



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST BANK AND GAZA'S DESIGN FOR SUSTAINABILITY FOR SELECTED LOCAL GOVERNMENT AND INFRASTRUCTURE PROGRAM ACTIVITIES

AUDIT REPORT NO. 6-294-13-005-P
JANUARY 27, 2013

CAIRO, EGYPT



Office of Inspector General

January 27, 2013

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Michael T. Harvey

FROM: Regional Inspector General, Catherine Trujillo /s/

SUBJECT Audit of USAID/West Bank and Gaza's Design for Sustainability for Selected Local Government and Infrastructure Program Activities
(Report No. 6-294-13-005-P)

This memorandum transmits our final report on the subject audit. We have considered carefully your comments on the draft report and have included them in their entirety in Appendix II.

The final report includes five recommendations to help strengthen the implementation of USAID/West Bank and Gaza's Design for Sustainability for Selected Local Government and Infrastructure Program Activities. The mission has made management decisions on the five recommendations. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action.

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

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOR	agreement officer’s representative
CFR	Code of Federal Regulations
CHF	Cooperative Housing Foundation International
COP	chief of party
MoEHE	Ministry of Education and Higher Education
MOU	memorandum of understanding
O&M	operations, sustainability, and maintenance plan
RIG	Regional Inspector General

SUMMARY OF RESULTS

According to the Palestinian Authority's 2011-2013 national development plan, the national agenda includes developing and improving the private sector, educational systems, and national and basic infrastructure. The Palestinian Authority anticipates that these improvements would have a positive impact on citizens' quality of life as well as on the prospects for growth within the private sector. In keeping with this plan, the Ministry of Local Government established a 5-year strategic framework that focuses on being "able to achieve sustainable development with effective community participation."

To help the ministry implement that framework, USAID/West Bank and Gaza awarded Cooperative Housing Foundation International (CHF)¹ a 5-year cooperative agreement on September 30, 2010, worth \$100 million to implement the Local Government and Infrastructure Program. The goal is to encourage good local governance and provide basic infrastructure necessary to improve the quality of life for Palestinians in West Bank and Gaza. As of September 30, 2012, the mission obligated \$37 million and expended \$17 million under this program.

CHF developed six objectives to achieve the program's goal:

1. Improve living conditions for Palestinians by providing sustainable multisector community infrastructure, such as schools, roads, and sidewalks.
2. Enhance the impact of other USAID programs by addressing their underlying infrastructure needs.
3. Strengthen local government's capacity to respond effectively and efficiently to community needs by promoting and institutionalizing good democratic governance practices.
4. Enhance the Ministry of Local Government's capacity to assume its regulatory, policy development, sector strategic planning, guidance, and monitoring roles.
5. Generate employment opportunities and build the capacity of the Palestinian construction sector through building infrastructure projects.
6. Reserve 5 percent of program funds to address unforeseeable opportunities that could help achieve the program's overall goal.

The Regional Inspector General (RIG)/Cairo conducted this audit to determine whether USAID/West Bank and Gaza incorporated sustainability in selected program activities. While the mission incorporated sustainability in some activities, it should address the following concerns to be sure that all projects are sustainable.

- USAID/West Bank and Gaza did not perform an assessment of beneficiaries' capacity to sustain projects (page 3). Although the mission anticipated providing about \$15 million to a single ministry, it did not assess whether the ministry had the staff and financial resources

¹ The organization changed its name to Global Communities in 2012.

required to sustain any projects. In addition, the mission should assess the capacity of the Palestinian Authority's local government units receiving assistance.

- The mission did not always follow environmental procedures (page 5). While the mission conducted an initial environmental examination, it did not verify that all project environmental screening forms were completed and approved before construction.
- Subcontracts did not include the mandatory human trafficking provision (page 7). The implementer awarded 18 subcontracts to construct and renovate schools, roads, walls, and sidewalks; however, the implementer did not include the provision in those subcontracts.

To address these concerns, RIG/Cairo recommends that USAID/West Bank and Gaza implement the following recommendations.

