest.” As part of our continual desire to improve the portfolio’s performance, the Mission has also developed an impact indicator that is common to all activities and works with grantees to better assess the results of their activities.

In addition, the Congressional directive legislatively proscribes the “*people-to-people*” conflict mitigation approach for the Peace and Reconciliation Program. The Congressional directive states that funding is “to support people-to-people reconciliation programs which bring together individuals of different ethnic, religious and political backgrounds from areas of civil strife and war.” While the Mission, in accordance with Recommendation 1, will examine the theoretical framework of this program under DCHA’s Conflict Assessment Framework 2.0, we do believe that this explicit statement of Congressional intent articulates the theory of change underlying this directive. This Congressional directive directs USAID/WBG to use this well-known theory of people to people reconciliation in the implementation of our activities.⁵ Annual consultations by USAID/WBG and DCHA/CMM with Congressional staffers, as required by the appropriations legislation, have further emphasized that the intent of Congress is to support activities that are people-to-people in nature. Within this mandate, USAID/WBG has conducted extensive stakeholder discussions – with DCHA/CMM, Congressional staffers, the U.S. Embassy Tel Aviv, the Consulate General in Jerusalem as well as high-level conflict actors – to reach agreement on focusing past APS statements on youth, the disabled, regional actors, and “issues of mutual concern.”

⁴ Evaluative Learning Review: Field Study of USAID/Israel Annual Program Statement (APS) People-to-People Grants, Draft issued on June 2013 by Social Impact.

⁵ The theory is based on the Contact Hypothesis, also known as the Intergroup Contact Theory, which was first put forward by Gordon Allport in 1954.

To meet Congressional intent, the aim has always been to create safe opportunities for a broad variety of people-to-people interactions between conflicting groups to promote mutual understanding and empathy. USAID/WBG has therefore followed the methodology of relying on individual applicants to supply their own conflict analyses and distinct theories of change at the activity level. This is consistent with the current guidance stated in USAID/DCHA/CMM's Theories and Indicators of Change Primer (March 2013): "At USAID, a formal conflict assessment process often serves as the starting point for programming-oriented analysis, although frequently it is necessary to conduct additional analysis specific to the project or activity in question" (pg. 2)." The guidance further states that among the possible sources for a conflict assessment are "USAID's own partners in the country concerned" (pg. 5-6). This is the approach that CMM/DCHA has adopted for worldwide CMM programming, including choosing to utilize an APS format for the solicitation in order to elicit a variety of responses in which applicants can identify parameters specifically connected to local conflict dynamics as a means of helping program implementers select appropriate indicators of impact.

Therefore, in order to achieve significant and more focused results, and better measure the positive impact of the Peace and Reconciliation Program, the Mission looks forward to implementing the following audit recommendations.

Recommendation No. 1:

We recommend that USAID/West Bank and Gaza implement procedures describing how it intends to incorporate the conflict and mitigation management guidance in its Peace and Reconciliation Program starting in fiscal year 2014.

Response:

The Mission concurs with this recommendation and will work closely with DCHA/CMM in the lead up to the release of the FY 2014 APS to examine the theoretical framework of the Conflict Assessment Framework 2.0 in relation to the Israeli-Palestinian conflict and determine how it can best enhance the current framework based on Congressional intent, availability of resources and the current political situation as noted above. This will be completed by December 31, 2013 with the assistance of a DCHA/CMM TDY. The Mission's analysis will seek to identify further refinements, potential impact indicators, and a more focused approach to address the compliance of people-to-people activities with the elements of the Conflict Assessment Framework 2.0 that are most salient to the conflict and design of the FY2014 solicitation.

Recommendation No. 2:

We recommend USAID/West Bank and Gaza implement its plan to hire an accounting firm to conduct and follow up on pre-award surveys and build the financial capacity of organizations.

Response:

The Mission concurs with this recommendation. By September 30, 2013 the Mission will procure the services of one or more of the five local RIG/Cairo-approved certified public accounting (CPA) firms to conduct and follow-up on pre-award surveys of prospective CMM implementing partners as identified by the Office of Democracy and Governance. The CPA firm will follow-up with the implementing partner within 90 days of signing the award to ensure the adequacy and sustainability of corrective actions taken on material weaknesses.

