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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/IRAQ'S MANAGEMENT OF THE MARLA RUZICKA IRAQI WAR VICTIMS FUND

AUDIT REPORT NO. E-267-08-002-P
April 3, 2008

BAGHDAD, IRAQ



Office of Inspector General

April 3, 2008

MEMORANDUM

TO: USAID/Iraq Mission Director, Christopher D. Crowley

FROM: Regional Inspector General/Baghdad, Jay R. Rollins [Michael W. Clinebell for] /s/

SUBJECT: Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund (Report No. E-267-08-002-P)

This memorandum transmits our report on the subject audit. In finalizing this report, we considered management's comments on the draft report and have included those comments in appendix II.

This report contains four recommendations. Management's comments on the draft report did not specifically address any of the recommendations. Consequently, no management decisions have been reached on those recommendations.

I express appreciation for the cooperation and courtesies extended to my staff during this audit.

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SUMMARY OF RESULTS

The Regional Inspector General in Baghdad conducted this audit to determine if USAID/Iraq complied with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund (the Marla Fund) were used as intended (see page 4).

Although USAID/Iraq was complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Fund were used as intended, we found some areas in which USAID/Iraq could increase the positive impact of the Marla Fund. According to USAID/Iraq, hundreds of thousands of civilian Iraqis harmed by military operations received assistance through Marla Fund projects that, among other things, rebuilt homes destroyed in the war, restored livelihoods, and provided needed medical treatment. In addition, we found that Marla Fund activities had the unforeseen benefit of winning community support for other USAID programs when entering new communities because of the goodwill generated by the fund (see page 6).

Nevertheless, we identified a significant inconsistency between USAID/Iraq's management of the Marla Fund in Iraq and the management of a similar USAID-funded program in Afghanistan. Specifically, USAID/Iraq limited Marla Fund assistance to Iraqi civilian war victims who suffered harm caused only by U.S. or Coalition Forces, whereas the Afghanistan fund did not have such a limitation. Consequently, Iraqi war victims harmed by other causes, such as insurgent activity, were not eligible to receive Marla Fund assistance (see pages 6-8).

Moreover, Marla Fund implementing partners did not consistently prioritize funds as intended. Specifically, Congressional legislative materials indicated that funds for war victims in Iraq should focus on families of Iraqi civilians harmed during military operations. While three Marla Fund implementing partners provided assistance in accordance with this directive, one partner concentrated its funding principally on community infrastructure projects rather than families of victims. As a result, millions of dollars were used to finance community infrastructure projects in one region of Iraq rather than to assist Iraqi war victims in dire need after suffering personal losses as a result of military operations (see pages 8-11).

Finally, despite USAID's emphasis on capacity building and sustainability, USAID/Iraq had not developed plans to help ensure that assistance to Iraqi civilians who were innocent victims of the war in Iraq would be sustained after USAID funding ceased. As a result, Iraq may be ill-prepared to deal with the harm suffered by Iraqi civilians as a result of the war after U.S. assistance has ended (see pages 11-13).

This report includes recommendations that USAID/Iraq: 1) reconsider its practice of limiting Marla Fund beneficiaries to Iraqi civilians who suffered losses caused solely by U.S. and Coalition Forces; 2) encourage Marla Fund implementing partners to focus future projects on families in dire need rather than community infrastructure; 3) determine whether funds should be reallocated to implementing partners operating in regions in which those funds could be better used; and 4) develop a plan to address the future sustainability of assistance to civilian Iraqi war victims (see pages 8 and 13).

In its comments on the draft report, management indicated that the recommendations went beyond the stated scope of the audit and requested that the findings be withdrawn and submitted as a separate issue paper for mission review. Our findings and recommendations are within the scope of the audit and are presented for USAID/Iraq's consideration to possibly improve the implementation of the Marla Fund. As management did not specifically address the four recommendations in its comments, management decisions have not been reached on any of those recommendations.

Management's comments are included in their entirety in appendix II.