1. Perform and document an assessment of the Palestinian Authority's Ministry of Education and Higher Education's capacity to sustain infrastructure projects constructed or renovated under the Local Government and Infrastructure Program. It should then review the total amount of completed and planned assistance provided to other ministries and determine whether additional assessments need to be performed (page 5).
2. Revise the Local Government and Infrastructure Program's sustainability framework to require beneficiaries to provide written cost estimates of what they need to operate and sustain projects, and direct Cooperative Housing Foundation International to assess the viability of the estimates to sustain the project before construction starts (page 5).
3. Implement written procedures for completing environmental screening forms for projects within politically sensitive areas under the Local Government and Infrastructure Program to mitigate the environmental impact of construction (page 7).
4. Obtain a written legal decision from its regional legal advisor on how to proceed with three projects that are either completed or under way for which staff members did not finish environmental screening forms before construction began (page 7).
5. Modify the Local Government and Infrastructure Program's cooperative agreement to add Automated Directives System's revised human trafficking provision and direct Cooperative Housing Foundation International to amend its ongoing subcontracts to include the provision (page 9).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are in Appendix II, and our evaluation of them is on page 10.

AUDIT FINDINGS

Mission Did Not Assess Beneficiaries' Capacity to Sustain Projects

USAID's Automated Directives System (ADS) 201.3.4.2, "Role of Partners, Customers, and Stakeholders," states that while developing a long-term assistance strategy, USAID should work closely with host-country counterparts that play a role in implementing development plans to help ensure that those plans address problems, are achievable, and produce sustainable benefits after USAID funding ends.² In January 2012 the Agency revised ADS 200.3.1.5, "Build in Sustainability from the Start," to require missions to ensure local demand and ownership, build stakeholders' capacity to maintain projects, analyze and evaluate activities, bind them to sustainable financial models, and make sure that they are environmentally sustainable.

According to the cooperative agreement, the sustainability framework required the beneficiaries or local government units³ to demonstrate that resources were available from relevant institutions to perform regular maintenance and repairs, and to operate the infrastructure, like the school in the photo below, to serve its primary purpose. To confirm that beneficiaries have the capacity to sustain projects, the mission was supposed to assess their staffing and financial resources.



USAID funds helped pay for the construction of this new school in the Palestinian village of al Mughayyir. (Photo from CHF)

² Effective 9/1/08. USAID revised the cited version ADS 201 in March 2012, which was in effect when the mission made this award.

³ Local government units are municipalities, village councils, and joint village councils within the Palestinian Authority.

As part of the program's design, USAID/West Bank and Gaza incorporated several components of sustainability, such as proactive involvement of communities and government entities to identify and prioritize projects based on need, and commitment from the beneficiaries to operate and maintain the projects. However, the audit identified two areas of concern, described below.

Ministry That Received Significant Aid Was Not Assessed. Under the program, USAID/West Bank and Gaza constructed and renovated several schools for the Palestinian Authority's Ministry of Education and Higher Education (MoEHE) but did not assess whether it had the staff and financial resources to sustain the projects after completion. In November 2010 MoEHE and CHF signed a memorandum of understanding (MOU) detailing specific projects with a cumulative total of \$15 million and making the ministry responsible for project sustainability (included operating and maintaining the facilities). As of June 30, 2012, USAID/West Bank and Gaza completed or was in the process of completing 11 school projects with estimated construction costs of \$3.3 million. All were included in the MOU, and the program's chief of party (COP) confirmed that the ministry was responsible for operating and maintaining these facilities.

Capacity of Local Government Units Needs Further Assessment. The mission did not direct CHF to assess the resources that local government units needed to operate and maintain the projects. The units signed MOUs with CHF documenting their responsibilities for ensuring a facility's sustainability. The MOUs included requirements for implementing an operations, sustainability, and maintenance plan (O&M), as well as a budget forecast. However, the MOUs did not consistently include much detail or budgets showing the number of employees and financial resources needed to operate and maintain the projects. For example, an MOU for a road and sidewalk expansion project did not have an O&M, let alone include or consider the additional resources needed to operate and maintain the project. Six MOUs for road projects did not include estimated budgets for the staff needed to maintain and repair roads. An MOU for a youth club did not include a cost estimate for maintaining the facility.

