OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PAKISTAN'S EDUCATION SECTOR REFORM ASSISTANCE PROGRAM

AUDIT REPORT NO. 5-391-08-004-P
MARCH 28, 2008

MANILA, PHILIPPINES

Office of Inspector General

March 28, 2008

MEMORANDUM

TO: USAID/Pakistan Mission Director, Anne Aarnes

FROM: Regional Inspector General/Manila, Catherine M. Trujillo /s/

SUBJECT: Audit of USAID/Pakistan's Education Sector Reform Assistance Program (Audit Report No. 5-391-08-004-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit which contains one recommendation. In finalizing the report, we considered your comments to the draft report and included the comments in appendix II.

The mission agreed with the one recommendation in the report but a management decision will not be reached until the mission has provided detailed supporting evidence as to how the funds under the school enhancement program were used. A determination of final action will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the corrective actions resulting from the mission's analysis.

Thanks to you and your staff for the cooperation and courtesy extended to us during the audit.

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SUMMARY OF RESULTS

USAID/Pakistan designed a 5-year Education Sector Reform Assistance (ESRA) program in support of the Government of Pakistan's education sector reform action plan.[1] USAID/Pakistan implemented this program through its cooperative agreement with Research Triangle Institute (RTI). The objective of the ESRA program was to provide knowledge, training, and infrastructure necessary to help officials and citizens develop high-quality education programs for girls and boys throughout Pakistan. Specifically, the program's initiatives focused on strengthening education sector policy and planning, comprehensive school improvement programs, teacher and school administrator training, youth and adult literacy, and public-private partnerships (see pages 3-4).

This audit could not determine whether USAID/Pakistan's ESRA program achieved intended results because the audit team could not rely on the mission's monitoring of the ESRA program or on RTI's reporting of the program's achievements against the targets. The mission did not support its approval of RTI's monitoring and evaluation plans and work plans and did not adequately oversee the program through site visits and maintenance of work files. In addition, the mission did not take appropriate followup actions stemming from program evaluations and did not require RTI to adhere to reporting requirements critical to monitoring the program performance. Therefore, the mission could not demonstrate ESRA program's accomplishments and attainment of targets. As a result, the audit team could not make an independent assessment of the overall program results and overall impact (see page 5).

RTI reported to USAID/Pakistan that it exceeded the targets for 10 of the 13 performance targets established for the ESRA program[2] (see appendix III, page 18). However, the mission could not support approval of RTI's reported targets or the means by which it monitored progress toward the targets. While the audit could not confirm the validity of the reported achievements due to the factors presented above, the audit observed and reviewed a number of reported tasks completed under the ESRA program. For example, the audit team observed the furniture, computer, books, and other teaching aids brought into use at two different ESRA-funded resource centers. Also, the audit reviewed memorandums of understanding supporting the formation of public-private partnerships. However, such tasks could not be relied on exclusively to formulate a conclusion because they constituted only several examples within this $83 million program (see pages 5-6).

The mission could strengthen monitoring and management of its ongoing programs. First, the mission must improve its monitoring efforts and level of involvement in the implementation of its ongoing programs. Second, the mission should ensure that its approval is given for all substantive changes to the program and the corresponding budget. The audit also identified other matters requiring the mission's attention (see page 12). The report contains one recommendation to assist the mission with

[1] The Education Sector Reform Action Plan 2001-2005, dated January 2003, was developed by the Government of Pakistan's Ministry of Education.
[2] RTI reported not achieving targets for two performance indicators, and a target was not set for one of the indicators.

determining if funds were used for their intended purpose (see page 11). USAID/Pakistan concurred with the recommendation included in this report and plans to take corrective action. Management comments are included in their entirety in appendix II.

