



USAID
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OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/IRAQ'S
PARTICIPATION IN
PROVINCIAL
RECONSTRUCTION TEAMS
IN IRAQ**

AUDIT REPORT NO. E-267-07-008-P
September 27, 2007

BAGHDAD, IRAQ



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Office of Inspector General

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MEMORANDUM

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

FROM: Regional Inspector General/Baghdad, Jay R. Rollins /s/

SUBJECT: Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq (Report No. E-267-07-008-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments to the draft report and have included the comments in Appendix II.

This report contains two recommendations with which you concurred in your response to the draft report. Based on the comments provided, we consider management decisions to have been reached on both recommendations. A determination of final action will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

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

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SUMMARY OF RESULTS

The primary means of interaction between the U.S. Government and Iraqi provincial governments are the Provincial Reconstruction Teams (PRTs), which are a joint civil and military effort. The PRTs assist Iraqi provincial governments in developing a transparent and sustained capacity to meet the basic needs of the population. Personnel from the U.S. Agency for International Development (USAID), the Departments of State, Justice, and Agriculture, the U.S. Army Corps of Engineers, the Multi-National Force–Iraq, and Coalition partners all participate in PRTs (page 3).

This audit was conducted to determine if (1) USAID/Iraq coordinated the area expertise of USAID field officers and PRTs with the technical expertise of its sector specialists, including in the design and implementation of activities, and (2) USAID/Iraq programs were benefiting from participation in the PRTs (page 5).

The audit found that some coordination took place between the USAID PRT representatives and the USAID/Iraq sector specialists (its cognizant technical officers) in Baghdad, but that this coordination was not sufficient. USAID PRT representatives were not being consulted regarding the design and implementation of activities in their areas, and sometimes they were not aware of USAID activities in their areas. Further, two out of six cognizant technical officers in Baghdad noted that they were receiving little information from the USAID PRT representatives (page 6).

Coordination was not taking place because USAID/Iraq lacked procedures to ensure coordination between the PRT representatives and the cognizant technical officers. On March 28 and 29, 2007, USAID/Iraq adopted procedures to facilitate coordination between USAID PRT representatives and the cognizant technical officers in Baghdad. These procedures included submitting weekly activity reports and plans to the PRT representatives and allowing the PRT representatives to review and provide input to USAID/Iraq's implementing partners' work plans. Further, the PRT representatives were to oversee the implementation of contracts and cooperative agreements and to provide recommendations to the cognizant technical officers. The audit recommends that USAID/Iraq utilize its PRT representatives for site visits to programs and that USAID/Iraq review the implementation of its new procedures and evaluate the coordination between its cognizant technical officers and its PRT representatives (page 6).

USAID/Iraq concurred with both recommendations and, based on the comments provided in response to our draft report, we consider management decisions to have been reached on both recommendations. A determination of final action will be made by USAID's Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions (page 9).

The audit also found that USAID/Iraq programs were benefiting from participation in the PRTs through the provision of:

- Office space, living quarters, and related logistics for USAID PRT representatives and, in places, for USAID's implementing partners in some PRTs.
- Access to military transport for secure transportation to meetings and work sites (page 7).

Further, the audit determined that the PRTs were benefiting from USAID's participation. In most cases, USAID/Iraq already had well-established programs in place and the PRTs were able to use the work of USAID/Iraq's implementing partners as a tool in working with the provincial councils. Both USAID and non-USAID PRT members stated that USAID contributed more than it received (page 8).

Management comments are included in their entirety in Appendix II (page 12).

BACKGROUND

In November 2005, the United States began establishing Provincial Reconstruction Teams (PRTs) in Iraq. As of February 1, 2007 there were nine PRTs, one Regional Reconstruction Team (RRT), and three Provincial Support Teams (PSTs) (in locations where PRTs were not established). USAID/Iraq had representatives in seven PRTs, one RRT, and three PSTs, as shown on the map on the following page.¹ The PRTs,² which are a joint civil and military effort, are the primary interface between the U.S. Government and provincial governments throughout Iraq. Coalition partners and other countries also participate in the PRTs, with the PRTs in Basrah, Dhi Qar, and Erbil being led by the United Kingdom, Italy, and South Korea, respectively. The PRTs help Iraqi provincial governments to:

- Develop a transparent and ongoing capability to govern,
- Promote increased security and rule of law,
- Promote political and economic development, and
- Provide provincial administration necessary to meet the basic needs of the population.