BACKGROUND

Since May 2003, USAID/Iraq has helped Iraqi civilians injured by U.S. and Coalition Forces to piece their lives and livelihoods back together through funding provided by a program known since May 2005 as the Marla Ruzicka¹ Iraqi War Victims Fund (the Marla Fund). According to USAID/Iraq, over 350,000 Iraqis have directly benefited and 1.5 million indirectly benefited from more than 630 completed projects under the Marla Fund and its forerunner fund. The projects have covered costs of providing health care, income generation, and the rehabilitation of destroyed homes, schools, and clinics for civilian victims of the war in Iraq. Many of the projects have helped establish sustainable incomes for families that lost their main breadwinner, while others have provided prosthetics and medical treatment. According to U.S. Senator Patrick Leahy, who initiated this as well as similar funds in other war-torn countries, the Marla Fund shows the Iraqi people, “the face of a compassionate America.”



Figure 1. Photo of an Iraqi man who, paralyzed from the waist down after a bombing, was assisted through the Marla Fund to open a meat shop, allowing him to generate income for his family. (Facial features blurred for security reasons.) Source: USAID/Iraq

¹ The program bears the name of Marla Ruzicka, a vivacious American woman who made it her mission to help noncombatant victims of the U.S.-led wars in Afghanistan and Iraq. Tragically, Ms. Ruzicka perished in a roadside bombing in early 2005 near Baghdad’s international airport. In May 2005, Congress officially renamed the program after her.

USAID/Iraq manages the Marla Fund through a coalition of four nonprofit organizations, or implementing partners, under the second phase of its Community Action Program. Each partner is responsible for administering the Marla Fund in a different geographic region of Iraq (see Figure 2). Funding for both the Marla Fund and the Community Action Program is currently provided through a cooperative agreement with one implementing partner which passes funding on to the other three implementing partners. To date, USAID/Iraq has received approximately \$40 million in U.S. appropriations for assisting Iraqi war victims, of which USAID/Iraq has obligated \$15 million under the Marla Fund since September 2006. Eligible beneficiaries are identified by implementing partners in conjunction with local Iraqi leaders, police stations, and hospitals. Prioritization of beneficiaries to receive assistance is handled in accordance with the policies and procedures set by each implementing partner and according to the level of overall funding available.

The Marla Fund differs from other U.S.-funded programs to assist Iraqi civilian war victims implemented by the Departments of Defense and State. The Department of Defense provides monetary assistance in the form of condolence payments to noncombatant Iraqi nationals who are killed or injured, or who incur property damage as a result of U.S. actions. The Department of Defense also administers a program that provides compensation under the Foreign Claims Act to inhabitants of foreign countries for death, injury, or property damage caused by non-combat activities of U.S. military personnel overseas. Likewise, the Department of State administers a program that makes payments, in accordance with local custom, to Iraqi civilians who are harmed in incidents involving U.S. protective security details. Unlike the Department of Defense and Department of State programs, the Marla Fund was not intended to provide cash "compensation" or "reparations." Instead, Marla Fund assistance is provided through contracts with local vendors to provide war victims with needed medical care, establish a livelihood, and/or rebuild homes destroyed by the war.

AUDIT OBJECTIVE

The Regional Inspector General in Baghdad conducted this audit as part of its fiscal year 2008 annual plan to answer the following question:

- Is USAID/Iraq complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Fund are used as intended?

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

Figure 2. Map of Iraq and chart showing areas of responsibility by implementing partner



Source: <http://www.goalsforamericans.org/gallery/v/maps/1-17-05ColorizedIraqMap.jpg.html>

Implementing Partner	Partner A	Partner B	Partner C	Partner D
Areas of coverage	Babil, Najaf, Karbala, Muthana & Dhi-Qar, Anbar	At Tameem, Diyala, Dohuk, Erbil, Ninevah, Salahuddin, Suleimaniyah	Baghdad	Qadisyah, Basra, Misan, Wasit

AUDIT FINDINGS

Is USAID/Iraq complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Fund are used as intended?

Although USAID/Iraq was complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Fund were used as intended, we have identified areas in which USAID/Iraq could increase the positive impact of Marla Fund activities.

According to USAID/Iraq, hundreds of thousands of civilian Iraqis suffering losses from military operations received assistance through the Marla Fund. The majority of this assistance was provided to individuals and families of innocent noncombatants by means of projects that, among other things, rebuilt homes destroyed in the war, restored livelihoods, and provided needed medical treatment. In addition, we found that Marla Fund activities had the unforeseen benefit of winning community support for other USAID programs when entering new communities because of the goodwill generated by the fund.