Recommendation No. 3:

We recommend USAID/West Bank and Gaza implement a capacity-building plan for the implementers of its Peace and Reconciliation Program.

Response:

The Mission concurs with this recommendation. The goal of the CMM program is to support people to people reconciliation by bringing together individuals of different ethnic, religious or political backgrounds and providing them with opportunities to address issues, reconcile differences, promote greater understanding and mutual trust and work on common goals. In order to meet this Congressionally-directed goal, USAID/WBG is working to build the capacity of implementing partners to strengthen their ability to implement and meet CMM goals and USAID requirements. As such, the Mission, as mentioned in the audit report, is already engaging in capacity building on a limited scale through its training of implementing partners on compliance with USAID guidance, the vetting process, and financial management requirements. However, in order to improve upon our partner capacity building programming, USAID/WBG will examine the organizational capacity assessment tool that the Agency recommends for augmenting local partners' capacities as relevant to the USAID/WBG CMM program and based on the availability of resources and submit a capacity-building plan by December 31, 2013.

Recommendation No. 4:

We recommend that USAID/West Bank and Gaza implement and document mission-specific procedures that include (1) requiring agreement officer's representatives to perform and document reviews of reported results in the mission's data reporting system, and (2) periodically validating agreement officer's representatives' compliance with these procedures.

Response:

The Mission concurs with this recommendation and is already implementing these procedures. The Mission's GeoMIS system now requires Agreement Officer's Representatives certification for all uploaded information related to CMM activities and performance indicators. The system generates automatic reports on program activities on a monthly basis, and quarterly on performance indicators. These reports are sent to the Agreement Officer's Representatives. The Agreement Officer's Representatives have two weeks after receiving the reports to be in full compliance with the certification requirements. After the two weeks, if certification requirements are not fulfilled, the system notifies the Agreement Officer's Representatives' supervisors who will ensure compliance within an additional two weeks' time. These procedures will be implemented fully in FY 2014, after data errors are corrected, as described in Mission's response to recommendation No. 6 below.

Recommendation No. 5:

We recommend that USAID/West Bank and Gaza issue guidance to implementers on how to calculate reported results for the program's indicators.

Response:

The Mission concurs with this recommendation and is already working on clearly phrasing the definitions of indicators, beneficiaries, and data counting methodologies. The Performance Indicators Reference Sheets will be revised accordingly and uploaded to the GeoMIS system by September 10, 2013. Guidance including the new definitions will be distributed to all CMM partners, and a training session on this guidance will be conducted on September 17, 2013.

Recommendation No. 6:

We recommend that USAID/West Bank and Gaza coordinate with the implementers of the Peace and Reconciliation Program to correct errors in data reported in the Geo-MIS data reporting system and document the results.

Response:

The Mission concurs with this finding and will work with all CMM current implementing partners to correct data errors in the GeoMIS system based on newly issued guidance (see response to recommendation No. 5). On September 17, 2013 the Mission will train new implementing partners on this new guidance, and the Agreement Officer's Representative for each award will work with the implementing partner to correct data errors. The Mission's corrective actions on this recommendation will be completed by October 31, 2013.

Recommendation No. 7:

We recommend that USAID/West Bank and Gaza review access rights for implementers within the mission's data reporting system and restrict their access to the prior year's data.

Response:

The USAID/WBG Mission's corrective actions on this recommendation were completed on May 31, 2013. The new GeoMIS system restricts implementing partners' access to change or modify prior years' data without the Mission's approval. Please refer to attached screen shots from GeoMIS showing the limitation on accessing prior figures by implementers. The Mission requests to close this recommendation upon issuance.

USAID/West Bank and Gaza Mission Response to the Recommendations in the Draft Peace and Reconciliation Program.

August 20, 2013

Drafted by:

Joubran Joubran, Democracy and Governance Office

Cleared by:

Bradley Bessire, Democracy and Governance Office _____

Stephen Valdes, Regional Legal Advisor _____

Zema Semunegus, Program and Project Development Office _____

Chitahka Floore, Office of Contract Management _____

Charline Eastin, Office of Financial Management _____

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
<http://oig.usaid.gov>