PRT members train, coach, and mentor provincial governments to develop their capacity to plan and prioritize activities (including construction and development activities), communicate with constituents, develop bylaws, identify funding needs, and prepare budgets.

PRTs are staffed by personnel from USAID, the Departments of State, Justice, and Agriculture, the U.S. Army Corps of Engineers, the Multi-National Force–Iraq, the Multi-National Corps–Iraq, and Coalition partners. The U.S. Embassy Office of Provincial Affairs³ provides operational guidance and direction to the PRTs, with strategic and policy guidance given by the Joint Executive Steering Committee.⁴ The Department of State serves as the lead agency for all PRTs. A senior Foreign Service officer, a senior military officer, or a senior professional with leadership experience in a foreign governmental environment serves as the team leader of the PRTs, and the deputy team leader is the senior military member (or in the case of the Erbil PRT, a senior Foreign Service officer). USAID/Iraq has had regional representatives in Basrah, Hillah, and Erbil since 2003. When the PRTs were created, these regional representatives began serving as regional PRT representatives, and additional personnel were brought in to serve as USAID representatives in the PRTs in the new locations.

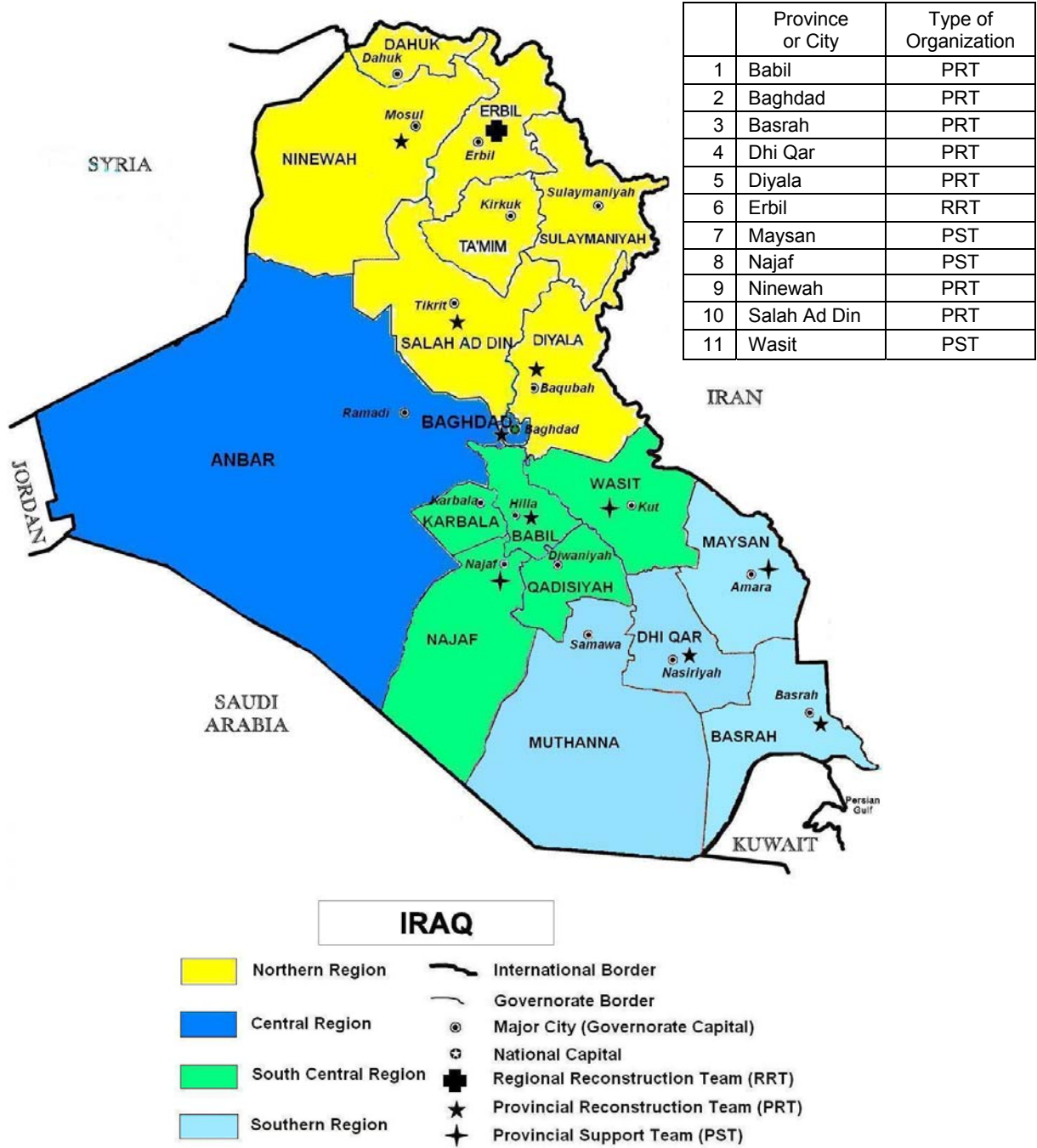
¹ On January 10, 2007, President Bush announced that the United States would expand its PRT program. On March 28, 2007, the Department of State announced that there would be an additional 10 PRTs. All new PRTs are embedded on military bases in the Baghdad area or in Babil and Al Anbar provinces.