BACKGROUND

In its interim strategic plan for the period covering 2003 to 2006, USAID/Pakistan reported that the education sector in Pakistan is immense, broken, and resistant to change. For example, of the approximately 18 million children in Pakistan who were between the ages of 5 and 9, only 42 percent were in school. The overall literacy rate is estimated at 54 percent; for females, it is just below 42 percent. Factors accounting for this state of affairs include the lack of government funding, political and bureaucratic interference, the lack of adequate learning systems, and the lack of quality teachers.

In August 2002, USAID signed a $100 million Strategic Objective Grant Agreement with the Government of Pakistan to support the Government of Pakistan's education sector reform action plan[3]. This action plan outlined the vision, strategies, and objectives for education sector reforms in Pakistan. To support the Government of Pakistan's action plan and to broaden access to quality education, USAID/Pakistan designed its 5-year Education Sector Reform Assistance (ESRA) program. The objective of the ESRA program was to provide the knowledge, training, and infrastructure necessary to help officials and citizens develop high-quality education programs for girls and boys throughout Pakistan.

To implement the ESRA program, USAID/Pakistan awarded a $60 million cooperative agreement to Research Triangle Institute (RTI) in December 2002. The cooperative agreement included four components with an expected end date of September 30, 2006. Subsequent amendments to the agreement increased the funding to $83 million, added three additional components, and extended the program's end date to September 30, 2007.

The seven components of the ESRA program were as follows:

- Policy and planning component to strengthen education sector policy and planning.
- Professional development component to improve the capacity of teachers and education administrators.
- Literacy component to improve youth and adult literacy.
- Public-private partnership/public-community partnership component to strengthen ongoing government initiatives and develop guidelines for cooperation among the government, private businesses, and nongovernmental organizations.
- School enhancement program component to upgrade the quality of the learning environment in as many as 1,200 schools. The school enhancement program could include the provision of basic facilities, learning and teaching resources, teachers, school renovations, playground equipment, and other improvements as needed.
- Procurement support component to provide advisory, administrative, and logistics support to the Government of Pakistan's Ministry of Education for the procurement of equipment, materials, and services as requested by the Ministry of Education under

[3] The Education Sector Reform Action Plan 2001-2005, dated January 2003, was developed by the Government of Pakistan's Ministry of Education.

the authority of the Pakistan Education Strategic Objective Grant Agreement. The ESRA program would help the ministry define requirements and conduct the procurement, including award and payment.

- Information communication and technology component to use information and communication technologies to advance the school improvement process in Pakistan.

USAID focused the ESRA program in the Balochistan and Sindh provinces and the Islamabad Capital Territory. As of September 30, 2007, USAID/Pakistan had obligated and disbursed about $83 million and $76 million, respectively, for the activities under the ESRA program.

AUDIT OBJECTIVE

The Regional Inspector General/Manila conducted this audit as part of its fiscal year 2007 audit plan to answer the following question:

- Did USAID/Pakistan's Education Sector Reform Assistance Program achieve intended results and what has been the impact?

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

AUDIT FINDINGS

This audit could not determine whether USAID/Pakistan's Education Sector Reform Assistance (ESRA) program achieved intended results because the audit team could not rely on the mission's monitoring of the ESRA program or on Research Triangle Institute's (RTI), the implementing partner's, reporting of the program's achievements against the targets.

The mission did not adequately monitor the ESRA program to assess its progress or results achieved. For example, the mission did not have supporting documentation for its approval of RTI's monitoring and evaluation plans, which should have included the program results, indicators for measurement of progress, method of data collection, and targets for each year. Nor did the mission have support for its approval of RTI's work plans, which describe the activities to be conducted during the life of the award and serve as the road map for how the program description would be achieved. The mission also did not adequately oversee the program through site visits and maintenance of work files. In addition, the mission did not take appropriate followup actions in response to program evaluations. Finally, the mission did not require RTI to adhere to reporting requirements critical to monitoring program performance. As a result, the mission could not demonstrate ESRA program accomplishments and attainment of targets.