However, we found that Marla Fund benefits in Iraq, unlike a similar fund in Afghanistan, were limited only to civilians who were directly harmed by U.S. or Coalition Forces. Further, we found that Marla Fund projects were not consistently prioritized by all implementing partners within Iraq. Finally, we found that USAID/Iraq had no plan to ensure the sustainability of assistance to civilian war victims in Iraq after USAID assistance ends. Addressing these issues could increase the positive impact of the Marla Fund now and into the future.

Marla Fund Implementation Is Inconsistent with Similar USAID-sponsored Fund in Afghanistan

Summary: Appropriation legislation for the relief and reconstruction of Iraq included a provision to provide assistance to Iraqi civilians who suffered losses as a result of military operations. USAID/Iraq implemented this provision by providing assistance to Iraqi civilians harmed only by U.S. or Coalition Forces, thereby excluding potential Marla Fund beneficiaries who were harmed by other participants in the war-time violence. This limitation is inconsistent with another USAID-sponsored war victims fund in Afghanistan which was established by legislation very similar to that of the Marla Fund. Further, it increases the difficulties of identifying eligible beneficiaries and limits the potential goodwill that could be generated by the Marla Fund.

Public Law 108-11, the "Emergency Wartime Supplemental Appropriations Act, 2003," contained a provision that authorized the use of Iraq relief and reconstruction funds to include "assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations." Subsequent supplemental appropriations acts contained similar

language, including Public Law 109-13, the “Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005.” This legislation stated that, of the amounts appropriated for the Iraq Relief and Reconstruction Fund, not less than \$20 million “should be made available for assistance for families and communities of Iraqi civilians who have suffered losses as a result of the military operations.”

None of the public laws authorizing or appropriating funds to help war victims in Iraq clearly defined what was meant by “military operations.”² USAID/Iraq has instructed its implementing partners to provide assistance under the Marla Fund solely to Iraqi civilians who have been harmed by U.S. or Coalition Forces, thereby excluding the eligibility of victims harmed by other participants in the war-time violence such as insurgents, anti-Coalition militias, or Iraqi soldiers. Consequently, implementing partners have required potential Marla Fund beneficiaries to provide proof³ that losses suffered were caused by U.S. or Coalition Forces.

USAID/Iraq’s implementation of the Marla Fund in Iraq is not consistent with USAID’s implementation of a similar war victims fund in Afghanistan. The Afghan Civilian Assistance Program—also known as the Leahy Initiative—was authorized by Public Law 108-7, Consolidated Appropriations Resolution, 2003. According to Public Law 108-7, assistance is to be made available for humanitarian, reconstruction, and related assistance for Afghan communities and families adversely affected by military operations. Although established by legislation very similar to that which established the Marla Fund, USAID implements the Afghanistan fund on a very different “no-fault” basis, that is, to assist Afghan families and communities who suffered losses as a direct or *indirect* result of international military operations against the Taliban and insurgents. Unlike the Marla Fund, USAID implements the Afghanistan fund such that civilians are assisted when they are affected by international forces targeting the anti-government elements or anti-government elements targeting the international forces.⁴ USAID/Iraq officials could not explain the reason for this inconsistent implementation of two funds established by similar legislation.

² Although applicable public laws do not clearly define the term “military operations,” neither do they explicitly exclude benefits for Iraqi civilians harmed by other than U.S. or Coalition Forces. In fact, Senator Patrick Leahy, who authored and sponsored the provisions that established, named, and appropriated money for the Marla Fund, has made public statements which imply a broader definition than that used by USAID/Iraq. In a press release issued in May 2005, immediately following the issuance of Public Law 108-11, Senator Leahy stated:

The intent [of the war victims fund] is to include, within the larger U.S. aid program for Iraq, appropriate medical, rehabilitation, or other assistance to noncombatants who lost family members, suffered injuries, or whose homes were damaged as a result of the military operations, *including* U.S. military actions (emphasis added).

³ According to USAID/Iraq’s program description of the Marla Fund, this proof might include death certificates, witness reports, vehicle damage reports, official medical records, and police statements.