² For the sake of simplicity, in this report the acronym “PRT” will refer to the PRT, RRTs, and PSTs unless otherwise noted.

³ Prior to May 2007, the National Coordination Team provided guidance and direction to the PRTs. In May, the Chief of Mission established a new Office of Provincial Affairs to support the PRTs.

⁴ The Joint Executive Steering Committee is composed of U.S. embassy officials and representatives from the U.S. and Coalition military, as well as Coalition partners and representatives of the Government of Iraq.

Map of PRTs with USAID Representatives as of February 1, 2007



U.S. funding comes from the Iraq Relief and Reconstruction Fund, the Commander's Emergency Response Program, and the Development Fund for Iraq.⁵ PRTs do not receive direct USAID funding; instead, USAID contributes to the work of the PRTs through technical assistance and USAID-funded programs such as its local governance program, its community stabilization program, and its community action program.

The best example of USAID contribution to the work of the PRTs is through its local governance program. USAID/Iraq modified the contract with its local governance program contractor in December 2005 to require the contractor to provide three full-time expatriate staff members to each PRT. The contractor was further required to work with and implement the local governance program with the PRTs.

This audit covers the period from February 1, 2007, to May 9, 2007.

AUDIT OBJECTIVES

The Regional Inspector General in Baghdad conducted this audit as part of its fiscal year 2007 annual plan to answer the following questions:

- Did USAID/Iraq coordinate the area expertise of USAID field officers and Provincial Reconstruction Teams with the technical expertise of its sector specialists, including in the design and implementation of activities?
- Are USAID/Iraq programs benefiting from participation in the Provincial Reconstruction Teams?

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

⁵ The purpose of the Iraq Relief and Reconstruction Fund is to provide security, relief, rehabilitation and reconstruction in Iraq, including activities to build civil society and democracy as well as other governance activities. The purpose of the Commander's Emergency Response Program is to enable U.S. military commanders to respond to urgent humanitarian relief and reconstruction requirements of local populations. The Development Fund for Iraq was established by the United Nations Security Council to hold the proceeds of petroleum export sales from Iraq, as well as remaining balances from the United Nations Oil-for-Food Program and other frozen Iraqi funds. Disbursements from the Development Fund for Iraq must be used for the benefit of the Iraqi people.