The mission did not assess MoEHE's capacity to sustain projects during the program design phase because mission officials said they were not sure about the size or amount of assistance that would be provided to a single beneficiary. They decided to assess the ability of a beneficiary to maintain and utilize a project only when the costs of that project exceeded \$1 million, pursuant to Section 611(e) of the Foreign Assistance Act of 1961, as amended.⁴

However, shortly after the program was awarded, MoEHE and CHF signed the MOU identifying a cumulative total of \$15 million of assistance to the ministry—exceeding the \$1 million threshold. Given the significant amount of assistance directed to a single ministry, the mission should have assessed MoEHE's capacity before construction began. Moreover, USAID's General Council determined that when the aggregate value of facilities is managed by the same entity, the intent of the act is for the mission to complete the certification before the award or construction activities.

In terms of the local government units, mission officials gave several reasons for not conducting the assessments. The COP said assessing staffing resources could be problematic because the staff at several local governments consisted mostly of volunteers. Additionally, large local

⁴ According to 22 U.S.C.2361 (e), whenever certain types of funds are proposed to be used for a capital assistance project that costs more than \$1 million, the agency head must take into consideration the mission director's certification that the country is capable of effectively maintaining and utilizing the project.

government units were more likely to provide detailed O&Ms than smaller ones; for example, Tulkarem, a city with about 50,000 residents, had enough employees and funds to maintain the project.

Lastly, according to the COP and agreement officer's representative (AOR), the mission's premise for sustainability was not the staff and financial capacity of the beneficiaries. Instead, the mission focused on (1) making sure that communities participated in the program activities, (2) the projects selected would be embraced and supported by beneficiaries, (3) they would be involved in all stages, (4) provide matching contributions, and (5) remain committed to the projects.

According to the program description, the Palestinian Authority "has struggled to allocate sufficient resources to fully support the maintenance of existing infrastructure." Furthermore, the mission has been building, repairing, and renovating basic infrastructures for the Palestinian Authority since 2000 to help it form a viable state.

Therefore, it is critical for USAID/West Bank and Gaza to consider the resources of ministries and local government units receiving benefits under the program. In fact, the mission should consider other ministries receiving assistance under the program as this audit sample only reviewed MoEHE projects. Finally, O&Ms with budgets that include the number of staff members and the amount of money needed to operate and maintain the projects should give the Palestinian Authority a basis for asking for additional donor funding or to allocate existing donor funding more effectively. Therefore, RIG/Cairo makes the following recommendations.

Recommendation 1. We recommend that USAID/West Bank and Gaza (1) perform and document an assessment of the Palestinian Authority's Ministry of Education and Higher Education's capacity to sustain infrastructure projects constructed or renovated under the Local Government and Infrastructure Program, and (2) review the total amount of completed and planned assistance provided to other ministries and determine in writing whether additional assessments need to be performed.

Recommendation 2. We recommend that USAID/West Bank and Gaza (1) revise the Local Government and Infrastructure Program's sustainability framework to require beneficiaries to provide written cost estimates of what is needed to operate and sustain projects, and (2) direct Cooperative Housing Foundation International to assess the viability of the cost estimates to sustain the project before construction starts and document the results.

Mission Did Not Always Follow Environmental Procedures

Pursuant to 22 Code of Federal Regulations (CFR) 216, USAID/West Bank and Gaza prepared and approved an initial environmental examination on May 24, 2010. The examination determined that proposed activities would not have a significant effect on the environment as defined under CFR 216.1(c)(11) if appropriate mitigation and monitoring measures were followed. This required the implementer to perform an environmental screening process for each activity and develop appropriate measures to mitigate any possible adverse impacts during the construction or the operation stages.

CHF was required to submit an environmental screening form to USAID/West Bank and Gaza

disclosing information such as potential environmental impact, mitigation actions, and monitoring mechanisms. The mission was then required to approve the form, along with any mitigating control measures developed to address negative environmental impacts before any construction began.

USAID/West Bank and Gaza did not follow these procedures for three projects. First, the mission started a three-phase road project during September and October 2011. Yet it did not approve the environmental screening until November 2011 after construction started. Furthermore, the screening form CHF submitted included photos of mitigating measures already implemented rather than a plan discussing the measures to be implemented. For example, the form included pictures showing that trees had been replanted because they were affected by construction.

Second, CHF did not submit the environmental form for the Daher Al Abed School project, shown below, until the mission asked for it during construction (the actual date CHF submitted the form is unknown). Moreover, on October 5, 2011, CHF allowed a subcontractor to proceed with construction 4 days before the mitigation implementation plan was completed.