Nevertheless, RTI reported to USAID/Pakistan that it exceeded the targets for 10 of the 13 performance indicators established for the ESRA program[4] as shown in the table in appendix III. However, the mission could not support approval of RTI's reported targets or how it monitored progress against the targets. Therefore, the audit could not confirm the validity of the reported achievements; however, the audit team was able to observe and review a number of reported tasks completed under the ESRA program. For example, during site visits to two different ESRA-funded resource centers, the audit team confirmed that furniture, computers, books, and other teaching aids were brought into use at the schools. The resource centers contributed to mobilizing and raising the communities' interest in sending their children to school.

During the audit site visits, the audit team observed classes conducted in English by teachers trained in improved teaching techniques and using materials developed through the ESRA program. According to school officials, the use of these materials increased the children's interest and comfort level in learning and speaking English. Additionally, the Parent-Teacher Association became more active and involved in the schools as a result of the initiatives (i.e., training) provided by the ESRA program.

[4] RTI reported not achieving targets for two performance indicators, and a target was not set for one of the indicators.

OIG photograph of students using computers in the resource center equipped and funded by the ESRA program located in Islamabad, Pakistan. (September 2007)

The audit team reviewed memorandums of understanding supporting partnerships formed between the Pakistan Center for Philanthropy[5], the district government, and corporate philanthropists to invest in improving the condition of state-run schools. For example, Citigroup Foundation adopted three schools in one district and agreed to give $30,000 to provide furniture, learning material and science lab equipment, and to pay the salaries of school employees.

The above-noted completed tasks and accomplishments, however, could not be relied on exclusively for formulating a conclusion on the overall program because they constituted only a few examples within this $83 million program. Because the audit team could not rely on the mission's monitoring of the ESRA program or on RTI's reporting of the program's progress against the targets, the audit team could not make an independent assessment of the overall program results and overall impact. Furthermore, the mission could not sufficiently demonstrate its approval of two substantive revisions made to the ESRA program's plan and budget. These issues are discussed below.

The audit also identified other matters requiring USAID/Pakistan's attention and action. These issues are discussed in the "Other Matters" section of the report.

[5] Pakistan Center for Philanthropy is a subrecipient that implemented ESRA program's public-private partnership component.

USAID/Pakistan Did Not Monitor the ESRA Program Effectively

Summary: USAID's Automated Directives System states that cognizant technical officers are responsible for ensuring that USAID exercises prudent management of assistance awards and for making the achievement of program objectives easier by monitoring and evaluating the recipient and its performance during the award. USAID/Pakistan did not employ adequate monitoring practices to effectively monitor and manage the ESRA program. For example, the mission did not (1) support its approval of the monitoring and evaluation plan and work plans, (2) adequately oversee the program through site visits and maintenance of work files, (3) take appropriate followup actions stemming from program evaluations, or (4) require RTI to adhere to critical reporting requirements considered vital to monitoring the program performance. Constant turnover in mission personnel and precarious security conditions were primarily responsible for the inadequate practices. As a result, the mission could not demonstrate ESRA program accomplishments and attainment of targets which impacted the audit's ability to determine whether results were achieved.

As prescribed by USAID's Automated Directives System 303.2(f), cognizant technical officers (CTOs) are responsible for ensuring that USAID exercises prudent management of assistance awards by monitoring and evaluating the recipient and its performance during the award. The CTOs should carry out these responsibilities by maintaining contact with the implementer through site visits, ensuring compliance with the terms and conditions of the award, reviewing and analyzing reports, and verifying timely performance, including monitoring reporting requirements.

From 2002 to 2007, USAID/Pakistan partnered with RTI to carry out initiatives across the seven complex ESRA program components. USAID/Pakistan, however, did not employ adequate monitoring practices to effectively monitor and manage the ESRA program during the life of the program. Specifically the mission did not (1) support its approval of the monitoring and evaluation plan and work plans, (2) adequately oversee the program through site visits and maintenance of work files, (3) take appropriate followup actions stemming from program evaluations, or (4) require RTI to adhere to critical reporting requirements considered vital to monitoring the program performance.