AUDIT FINDINGS

Did USAID/Iraq coordinate the area expertise of USAID field officers and Provincial Reconstruction Teams with the technical expertise of its sector specialists, including in the design and implementation of activities?

Some coordination was taking place between the USAID field officers in the Provincial Reconstruction Teams (PRTs) and its sector specialists (cognizant technical officers (CTOs)) in Baghdad, but the audit found that coordination needed to be improved.

- Only four USAID PRT representatives stated that coordination with the USAID/Iraq CTOs in Baghdad was adequate.
- Four USAID PRT representatives did not have sufficient contact and information from the CTOs regarding the activities that were being implemented in their areas.
- Three USAID PRT representatives were not involved in the design and implementation of activities in their areas.
- Two CTOs in the USAID/Iraq mission in Baghdad stated that feedback from the USAID PRT representatives was not adequate.

One USAID PRT representative was not even aware of USAID activities in his region. Another USAID PRT representative was not informed of an activity in his area even though a non-USAID PRT representative was informed. Three USAID PRT representatives were not being contacted by CTOs in Baghdad for information about their areas. Security conditions prevented CTOs from conducting site visits and the CTOs were not utilizing the PRT representatives to monitor activities.

In December 2006, USAID/Iraq's Mission Director issued a memorandum to USAID/Iraq's implementing partners stating that the USAID PRT representatives serve as activity managers for all USAID activities in their provinces or regions, and that those representatives should integrate all USAID activities in support of the PRT work plans. Pursuant to section 200.6 of USAID's Automated Directives System, activity managers are responsible for the day-to-day management of one or more specific activities and may or may not have the delegated authorities of a CTO. The December 2006 memorandum, however, did not specify coordination procedures, and coordination was inadequate during the first quarter of 2007.

To focus its resources and to achieve the maximum impact, USAID/Iraq needs to coordinate all of its programs' activities. If each program in a province operates on a stand-alone basis, potential synergies will not be achieved. Effective coordination between the USAID PRT representatives and the CTOs in Baghdad is necessary to achieve optimum results.

The reason for the lack of coordination was the failure of USAID/Iraq to adopt and implement procedures to ensure coordination from the beginning. To address the coordination issue, USAID/Iraq held a PRT conference with its implementing partners on March 28–29, 2007 to discuss practical approaches to improve communications between USAID PRT representatives and field staff of the implementing partners. At this meeting, the following agreements were reached:

- The implementing partners would submit summary weekly activity reports to USAID PRT representatives. These reports would cover major activities from the previous week, planned activities in the coming week, success stories, problems encountered, and security incidents.
- Weekly meetings between the USAID PRT representatives and implementing partner field staff were advisable if they did not jeopardize the security of the field staff.
- Implementing partner chiefs of party would meet with the PRTs at least quarterly.
- USAID PRT representatives would be given the opportunity to review and provide input to the implementing partners' quarterly planning report, beginning with the preparation of the third-quarter work plans in June 2007.

Implementation of these procedures is important to the success of the PRTs. Conference participants were informed that the USAID PRT representatives would also oversee implementation of contracts and cooperative agreements to ensure that implementation is in line with approved work plans. The PRT representatives would identify potential problems in program implementation and recommend appropriate solutions to CTOs. The procedures, however, did not explicitly address the possibility of USAID PRT representatives making site visits to the program activities. Consequently, we are making the following recommendations:

Recommendation No. 1: We recommend that USAID/Iraq adopt procedures to ensure that its cognizant technical officers utilize its Provincial Reconstruction Team representatives for program site visits.

Recommendation No. 2: We recommend that USAID/Iraq review the implementation of its new procedures and evaluate the coordination between its technical officers and its Provincial Reconstruction Team representatives within 90 days of the issuance of this report.

Are USAID/Iraq programs benefiting from participation in the Provincial Reconstruction Teams?