⁴ USAID/Afghanistan’s document entitled “Selection Criteria for Afghan Civilian Assistance Program Beneficiaries.”

Limiting the eligibility of potential Marla Fund beneficiaries in Iraq has resulted in implementation challenges. For example, incidents involving cross-fire between U.S. or Coalition Forces and insurgents sometimes make it difficult for implementing partners to determine which side actually caused the harm. According to one implementing partner official, "There is...difficulty in distinguishing between victims of insurgent or Coalition Forces' activity when a conflict flares. Time is spent determining exactly whose bullet hit whom." In one such case, an implementing partner reported facing a difficult situation when a mother's two sons were severely injured--one by U.S. forces and one by insurgents. Following USAID/Iraq's instructions, the implementing partner could only provide assistance to the son injured by U.S. forces.

In another case, a Marla Fund implementing partner was unable to help the family of a man killed by an anti-U.S. militia group, even though he had been employed by the implementing partner as a driver. The implementing partner reported that this individual, whose role made him a target for insurgency violence, was recently kidnapped and found dead two days later with indications that he had been tortured. According to the implementing partner, the Marla Fund could not be used to assist the victim's family due to the eligibility limitations imposed on the program.

To alleviate the difficulties of differentiating between Iraqi civilians harmed by U.S. and Coalition Forces, and those who are victims of insurgent actions, the Marla Fund implementing partners have requested more flexibility. In a June 2006 workshop involving all the Marla Fund implementing partners, a key policy recommendation emerged indicating that implementing partners should have the flexibility to provide assistance to Iraqis in need due to indirect harm. Such a policy change would allow the Marla Fund in Iraq to be implemented on terms consistent with those of the war victims fund in Afghanistan. Expanding the eligibility of potential beneficiaries of the Marla Fund in Iraq would also increase the potential positive perceptions of U.S. and Coalition Forces goodwill in Iraq. Consequently, we are making the following recommendation.

Recommendation No. 1: We recommend that USAID/Iraq reconsider its practice of limiting the eligibility of potential beneficiaries of the Marla Ruzicka Iraqi War Victims Fund to Iraqi civilians who suffer losses caused solely by U.S. and Coalition Forces and make appropriate changes to the program if warranted.

Marla Fund Projects Not Prioritized Consistently by Implementing Partners within Iraq

Summary: Congressional legislative material indicated that funds for war victims in Iraq should focus on families of Iraqi civilians harmed during military operations. While three Marla Fund implementing partners provided assistance in accordance with this directive, one partner concentrated its funding principally on community infrastructure projects rather than on families of victims. This occurred because the region covered by this partner generally suffered fewer civilian casualties than regions covered by other partners. As a result, millions of Marla Fund dollars were used to finance community infrastructure projects in one region of Iraq rather than to assist Iraqi families in other regions who were in dire need after suffering personal losses as a result of military operations.

The focus of the Congressional appropriations for assisting war victims in Iraq was clearly to help innocent Iraqi families in dire circumstances due to military operations. Public Law 108-11 stated that a portion of Iraq relief and reconstruction funds appropriated by that legislation was to provide “assistance for *families* of innocent Iraqi civilians who suffer losses as a result of military operations (emphasis added).” Moreover, the Statement of the Conferees accompanying PL 108-11 (House Report 108-076) stated:

The managers intend that USAID . . . will seek to identify *families* of non-combatant Iraqis who were killed or injured or whose homes were damaged during recent military operations, and to provide appropriate assistance (emphasis added).

While three of the four Marla Fund implementing partners focused their projects on assisting Iraqi families that had suffered loss of life, home, or livelihood, one implementing partner focused its projects almost exclusively on constructing or reconstructing community buildings.

According to an official of that implementing partner, this was because the region covered by the partner experienced extensive collateral damage to community buildings but generally suffered fewer civilian casualties than regions covered by other partners. The official further stated that the implementing partner didn’t rebuild family homes destroyed in the war, a typical use of Marla funds by other partners, because only a few families were affected and the implementing partner preferred to assist communities as a whole. Consequently, the implementing partner focused its projects on the construction or reconstruction of community buildings such as schools and medical facilities. During the current year alone, this partner used \$1.3 million of U.S. funds appropriated for the Marla Fund to finance the construction of schools.