Monitoring and Evaluation Plan – The mission could not sufficiently demonstrate its approval of RTI's monitoring and evaluation plan. Despite the requirements for such a plan and approval, only a draft plan was submitted. There was no evidence to support the mission's compliance with the agreement. As this plan was to include the planned results, indicators for measurement of progress, method of data collection, and targets for each year, it is critical to ensure that both the mission and RTI understood the planned results and how progress would be measured. Without an approved plan, the mission lacks critical performance data needed to manage ongoing progress.

Work Plans – The mission's CTOs did not require RTI to submit annual work plans in accordance with the agreement. With the exception of the fiscal year 2007 work plan, the mission did not have sufficient supporting documentation to show whether it had approved any earlier required annual work plans. The work plans describe the activities to be conducted during the life of the award at a greater level of detail than the overall program description and should serve as the road map on how to achieve the program description. Without an approved work plan, the mission has no baseline by which to determine if the activities taking place were agreed to and how these activities support the overall program description.

Site Visits – Despite the complexity and size of the ESRA program, the mission was only able to demonstrate that it had completed five site visits over the life of the program. The mission's four different CTOs assigned to this program collectively conducted two site visits in 2004, two in 2005 and one in 2007. The mission did not have any support on file to demonstrate that site visits had taken place during the first 2 years of the program.

Followup on Evaluations – The mission could not sufficiently demonstrate the corrective actions it had taken in response to two separate evaluations commissioned to evaluate the activities under the ESRA program.

For example, in March 2006, the mission conducted an education strategy review to identify the status of the education program and the strengths and weaknesses of the components with measures on how to strengthen them. The review identified a number of weaknesses, including the following: (1) program design did not include full participation of government agencies at the federal, provincial, and district levels, (2) lack of baseline data which affected the missions understanding of the impact of the program, (3) ESRA work plans were not developed in close coordination with government counterparts, nor did the government sign off on the work plans as its own, affecting integration and ownership by the government, (4) there was a lack of integration between components caused by the subcontractors implementing different components and not working together across the program, and (5) the host government was not involved in or responsible for achieving the targets; therefore the achievement of project targets was dependent on USAID's funding, which impacted the sustainability of the program. Though this review resulted in recommendations for program improvements, the mission could not demonstrate how or whether it had considered the recommendations.

Furthermore, RTI appointed an independent audit firm to conduct a limited scope review of subgrantees. According to the independent audit firm's report, its review stemmed from an internal audit that RTI conducted of 12 grantees awarded grants during the first phase of the program. The firm's report stated that RTI's internal audit highlighted a number of issues relating to system deficiencies, procedural noncompliances, contravention of the provisions of grant agreements, noncompliance with USAID regulations, system and control weaknesses, as well as instances of misuse of resources and the inability to meet project objectives.[6] The mission was not aware of the significant problems identified in the RTI internal audit or the subgrantee reviews conducted by the independent audit firm; hence, the mission was not in the position to determine the impact of these issues on the program.

Quarterly Progress Reports - The mission accepted and relied on quarterly progress reports that did not meet the reporting requirements specified in the agreement. Specifically, RTI did not include in its quarterly progress reports a comparison of actual

[6] The Office of Inspector General notes that despite repeated requests, RTI did not share the subject internal audit report with the audit team or the mission. If the mission does not receive the report in response to its March 2008 request, it will refer the matter to legal counsel.

accomplishments to goals established for the period as required by the agreement.

According to the mission, effective monitoring practices were not employed because of the constant turnover in mission personnel responsible for managing ESRA program activities, as well as the precarious security conditions in Pakistan, which had an impact on the physical mobility of the staff.