Workers construct Daher Al Abed School as part of a USAID-funded project. (Photo from CHF)

Third, the mission did not approve an environmental screening form for the Salah al Deen School project until January 25, 2012, 3 days after CHF told the subcontractor to proceed with construction. According to the COP, CHF briefed the subcontractor on the environmental mitigation measures and followed up daily during site supervisions to be sure the measures were implemented.

In the case of the road, the AOR said CHF completed an environmental screening, but the mission wanted CHF to incorporate certain mitigating control measures before approving the

final form. He said the mission and CHF discussed the measures, and he and the mission environmental officer verbally approved CHF's request to have the subcontractor start work. However, the mission could not provide any evidence to show the environmental screening and mitigating measures were approved before the construction began.

For the Daher Al Abed School, when the AOR discovered that CHF did not submit the screening form before construction, he implemented a control requiring CHF to submit biweekly project status reports that included the submission and approval dates for all completed and ongoing environmental screenings.

Finally, the Salah al Deen School project was complicated by the fact that it was located in Area C, which is controlled by Israel and occupied by Israelis and Palestinians. Getting the Israeli Civil Administration to issue work permits in this politically sensitive region can be difficult; for this project, the U.S. Special Envoy for Middle East Peace and other officials were able to do so. To show USAID/West Bank and Gaza's commitment, the mission permitted CHF to initiate work immediately after obtaining the permit without the approval of the environmental screening.

Although the AOR said the subcontractor only built a fence to secure the area and brought equipment on site before the environmental screening was approved, these activities constitute construction work without final approval. The mission has worked on 6 of 20 Area C projects that the MoEHE has asked for, and it plans to work on additional ones there after further consulting with the ministry and other donors.

Lack of proper environmental screening and mitigating control measures before project implementation can lead to adverse impacts on the environment as well as on a project's sustainability. Without proper screenings, the mission cannot be sure that environmental safeguards and mitigation steps are addressed before construction. Therefore, RIG/Cairo makes the following recommendations.

Recommendation 3. *We recommend that USAID/West Bank and Gaza implement written procedures for completing environmental screening forms for projects within politically sensitive areas under the Local Government and Infrastructure Program to mitigate the environmental impact of construction.*

Recommendation 4. *We recommend that USAID/West Bank and Gaza obtain a written legal decision from its regional legal advisor on how to proceed with the three projects that are either completed or under way for which the staff did not complete environmental screening forms before construction began.*

Subcontracts Did Not Include Mandatory Human Trafficking Provision

According to the human trafficking provision incorporated in the cooperative agreement, recipients must adhere to Section 106 (g) of the Trafficking Victims Protection Act of 2000, as amended.⁵ This section requires any federal department or agency entering into a grant, contract, or cooperative agreement with a private entity to include a condition that allows the

⁵ U.S. Code, Title 22, Section 7104 (g).

agency to terminate the award without penalty if any grantee, subgrantee, contractor, or subcontractor engages in human trafficking, as defined by the act.

In June 2012 USAID further simplified its ADS human trafficking provision—which is also required to be included in all contracts, grants and cooperative agreements—to require all aid recipients to include the provision in all subagreements, including subawards and contracts. According to USAID/West Bank and Gaza’s agreement officer, the mission planned to modify the program’s cooperative agreement in November 2012 to include that revised language.

None of the 18 subcontracts awarded to several construction companies included the standard provision on human trafficking. These contracts were for the construction and renovation of schools, roads, walls, and sidewalks. Three subcontractors said they were not familiar with the U.S. Trafficking Victims Protection Act, yet they were aware of what actions constituted violations of it. All three said they were required to follow the Palestinian Authority labor law that strictly prohibits activities such as child labor and unpaid labor. In addition, six laborers the team interviewed said they received benefits, reasonable wages, were never forced to work, and could terminate their employment at any time.

CHF officials said they did not include the provision because they believed that the provision applied to subgrantees, not subcontractors; they based their interpretation on the definition of subaward in 22 CFR 226.2:

Subaward means an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient. The term includes financial assistance when provided by any legal agreement, even if the agreement is called a contract, but does not include procurement of goods and services...