While the reconstruction of damaged buildings provides obvious benefits to targeted communities, this partner’s prioritization of funds provided by the Marla Fund was not consistent with the other implementing partners--to assist families in dire need. Excerpts from three Marla Fund projects implemented by other partners describe typical projects that more closely match the stated intent of the appropriation language:

Establishment of Grocery Shop for Family of Deceased – An Iraqi father was traveling in a minibus to work as a daily farm laborer. The minibus crashed while trying to avoid colliding with a U.S. military convoy. Eight passengers were killed, including the father. The father’s family lived in poor conditions with no other source of income.

Reconstruction of Single Family Home - The home of an Iraqi family was bombed and totally destroyed as a direct result of Coalition Forces. The father and oldest son were both killed and the other two members of the family were injured. (See reconstruction photos in Figure 3.)

Establishment of Grocery Shop and Provision of Artificial Limb - An Iraqi man who was the only breadwinner for his family was accidentally shot by American forces while returning to his home. As a result, he lost one of his legs.



Figure 3. Photos of a Marla Fund project to reconstruct the home of an Iraqi family after it was destroyed as a direct result of Coalition Forces military operations. Source: USAID/Iraq

An official of the implementing partner that focused Marla Fund projects on community infrastructure rather than families admitted that those same community infrastructure projects could have been accomplished using funds from USAID/Iraq's Community Action Program. However, the official indicated that projects funded under the Community Action Program took longer to implement because they included establishing a community action group, training the group, holding group discussions on priority needs, voting on a project, and providing a community contribution. According to the official, using the Marla Fund permitted quicker implementation of the construction projects as they did not have to pass through the same lengthy process of community vetting that the Community Action Program projects must undergo.

USAID/Iraq administers both the Marla Fund and the Community Action Program through the same cooperative agreement, even though the programs have differing objectives. That agreement lists community infrastructure projects as appropriate activities under the Marla Fund, but does not indicate how such projects should be prioritized relative to projects designed to assist individuals or families in dire need.

Initially, USAID/Iraq distributed Marla Fund appropriations equally among its implementing partners. More recently, in an attempt to better match funding to U.S. interests, USAID/Iraq revised the allocation of funds based on the number of Provincial Reconstruction Teams in the partners' regions. As a result of these funding allocations, the implementing partner that focused its Marla Fund projects on community infrastructure rather than on individuals and families had been allocated \$7.3 million (22 percent) of all Marla Fund appropriations since 2006. A reallocation of unused funds to implementing partners in other regions of Iraq could help ensure that those funds are better used to assist the intended beneficiaries. The Marla Fund implementing partners, themselves, agreed that future funding should be distributed according to need. In a June 2006 workshop, the implementing partners collectively recommended that organizations located in "hot spots" and/or with more potential projects should receive more of the funds.

Although community infrastructure projects financed by the Marla Fund may have had a positive impact on the communities affected, they were not consistent with Marla Fund projects in other regions of Iraq and did not specifically assist the intended beneficiaries of the Marla Fund--Iraqi families in dire need after suffering personal loss as a result of military operations. Further, those same projects could have been funded under another

USAID program designed to more thoroughly involve the very communities being assisted. Consequently, we are making the following recommendations.

Recommendation No. 2: We recommend that USAID/Iraq provide guidance to the implementing partners of the Marla Ruzicka Iraqi War Victims Fund encouraging them to focus future projects on families in dire need rather than on community infrastructure projects that might fit better under other assistance programs.

Recommendation No. 3: We recommend that USAID/Iraq review its allocation of funds provided to implementing partners of the Marla Ruzicka Iraqi War Victims Fund to determine whether funds should be reallocated to implementing partners operating in regions in which those funds could be better used to assist the intended beneficiaries.

USAID/Iraq Should Develop Plans to Help Ensure the Future Sustainability of Assistance to Iraqi War Victims

Summary: Despite USAID's emphasis on capacity building and sustainability, USAID/Iraq had not developed a plan that would help provide assistance to war victims in Iraq once the Marla Fund has ended. This occurred because USAID/Iraq was focused on the implementation of the Marla Fund rather than the sustainability of war victim assistance. Also, erratic funding of the Marla Fund has led to a lack of planning for future sustainability. As a result, Iraq may be ill-prepared to deal with harm suffered by Iraqi civilians as a result of the war after U.S. assistance has ended.