As a result, the mission did not have firsthand knowledge of either the ESRA program's progress or whether results were being achieved as planned. Although this is a serious weakness, this audit is not making a recommendation because the ESRA program has ended and the mission has made plans to expand its staff and provide CTO training to its staff. However, given the importance of monitoring complex programs in precarious security situations such as Pakistan, this audit strongly suggests that the mission review the weaknesses noted in this finding to ensure that adequate monitoring practices are consistently followed by the respective CTOs of all mission programs and to adopt needed practices to strengthen the overall monitoring of those programs.

USAID/Pakistan Did Not Approve Revisions to the ESRA Program's Scope and Budget

Summary: USAID/Pakistan's cooperative agreement required RTI to comply with the Code of Federal Regulations and to report and request prior approval for deviations from the budget and program plans. USAID/Pakistan could not demonstrate approval of two substantive revisions to the ESRA program's scope and budget. Because of the lack of institutional knowledge and adequate documentation, the mission could not explain or support the underlying cause for this oversight. Without proper approvals to program and budget changes, there is a possibility that the program would not be carried out as intended and that funds could be used for unauthorized purposes. In addition, the mission would have no recourse if implementing partners did not achieve results.

In accordance with section "A.4 Agreement Budget" of the cooperative agreement, RTI was required to comply with Title 22 Part 226.25 of the Code of Federal Regulations which requires recipients of foreign assistance funds to report deviations from budget and program plans and request prior approval for such deviations. It requires prior approval for nonconstruction awards when there is a change in the scope or the objective of the project or program.

Despite these requirements, the mission could not sufficiently demonstrate its approval of two substantive revisions made to the ESRA program's plan and budget: (1) a change of scope and reallocation of funds in the school enhancement program component and (2) the addition of the ESRA Plus[7] activity to the program. These revisions are discussed below.

[7] ESRA Plus was an activity to establish and operate a network of demonstration/laboratory schools in the Islamabad Capital Territory to enhance ESRA's school improvement strategy.

School Enhancement Program - In March 2004, the mission modified its agreement with RTI by adding a fifth component: the school enhancement program. The purpose of this fifth component was to provide infrastructure enhancements, classroom resources, learning aids, sport kits, playground equipment, and library books to a total of 1,200 selected primary and middle schools in eight districts of Sindh and Balochistan. USAID/Pakistan modified the budget reallocating funds totaling $8 million from the other four components for this new component.

According to RTI, the first phase of this component ended in June 2004. RTI reported progress under this component in its quarterly progress reports ending March and June 2004. RTI also provided records demonstrating that as of June 2004, a total of $711,000 in funding was used to complete improvements of 201 schools.

According to the RTI quarterly report ending September 2004, RTI restructured the ESRA program including revising the results framework, monitoring and evaluation plan, and work plans to meet the program's new objectives and strategy. This new strategy introduced community-driven School Improvement Plans, which were to serve as guidelines for planning and implementing school improvement activities. The mission, however, did not have a formal modification notice to support whether RTI had vetted this strategy change with the mission and how this revised strategy was to be funded.

Even though the activities conducted under the school enhancement program ended, the mission did not modify the agreement to end this component and RTI continued to record and report costs for it. In June 2005, the mission increased the funding for this component by an additional $8 million, resulting in total funding of $16 million. As of September 30, 2006, RTI recorded and billed $14.4 million against the school enhancement program component. Given that the mission could not support its approval of RTI's monitoring and evaluation plans or the work plans, coupled with the fact that there was no formal approval of the strategy change from the school enhancement component to the school improvement plan strategy, it is unclear if the funds charged against the school enhancement program component were used for the intended purpose.

ESRA Plus – USAID/Pakistan could not provide support to sufficiently demonstrate that it approved RTI's programmatic changes with its subcontractor Education Development Center (EDC) to shift the focus of the subcontracted activities to the expansion of "ESRA Plus."

