



Highlights of [GAO-09-622](#), a report to congressional committees

Why GAO Did This Study

The U.S. government is one of the largest donors to Palestinians. It provided nearly \$575 million in assistance in fiscal year 2008. This assistance is provided through the U.S. Agency for International Development (USAID) and through contributions to international organizations, primarily the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The Department of State (State) oversees U.S. contributions to UNRWA. To help ensure that U.S. funds for these programs are not provided to individuals or entities engaged in terrorist activities, USAID and State must comply with restrictions under U.S. law. GAO was asked to (1) assess the extent to which USAID has complied with its antiterrorism policies and procedures and (2) assess State's and UNRWA's policies and procedures to support conformance with U.S. statutory conditions. GAO reviewed U.S. and UNRWA documents; interviewed USAID, State, and UNRWA officials; and conducted fieldwork in Israel, Jerusalem, and Jordan.

What GAO Recommends

To strengthen compliance, GAO recommends that the Administrator of USAID improve monitoring of subawards. GAO also recommends that the Secretary of State consider taking additional steps to oversee UNRWA's conformance with U.S. conditions on funding. USAID, State, and UNRWA said they are taking actions to implement GAO's recommendations.

View [GAO-09-622](#) or [key components](#). For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

FOREIGN ASSISTANCE

Measures to Prevent Inadvertent Payments to Terrorists under Palestinian Aid Programs Have Been Strengthened, but Some Weaknesses Remain

What GAO Found

USAID strengthened its antiterrorism policies and procedures and complied with them in making new prime awards, but had weaknesses related to compliance at the subaward level. ("Prime awardee" refers to an organization that directly receives USAID funding to implement projects. "Subawardee" refers to an organization that receives funding from prime awardees.) USAID strengthened its policies and procedures in response to our 2006 recommendations by, for example, strengthening its vetting process, which involves investigating a person or entity for links to terrorism. Since 2006, USAID has instituted new procedures to monitor prime awardee compliance with antiterrorism requirements, which have allowed it to take some actions to address areas of concern. The agency has hired a specialist who reviews prime awardees' subaward files for compliance with its antiterrorism policies. All 32 new prime awards made by USAID in fiscal year 2008 included all applicable clauses. USAID obtained the applicable antiterrorism certifications and conducted required vetting for all applicable new prime awards. For a random sample of fiscal year 2008 subawards, applicable antiterrorism certifications were obtained and vetting was conducted. However, an estimated 17 percent of subawards had insufficient evidence to assess compliance related to mandatory clauses. For the remaining subawards, an estimated 5 percent did not contain the mandatory clauses at the time of the award. GAO also found limitations in the agency's monitoring of subawards for inclusion of mandatory clauses.

Since 2003, State and UNRWA have strengthened policies and procedures to conform with conditions on U.S. contributions to UNRWA, but weaknesses remain. Section 301(c) of the Foreign Assistance Act of 1961, as amended, prohibits U.S. contributions to UNRWA except on the condition that UNRWA take all possible measures to assure that no part of the U.S. contribution shall be used to furnish assistance to, among others, any refugee who has engaged in any act of terrorism. UNRWA has agreed to conform to conditions on U.S. contributions, but State has not established criteria to determine whether UNRWA's actions are consistent with this agreement. While State has not defined the key term "all possible measures" or defined nonconformance, it has strengthened some policies and procedures to oversee UNRWA's conformance. UNRWA has strengthened policies and procedures to promote neutrality of its beneficiaries, staff, contractors, and facilities that cover a broader range of conduct than covered in section 301(c). UNRWA reported denying approximately 110 applications for cash assistance to refugees since July 2006, because the agency found the refugees' behavior was inconsistent with UN neutrality or restrictions related to section 301(c). However, limitations exist. UNRWA said it has screened all staff, contractor, and beneficiary names against a UN Security Council list of potential terrorists and found no matches. However, the list does not include Hamas and Hezbollah, which the United States has designated as foreign terrorist organizations. Finally, internal UNRWA audits do not assess controls for all cash assistance programs or whether contracts contain antiterrorism clauses.