The overarching goal of foreign assistance is to help build and sustain democratic, well-governed states that respond to the needs of their people, reduce widespread poverty and conduct themselves responsibly in the international system. The stated end goal of U.S. foreign assistance for countries in or emerging from and rebuilding after internal or external conflict is to achieve a stable environment for good governance, increased availability of essential social services, and initial progress to create policies and institutions upon which future progress will rest. USAID, as a key element of the United States' plan for victory in Iraq, emphasizes responsiveness and sustainability. USAID/Iraq's development strategy for Iraq calls for an expanded role in supporting focused stabilization, establishing the foundation for economic growth, and building national capacity.

Despite this emphasis on sustainable development and capacity building, USAID/Iraq has not developed a plan to help transfer the knowledge necessary for Iraqis to provide assistance to war victims once the Marla Fund has ended. In contrast, USAID's war victim assistance programs in other countries have traditionally incorporated sustainability elements to transfer such knowledge to the host country. For instance, in Sri Lanka, USAID provided host country nationals with training in prosthetics and physical therapy in order to deal with long-term disabilities of war victims. In Cambodia, USAID handed over management of its war victim program to local staff to ensure long term sustainability of its rehabilitation program. In Lebanon, USAID expanded the

economic and institutional viability and sustainability of a resource cooperative created by the war victim program in that country.

Senator Patrick Leahy made the following statement regarding the Leahy War Victims Fund--the forerunner of the Marla Fund:

Of the many challenges that remain, ensuring the sustainability of programs is perhaps the most significant. Unfortunately, in post-conflict countries – in fact, in most developing countries – addressing the needs of people with disabilities is not a government priority. Government officials often want to manage these programs, but they rarely have the resources or skills to do so effectively. There are examples of Fund-supported programs that declined drastically in quality after control was shifted from a non-government organization to the government. The most successful examples of sustainability occurred where Fund programs have been integrated into existing health structures, utilizing private sector partners, with appropriately trained, supervised, and supported professionals who are responsive to the views of people with disabilities.

Many innocent victims of the war will likely require help in rebuilding homes, dealing with disabilities, and establishing livelihoods long after USAID-funded assistance has ended. For example, as a result of the war and related violence, an increasing number of Iraqi civilians have required amputations, largely of lower limbs. The Red Crescent Society has indicated that, in the city of Mosul alone, there is a requirement for up to 3,000 prosthetic limbs a year. If that estimate is applied across the country, it suggests an acute and looming long-term health challenge. The Society estimates that it may take 20-30 years to address the needs of the Iraqi war amputee population.

USAID/Iraq has not developed a plan to help ensure the sustainability of assistance to Iraqi war victims because it has focused more on the implementation of the Marla Fund. However, the Marla Fund implementing partners, themselves, have recommended that a plan be developed for eventually handing the war victim assistance program over to Iraqis. Following a Marla Fund workshop held in June 2006, representatives from the four organizations implementing the Marla Fund recommended that their Iraqi staff be trained for management with a view towards creating their own government-funded organization and that community action groups be formalized and linked with the newly elected Iraqi government.

Erratic funding of the Marla Fund has also led to the lack of planning for future sustainability. The Marla Fund is implemented through USAID/Iraq's Community Action Program. Normally, USAID programs are funded for five years or more. However, due to the uncertainties of U.S. involvement in Iraq, the Community Action Program has been funded on an annual or two-year basis. Plans based on short-term funding are less conducive to a long-term sustainability perspective.

Although Marla Fund assistance has made a positive impact in the lives of many Iraqi civilians harmed by military operations, there will be a continuing need for long-term assistance to those and other war victims. Moreover, with the Marla Fund as a potential model for future assistance programs in Iraq, as well as in other conflict zones, USAID/Iraq has a unique opportunity to create a sustainable infrastructure to help war

victims even after direct U.S. assistance has ended. Therefore, we are making the following recommendation:

Recommendation No. 4: We recommend that USAID/Iraq develop a plan that addresses the future sustainability of assistance to Iraqi civilians who are innocent victims of the war in Iraq.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, management indicated that the recommendations went beyond the stated scope of the audit and requested that the findings be withdrawn and submitted as a separate issue paper for mission review. In its comments, management also stated that a reference in our report to a stadium project was in error.