In January 2005, RTI amended its subcontract with EDC to define a scope of work that would take place under the information communication and technology component. In addition, the program description in the modification referred to a new activity as "ESRA Plus." Under ESRA Plus, EDC was to establish, operate, and evaluate a group of 30 to 40 demonstration/laboratory schools in the Union Council in Islamabad Capital Territory. These schools were to offer a venue to demonstrate components of the education project to stakeholders. As RTI's subcontract with EDC progressed, RTI further directed EDC to focus its resources to support ESRA Plus and decrease the work for which it had initially subcontracted. According to RTI's chief of party, ESRA Plus was implemented based on a verbal request from USAID/Pakistan to allow for additional educational services to the Islamabad Capital Territory in Pakistan. The mission had no supporting documentation to indicate that it approved RTI's decision to shift the focus of its subcontract with EDC to focus on ESRA Plus activities.

Because the mission lacked both adequate documentation and institutional knowledge about the revisions to the school enhancement program component and the addition of the “ESRA Plus” activity, the audit could not determine with certainty the underlying cause of this oversight.

Without proper approvals to program and budget changes, there is a possibility that the program was not carried out as intended and that funds were used for unauthorized purposes. Furthermore, the mission would have no recourse if its implementing partners did not achieve planned results. Since the ESRA program has already ended, this audit is not making a recommendation for the mission to ensure that proper modifications to the agreement be finalized. However, there is a risk that funds charged under the school enhancement program component may not have been used for their intended purposes. Therefore, this audit is making the following recommendation:

> **Recommendation No. 1:** *We recommend that USAID/Pakistan instruct Research Triangle Institute to provide detailed supporting evidence of how the $16 million programmed for the school enhancement program was used to determine if the funds were used as intended.*

OTHER MATTERS

During the course of the audit, other matters came to the attention of the audit team. USAID/Pakistan should take necessary action to mitigate risk and prevent future reoccurrences of these matters. Specifically, USAID/Pakistan should strengthen its procedures for documenting actions taken on possible cases of conflict of interest.

Lack of Documentation on Potential Conflict of Interest

The audit identified a potential conflict of interest involving the mission's CTO participation on the evaluation committee for the selection of the awardee to the follow-on award to the ESRA program. Although the CTO stated that proper notification was given to the agreement officer and it was subsequently determined that no conflict of interest existed, the mission did not maintain sufficient documentation to support the basis for the decision.

Although regulations state that the employees need not file a written disqualification statement unless required to do so by Part 2634 of Title 5 of the Code of Federal Regulations, the regulations do call for the supervisor to make a determination in writing, noting that the employee's financial interest in the particular matter or matters is not deemed likely to affect the integrity of the services that the government may expect from such employee.

To maintain the integrity of the mission's acquisition and assistance process and to ensure that all future potential conflicts of interest are properly adjudicated, we strongly suggest that the mission require supervisors to document decisions on conflict of interest issues and maintain these records on file.

EVALUATION OF MANAGEMENT COMMENTS

In its comments to the draft report, the mission agreed with one of the two recommendations and described the action it planned to take to address the recommendation.

The mission agreed with Recommendation No. 1. It plans to complete its review of Research Triangle Institute's (RTI's) costs charged to the school enhancement program component and report the results of its analysis to our office by September 30, 2008. A management decision will not be reached until the mission has provided detailed supporting evidence as to how the funds under the school enhancement program were used. A determination of final action for this recommendation will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the corrective actions resulting from the analysis.

The draft report included a second recommendation for the mission's review and comments. However, after subsequent review of the issue that gave rise to this recommendation, the Regional Inspector General/Manila removed this recommendation from the final report and combined the issue with the finding on monitoring. The events discussed in the draft report regarding the mission's lack of knowledge of RTI's internal audit of the Education Sector Reform Assistance program were included as additional support to demonstrate the mission's lack of effective monitoring. In its response to the draft report, the mission commented that it intends to formally request RTI's internal audit report to review and then decide on an appropriate course of action to take. The mission intends to complete this review by September 30, 2008.

