



Highlights of [GAO-09-526](#), a report to congressional committees

## Why GAO Did This Study

Since 2003, the United States has provided \$49 billion to help rebuild Iraq. To build the capacity of Iraq's central and provincial governments to sustain this effort, the United States is implementing programs including Department of State's (State) Provincial Reconstruction Development Committee (PRDC) and the U.S. Agency for International Development's (USAID) National Capacity Development (NCD).

The use of key management controls, such as appropriate organizational structure and program monitoring, helps ensure programs achieve their objectives. Through field visits in Iraq, interviews with program officials, analyses of official reports, and examination of a sample of projects, we assessed whether the PRDC and NCD's management controls support the programs' objectives of building the capacity of Iraq's government. We also assessed Iraq's commitment to sustaining these U.S. programs.

## What GAO Recommends

GAO recommends that State address management control weaknesses such as developing measures of effectiveness; that the U.S. Army Corps of Engineers (USACE) and USAID improve financial controls; and that State and USAID document that Iraq shares the cost of these efforts. State and the USACE agreed with our recommendations. USAID is considering our financial control recommendations; GAO considers these important to implement.

View [GAO-09-526](#) or [key components](#). For more information, contact Joseph A. Christoff at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov).

## REBUILDING IRAQ

### Improved Management Controls and Iraqi Commitment Needed for Key State and USAID Capacity-Building Programs

#### What GAO Found

Through the PRDC program, State and USACE work with Iraqis in the provinces to develop proposals and undertake small-scale projects such as building schools, repairing roads, and developing water facilities. However, weaknesses in State's management controls hinder achieving the program objective to build provincial government capacity. First, the program involves multiple organizations and a complex process but had no clearly identified program manager until May 2009 when State designated one in response to GAO's findings. Second, State lacks a performance monitoring system that measures progress toward building provincial capacity to deliver essential services. Third, the program's guidelines and policies have changed frequently, but State did not adequately communicate or consult with the USACE, the program implementer, about these changes. Finally, USACE's financial controls for the timekeeping process did not ensure adequate documentation of time and attendance records for labor charges on projects.

USAID's management controls generally supported the NCD program's objective of building ministry capacity by training Iraqi employees in administrative skills such as planning and budgeting and supporting Iraqi training centers. First, USAID's organizational structure is clear, including who is responsible for overall program management. Second, in response to an audit report, USAID narrowed the NCD program objective to improving ministries' administrative capabilities and clearly linked them to measures of outcome. Some of these measures include Iraqi ministries' execution of their capital budgets, including the number of capital projects approved and the rate of spending on capital projects. USAID reported it was on track to meet or exceed its 2008 targeted results. However, as of March 2009, final data on results were not available. Third, USAID's guidelines and program expectations for NCD are documented, clear, and communicated throughout the organization. However, with regard to financial controls, GAO found that USAID officials did not confirm receipt of goods and services for invoices totaling about \$17 million of \$79 million, prior to payment. The officials did not always document reasons such as security risks, when confirmation was not possible.

Iraq has committed to sustaining U.S.-funded programs and sharing in their costs, but actual budget expenditures for such activities are unclear. For the PRDC program, 16 of the 40 projects in our sample had evidence that the Iraqi government agreed to sustain the project; however, the records did not specify actual financial or budget commitments. For the NCD program, the Iraqi government is supporting the program by providing trainers and allocating funds in their 2009 budgets for training center equipment and other NCD efforts. These funds are to be spent in 2009. We have previously reported that the Iraqi government includes funding in its budgets for investment activities such as operating and maintaining U.S.-funded reconstruction projects and training, but does not subsequently expend these funds.