In addition, CHF viewed the hiring of construction subcontractors as a procurement of services and excluded the subcontracts from the CFR requirement.

RIG/Cairo disagrees with CHF’s interpretation because the human trafficking act is applicable to CHF and to any financial instruments that it creates to achieve the program’s goal. Moreover, sectors like construction are vulnerable to human trafficking activities. Therefore, as a good business practice it is advisable to include the human trafficking provision in all instruments entered into under the program.

According to USAID’s Countering Trafficking in Persons policy dated February 2012, human trafficking is a lucrative business that grosses about \$32 billion a year through forced labor, commercial sex exploitation, and debt bondage. In addition, the policy notes that some of the root causes of it are development challenges such as limited employment opportunities, weak social safety nets, and ethnic and gender discrimination.

The USAID/West Bank and Gaza program’s target beneficiaries are in communities that face these challenges, and that increases the program’s exposure to trafficking activities. Without the provision, the mission cannot terminate an award without penalty if the subcontractors or their employees engage in human trafficking, procure a commercial sex act, or use forced labor while carrying out program activities. Consequently, the mission cannot assure taxpayers that an award would be terminated if tax dollars are found to contribute to human trafficking. To address this concern, RIG/Cairo makes the following recommendation.

Recommendation 5. *We recommend that USAID/West Bank and Gaza (1) modify the Local Government and Infrastructure program agreement to add the June 2012 USAID's Automated Directives System revised human trafficking provision, and (2) direct Cooperative Housing Foundation International to amend its ongoing subcontracts to include the revised human trafficking provision.*

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft audit report, USAID/West Bank and Gaza agreed with all five recommendations. We acknowledge management decisions on these five recommendations. Summarized below are the comments and the audit team's evaluation of them.

Recommendation 1. Mission officials agreed to review a list of completed and planned infrastructure projects to determine whether the Palestinian Authority ministries, including MoEHE, require sustainability assessments. The mission intends to complete the assessments by April 30, 2013. As a result, we acknowledge that the mission made a management decision on Recommendation 1.

Recommendation 2. USAID/West Bank and Gaza officials said they plan to revise the program's sustainability framework and ask the implementer to obtain and verify from potential beneficiaries written cost estimates for operating and sustaining projects. The mission's target date for final action is January 31, 2013. Accordingly, we acknowledge that the mission made a management decision on Recommendation 2.

Recommendation 3. Mission officials agreed to implement written procedures by February 15, 2013, to complete environmental screening forms for projects under the Local Government and Infrastructure Program. As a result, we acknowledge that the mission made a management decision on Recommendation 3.

Recommendation 4. USAID/West Bank and Gaza officials said the regional legal advisor will provide a written legal decision by March 31, 2013, regarding the three projects for which the staff did not complete environmental screening forms before construction began. Consequently, we acknowledge that the mission made a management decision on Recommendation 4.

Recommendation 5. Mission officials agreed to modify the program agreement by January 31, 2013, to add the revised human trafficking provision and ask the implementer to amend its ongoing subcontracts to include the revised provision. Accordingly, we acknowledge that the mission made a management decision on Recommendation 5.

SCOPE AND METHODOLOGY

Scope

RIG/Cairo conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides that basis.

The audit objective was to determine whether USAID/West Bank and Gaza built sustainability into selected Local Government and Infrastructure Program activities. USAID/West Bank and Gaza awarded CHF a \$100 million cooperative agreement that was in effect from September 30, 2010, to September 30, 2015. As of September 30, 2012, the mission obligated \$37 million and expended \$17 million.

The audit covered infrastructure activities from September 30, 2010, through June 30, 2012. We conducted fieldwork between October 14 and 31, 2012, at USAID/West Bank and Gaza, CHF's office in Ramallah, Salahdin Elementary Boys School in Jerusalem Governorate, Az Zeer Secondary School for Boys in Bethlehem Governorate, Jaba Youth Club in Jerusalem Governorate, and at the Arab ar Rashayida Road rehabilitation project in Bethlehem Governorate.

In planning and performing the audit, we obtained an understanding of the program design, objectives, activities, and management oversight controls of the program. We assessed and tested relevant management controls related to documentation, management reviews, and approval of infrastructure activities. Moreover, the audit focused on testing infrastructure activities to confirm that USAID/West Bank and Gaza implemented sustainable elements for infrastructures constructed or renovated under the program.