USAID/Pakistan's written comments on the draft report are included in their entirety as appendix II to this report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Manila conducted this audit in accordance with generally accepted government auditing standards to determine whether USAID/Pakistan's Education Sector Reform Assistance (ESRA) program achieved intended results and what has been the impact.

In December 2002, USAID/Pakistan awarded a $60 million cooperative agreement to Research Triangle Institute (RTI) to implement the ESRA program, which included four components with an expected end date of September 30, 2006. However, subsequent amendments to the agreement increased the funding to $83 million, added three additional components, and extended the program's end date to September 30, 2007.

As of September 30, 2007, USAID/Pakistan had obligated and disbursed $83 million and $76 million, respectively, toward the activities under the ESRA program.

The audit covered the following four of the seven ESRA program components, which accounted for 83 percent of the agreement's funded amount:

- Policy and Planning.
- Professional Development.
- School Enhancement Program.
- Public-private Partnerships.

Additionally, the audit covered the ESRA Plus activity which was implemented under the information communication and technology component.

As part of the audit, we assessed the mission's significant internal controls to monitor ESRA program activities. The assessment included controls related to whether the mission (1) conducted and documented site visits to evaluate progress and monitor quality, (2) required and approved an implementation plan, (3) reviewed progress reports submitted by RTI, (4) required and approved RTI work plans, and (5) compared RTI's reported progress to planned progress and the mission's own evaluations of progress. We also reviewed the mission's Federal Managers' Financial Integrity Act reports for fiscal years 2006 and 2007, as well as, independent program reviews and evaluations for any issues related to the audit objective.

Audit fieldwork was conducted from August 28 through September 27, 2007, at the USAID/Pakistan Mission and at the RTI office in Islamabad, Pakistan. The audit team also conducted fieldwork at the offices of the Government of Pakistan's Ministry of Education, and with the following subrecipients: Leadership for Environment and Development Pakistan, and Pakistan Center for Philanthropy. To directly observe some of the ongoing activities, the audit team conducted site visits to two schools in the Islamabad Capital Territory. The audit team also met with the local accounting firm, Anjum Asim Shahid Rahman, Chartered Accountants, member of Grant Thornton International.

Because of the lack of approved work plans, monitoring and evaluation plans, Performance Management Plans, cognizant technical officer work files, site visits, and overall lack of support to demonstrate substantial involvement on part of the mission in managing its award with RTI, the audit could not confirm the reported results presented in the table in appendix III of the audit report. Consequently the audit objective could not be answered. In addition, RTI did not provide an internal audit report regarding the program, despite repeated requests by RIG/Manila and the mission.

Methodology

To answer the audit objective, the audit team interviewed officials and staff from USAID/Pakistan, the Government of Pakistan's Ministry of Education, RTI, and several of RTI's partners (such as Leadership for Environment and Development Pakistan, Pakistan Center for Philanthropy, and Education Development Center). In addition, the audit team reviewed and analyzed available relevant documents such as the cooperative agreement and its modifications, subawards, annual work plans, performance monitoring reports, quarterly progress reports, financial reports, field visit reports, and other supporting documentation.

The audit approach also included selecting performance indicators and verifying the reported progress to supporting source documents. Due to the lack of adequate source documentation for both the mission and RTI, the audit team's ability to conduct appropriate verification tests was limited. The mission lacked adequate source documentation because it did not properly maintain its work files.

Because of security restrictions, the audit team could visit project sites only in the Islamabad Capital Territory, Pakistan. During the visits to the schools, the audit team (1) observed classes being instructed with the teaching aids provided by the ESRA program, (2) interviewed teachers, administrators, and Parent-Teacher Association members, and (3) visited resource centers that were equipped with ESRA program funds.