USAID/Iraq programs were benefiting from participation in the PRTs in the following ways:

- Office space and living quarters were provided to most of the USAID PRT representatives.
- Office space and other related logistics (Internet connection, telephone lines, etc.) were provided to USAID/Iraq's local governance program contractor.
- Living quarters were provided to USAID/Iraq's local governance program contractor at PRTs established on military bases.
- Offices and living quarters were provided to other USAID/Iraq implementing partners at the Mosul PRT.
- Personnel at the military-embedded PRTs had access to military escorts for meetings and site visits.

USAID/Iraq programs also benefited from information obtained through participation in the PRTs, such as military intelligence and information on the projects of other agencies and departments.

In general, the audit found that benefits were not uniform among different PRT regions. The role of the USAID representative also varied at each PRT. For example, in one PRT the USAID representative was the head of the economics section, while in other PRTs the USAID representative mainly worked on USAID programs. In some PRTs, however, the USAID representatives were excluded from major PRT functions. For example, a USAID implementing partner was invited to a training event sponsored by the PRT, but the USAID PRT representative was not aware of the training event or the invitation to the partner. While most USAID PRT representatives had input into the PRT work plan, one USAID PRT representative stated that he was not allowed to see the work plan because the Coalition partner PRT had categorized the work plan as a classified document. The audit team followed up on this issue with the USAID representative, and in an e-mail dated August 15, 2007, the USAID representative reported that he was eventually allowed to see a draft of the work plan, but not until several weeks after the draft was produced.

In addition to determining the benefits to USAID, auditors inquired about benefits to the U.S. Government from USAID's participation in the PRTs. Most respondents stated that USAID was a valued member of the PRTs. In most cases, USAID/Iraq had well-established programs on the ground. The PRTs were able to use the work of USAID/Iraq's implementing partners as a tool in meeting with provincial councils. PRT members (both USAID and non-USAID) stated that USAID contributed more than it received.

EVALUATION OF MANAGEMENT COMMENTS

In its response to a draft of this report, Mission management provided written comments in which it indicated concurrence with both recommendations and outlined actions to be taken to address each recommendation.

In response to Recommendation No. 1, management indicated that Mission cognizant technical officers (CTOs) from each of USAID/Iraq's programs met with Provincial Reconstruction Team (PRT) representatives on September 16, 2007, in Baghdad. All present agreed that field visits were taking place but that formal documentation was lacking. Mission management prepared and presented to the PRT representatives a site visit form to provide written documentation of visits, including useful feedback for CTOs. Further, CTOs and field officers discussed and determined a protocol for CTOs to either make site visits themselves or recommend that a PRT representative make a site visit. The Mission noted in its response that site visits would continue to be limited because of security issues and shared movement resources in the field.

In response to Recommendation No. 2, Mission management indicated that during a September 16–17, 2007, joint meeting in Baghdad between PRT representatives and Mission technical offices, operating procedures were reviewed, resulting in changes being made to the PRT representatives' draft operating guidelines. Mission management plans to evaluate those refinements after 90 days and make additional adjustments if necessary.

Based on the actions described above, we consider that management decisions have been made on both recommendations. Revised operating guidelines that included the changes in protocol and operating procedures for PRT representatives agreed to in the September 2007 meetings were not finalized at the time this audit report was issued. Consequently, a determination of final action regarding both recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

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 (1) USAID/Iraq coordinated the area expertise of USAID field officers and Provincial Reconstruction Teams (PRTs) with the technical expertise of its sector specialists, including in the design and implementation of activities, and (2) USAID/Iraq programs are benefiting from participation in the PRTs.

This audit was of USAID/Iraq's participation in the PRTs; it was not an audit of a specific USAID/Iraq program. There is no direct funding from USAID to the PRTs. USAID participates in the PRTs by providing technical assistance, as well as through the work performed by USAID/Iraq implementing partners. Thus, the relevant management controls examined regarding PRT structure focused on monitoring and reporting. Management controls consisted of supervisor contact by telephone and e-mail, periodic meetings with the USAID PRT representatives, and occasional visits to the PRTs by USAID/Iraq supervisors.