Our report clearly states that USAID/Iraq was complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Fund were used as intended. However, we found differences between USAID/Iraq's implementation of the Marla Fund in Iraq and a similar USAID-funded program in Afghanistan. Our findings and recommendations are within the scope of this audit and are presented for USAID/Iraq's consideration to possibly improve the implementation of the fund.

After checking with the implementing partner official that originally provided the information on the stadium project mentioned in management's comments, we confirmed that Marla Funds were not used for this project and deleted the reference from our report.

Finally, management did not specifically address the four recommendations in this report. Therefore, management decisions have not been reached on these recommendations.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General in Baghdad conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if USAID/Iraq complied with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund (the Marla Fund) were used as intended.

The Marla Fund is implemented by four implementing partners. The Marla Fund, including its forerunner fund, has received approximately \$40 million in U.S. appropriations. During the period covered by this audit, September 1, 2006 through January 18, 2008, USAID/Iraq has obligated \$15 million for Marla Fund activities.

In conducting the audit, we assessed certain internal controls with respect to the Marla Fund. Specifically, the team identified and assessed internal controls including:

- USAID/Iraq's FY 2007 Federal Managers' Financial Integrity Act self-assessment.
- USAID/Iraq partners' procedures for entering performance information into the Mission's Performance Report System database.
- USAID/Iraq's procedures for monitoring and evaluating activities in the field.

We were not able to visit Marla Fund activities in the field or interview local implementers or beneficiaries due to the security situation within Iraq. However, we were able to obtain sufficient, competent evidence to achieve the audit objective through alternative procedures such as examining source materials used for data entry into USAID/Iraq's Performance Report System for its Community Action Program in which Marla Fund projects were included.

The audit fieldwork was performed from October 29, 2007 to January 18, 2008.

Methodology

To answer the audit objective question, we examined pertinent performance and financial documents, such as independent evaluations, implementing partners' work plans, and implementing partners' performance reports. We interviewed the USAID/Iraq cognizant technical officer responsible for the Marla Fund and representatives of the four implementing partners. We also examined source documentation serving as the basis for entering data into USAID/Iraq's Performance Reporting System database. The auditors also examined relevant laws and regulations such as Public Law 108-11 "Emergency Wartime Supplemental Appropriations Act, 2003" and other relevant laws, regulations, and USAID requirements. In addition, we reviewed an August 2006 draft report conducted by the Campaign for Innocent Victims of Conflict, the nonprofit organization founded by Marla Ruzicka. We did not establish any materiality thresholds for this audit.

MANAGEMENT COMMENTS



DATE: March 10, 2008

TO: Jay R. Rollins, RIG/Baghdad

FROM: Denise A. Herbol, Acting Mission Director, USAID/Iraq /s/

SUBJECT: Mission Comments on the Audit of USAID/Iraq's implementation of the Marla Ruzicka Iraqi War Victims Fund (MRIWVF) (Report No. E-267-08-00X-P)

This memorandum transmits Mission comments on the subject draft audit report.

Summary

Mission Management agrees with RIG's conclusion that USAID/Iraq's implementation of the Marla Ruzicka Iraqi War Victims Fund (MRIWVF) is fully consistent with all applicable law. RIG expresses the opinion that they have also "found some areas in which USAID/Iraq could increase the positive impact of the Marla Fund." USAID/Iraq notes the programmatic observations of the RIG auditors and will include this input, along with external and internal evaluations, in any future program planning for the Marla Fund in accordance with USAID ADS regulations for planning.

However, we find that the recommendations of the Report go beyond the stated scope of the audit and indeed beyond what is contained in the relevant statutes. These recommendations were presented as audit findings even though they go beyond the scope of the audit. Mission management requests that RIG withdraw these as audit findings and submit them as a separate issue paper for Mission review.

Misstatement of Fact

There is a material misstatement of fact by the RIG auditors. On page 8, the auditors refer to a stadium project that was funded through MRIWVF. No such project exists in our database, and our partners confirm that they have not used Marla funds for such a purpose.

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