MANAGEMENT COMMENTS

USAID | PAKISTAN
FROM THE AMERICAN PEOPLE

MEMORANDUM

Date: February 26, 2008

To: Catherine M. Trujillo
RIG/Manila

From: Anne Aarnes
Mission Director /s/

Subject: Management Comments, Audit of USAID/Pakistan's Education Sector Reform Assistance Program; Draft Audit Report No. 5-391-08-00X-P

Reference: Catherine M. Trujillo's memo dated January 09, 2008

In response to the referenced memorandum on the above subject, please find below the management comments on the two recommendations:

Recommendation No 1: We recommend that USAID/Pakistan instruct Research Triangle Institute to provide detailed supporting evidence of how the $16 million programmed for the School Enhancement Program was used to determine if the funds were used as intended.

Management Comments: The Mission Management agrees with this recommendation. The Mission will request Research Triangle Institute (RTI) to provide detailed supporting evidence of how the $16 million programmed for the School Enhancement Program was used. Once the Mission has received this evidence and completed its review, we will report the results of the Mission's analysis to RIG/Manila. The Mission is establishing a target date for the completion of this analysis by September 30, 2008.

Recommendation No 2: We recommend that USAID/Pakistan obtain an agency-contracted audit of the Mission's cooperative agreement with Research Triangle Institute for the implementation of the Education Sector Reform Assistance program to ensure that applicable terms of the agreement were met.

Management Comments: The Mission Management disagrees with this recommendation. As a follow-up to our initial request made to RTI on September 20, 2007, the Mission will submit an additional formal request to RTI by March 12, 2008 asking for the internal audit report. Upon receipt of the report, the Mission will analyze it and make a management decision by September 30, 2008. In the event of non-receipt of the report, the matter will be referred to legal counsel.

Other Matters

During project administration, a question arose as to whether a particular cognizant technical officer had a conflict of interest and should have been allowed to participate in the program's technical evaluation committee. The RIG was informed that the Agreement Officer had sought legal counsel when the issue arose and it was determined that the ethics general principles and standards for conduct had not been contravened in this instance. The RIG report comments on the lack of sufficient documentation of that determination. The Mission will formally document its findings and determination in the files.

Table 1: Research Triangle Institute's Reported Achievements for the Education Sector Reform Assistance Program

(Unaudited data)

Performance Indicators	Target	Reported as Achieved
1. Number of USAID-sponsored policies developed at the national, provincial or districts levels	3	8
2. Annual percentage increase in student enrollment in target schools in target districts	10%	11%
3. Number of schools regularly developing and implementing school improvement plans in target districts	4,903	5,474
4. Number of Districts Improvement Plans developed	26	29
5. Number of teachers and education administrators trained	34,000	45,679
6. Percentage of teachers meeting improved performance standards (by year and province)	60%	Study in 2006: Sindh:67% Balochistan:45% Study in 2007: Sindh: 50% Balochistan:87%
7. Improved student performance (by year, province and skill area)	10%	Study in 2006: Sindh: 16% Balochistan: 10% Study in 2007: Sindh: Mathematics:21% Urdu: 32% Balochistan: Mathematics: 8% Urdu: 18%
8. Percentage of USAID-sponsored literacy program graduates that have retained basic literacy skills following program completion	65%	60%
9. Number of people completing USAID sponsored literacy programs	75,882	104,336
10. Amount of private sector investment in schooling	$66,957	$918,756
11. Number of SMC/PTAs[8] functioning in target districts	7,654	7,596
12. Number of agreements formalized between private sector entities and public education sector	24	25
13. Number of assisted infrastructure facilities brought into use	*(1)*	10,823

(1) No target was set for this indicator.

Note: RTI reported exceeding targets for indicators nos. 1-7, 9-10, and 12. RTI reported not exceeding targets for nos. 8 and 11.

[8] School Management Committee or Parent Teacher Associations

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