The audit fieldwork was performed from February 1 to May 9, 2007, and consisted of interviews with cognizant technical officers, USAID PRT representatives, and the Office of Governance and Provincial Reconstruction Teams from USAID/Iraq, as well as PRT representatives from other participating organizations, including the Department of State, Department of Justice, Coalition Forces Iraq, Iraq Reconstruction Management Office (IRMO),⁶ and the U.S. Army Corps of Engineers.

Methodology

To answer the audit objectives, we interviewed (in person, via e-mail, or by telephone) USAID/Iraq representatives from each of the 11 PRTs that had USAID representatives as of February 1, 2007. In addition, the audit included interviews of 7 cognizant technical officers in Baghdad, 11 implementing partner employees, and 27 non-USAID PRT representatives. We also reviewed relevant performance documents, such as PRT work plans and USAID/Iraq's guidance on responsibilities and reporting for its representatives.

In February and March 2007, we made site visits to six PRTs: Baghdad, Erbil, Basrah, Hillah, Mosul, and Diyala. The PRTs were selected for visits based on their structure so that we could obtain a representative sample of PRTs embedded in military bases as well as those not embedded. Further selection was based on logistical support and the schedules of the USAID/Iraq PRT representatives. During the site visits, we interviewed every official involved with the PRTs who was physically available on the day of our visit.

⁶ By Executive Order on May 9, 2007, the President created the Iraq Transition Assistance Office (ITAO) as the successor organization to IRMO.

Because of the qualitative nature of the audit objectives and because there were only 11 locations with USAID representatives, we did not use a materiality threshold in answering the audit objectives; instead, we relied on subjective judgments.

MANAGEMENT COMMENTS



MEMORANDUM

TO: Jay Rollins, Regional Inspector General/Baghdad

FROM: Christopher D. Crowley, Mission Director, USAID/Iraq /s/

DATE: September 20, 2007

SUBJECT: USAID/Iraq Written Comments on Draft Report E-267-07-00X-P, Audit of USAID/Iraq's Participation in the Provincial Reconstruction Teams

USAID/Iraq appreciates the opportunity to comment on the recent audit of USAID/Iraq's participation in Provincial Reconstruction Teams (PRT). The Mission has taken appropriate action and feels the recommendations can be closed.

I. General Comment:

USAID/Iraq is proud to be part of the inter-agency PRTs, and as highlighted by Ambassador Crocker in recent testimony to the Congress, tangible results are being realized in provinces throughout Iraq. Our USAID field officers play a key role in managing USAID programming at the provincial level, advising other PRT team members on development issues, synchronized assistance for efficiency and effectiveness, and providing eyes on and program management feedback to cognizant technical officers (CTO) in the mission in Baghdad.

Under the leadership of the U.S. Embassy Office of Provincial Affairs (OPA), the mission and objectives of the PRTs continue to be refined. On September 10, OPA, with inter-agency participation, established a working group to review and refine the mission and objectives of the PRT program and establish a set of performance measures. This is an important step as PRTs mature.

II. Recommendations:

Recommendation No. 1: *We recommend that USAID/Iraq adopt procedures to ensure that its cognizant technical officers utilize its Provincial Reconstruction Team Representatives for program site visits.*

Action Taken: Cognizant Technical Officers (CTO) from each of USAID/Iraq's programs

met with PRT field officers on September 16, 2007. They agreed field visits were taking place but formal documentation was lacking. We prepared and presented to the field staff a site visit form to provide written documentation of visits including useful feedback for CTOs. CTOs and field officers discussed and determined a protocol for CTOs to make site visits or recommend a field officer make a site visit. We do note, however, site visits will continue to be limited due to security issues and shared movement resources in the field.

Recommendation No. 2: *We recommend that USAID/Iraq review the implementation of its new procedures and evaluate the coordination between its technical offices and its Provincial Reconstruction Team Representatives within 90 days of the issuance of this report.*

Action Taken: Procedures were reviewed on September 16-17 with our field officers and technical offices in a joint meeting in Baghdad. Some changes were made to the draft operating guidelines based on field and Mission comments. We will evaluate the refinements after 90-days and make additional adjustments, if necessary.

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