Methodology

To answer the audit objective, we interviewed USAID/West Bank and Gaza officials, CHF employees, and project beneficiaries. We also reviewed and assessed documentation provided by USAID/West Bank and Gaza and CHF that included the mission's fiscal year 2011 Federal Managers' Financial Integrity Act assessment, program design documents, community assessment and involvement reports, construction contracts, MOUs, and other relevant documents. We reviewed documents to verify the mission's consideration of gender equality and trafficking in persons requirements. We observed and interviewed workers to understand their knowledge of these subject matters. In addition, we reviewed applicable laws and regulations and USAID policies and procedures that included but were not limited to the Foreign Assistance Act of 1961, as amended, and ADS Chapters 200 ("Programming Policy"), 201 ("Planning"), and 204 ("Environmental Procedures").

The program budget allocated about \$50 million toward infrastructure activities. As of June 30, 2012, CHF implemented 59 infrastructure projects (54 completed and 5 in progress) with construction costs of \$8.6 million. To assess whether USAID/West Bank and Gaza built and implemented sustainability elements into the projects, we judgmentally selected 18 of them with construction costs of \$4.5 million or 52 percent of the infrastructure project universe. We

reviewed relevant program design documents like the program description and interviewed the AOR to determine whether the mission incorporated sustainability elements into the program design. For each project selected, we verified that mission officials and CHF personnel ensured that (1) the community or government entity identified the project as necessary, (2) project beneficiaries were committed to operate and maintain projects, and (3) beneficiaries demonstrated that they had the personnel and financial capabilities to sustain projects.

We verified that CHF monitored and managed construction site activities by reviewing a sample of raw material testing and approvals and CHF engineers' approval of work completed. We also verified that CHF approved completed projects before handing them over to beneficiaries and that the subcontractors provided beneficiaries with a 1-year warranty against construction defects. In addition, we visited four sites and met with local government or ministry representatives and beneficiaries to confirm community involvement, project ownership, and commitment to operate and maintain projects after completion of construction. RIG/Cairo selected a judgmental sample for this audit because (1) the universe included several types of infrastructure projects that required different testing attributes, and (2) the mission's selection and approval process was not the same for every project. Therefore, the audit results cannot be projected across the universe.

MANAGEMENT COMMENTS



UNCLASSIFIED

Date: January 16, 2013

To: Regional Inspector General, Cairo, Catherine Trujillo

From: Mission Director, USAID West Bank and Gaza, Michael T. Harvey /s/

Through: Acting Deputy Mission Director, Bruce Gelband /s/

Subject: Mission's Comments on the Draft Performance Audit Report of the Local Government and Infrastructure Program.

Draft Audit Report No. 6-294-13-0XX-P dated December 20, 2012

Reference: Thomanek/Harvey memorandum dated December 20, 2012

USAID West Bank and Gaza wishes to thank the Regional Inspector General/Cairo for conducting the referenced performance audit of the Local Government and Infrastructure Program (LGI). The subject draft audit report has been thoroughly reviewed by the Water Resources and Infrastructure Office (WRI) in collaboration with other offices in the Mission.

The Mission appreciates this opportunity to comment on the draft audit report and the five recommendations therein as the RIG prepares the final report. The following are the Mission's comments on each of the five recommendations.

Recommendation No. 1:

We recommend that USAID/West Bank and Gaza (1) perform and document an assessment of the Palestinian Authority's Ministry of Education and Higher Education's capacity to sustain infrastructure projects constructed or renovated under the Local Government and Infrastructure Program, and (2) review the total amount of completed and planned assistance provided to other ministries and determine in writing whether additional assessments need to be performed.

Response:

The Mission will review the list of completed and planned infrastructure projects under the Local Government and Infrastructure Program (LGI) and determine which Palestinian Authority (PA) ministries, including the Ministry of Education and Higher Education, require sustainability assessments. By January 31, 2013, the Agreement Officer's Representative (AOR) will draft a memorandum to the Regional Legal Advisor (RLA) with a list of ministries that received or expected to receive substantial assistance requiring such assessments. By April 30, 2013, the Mission will complete an assessment of the capacity of the ministries identified in January 2013 to maintain and utilize infrastructure projects planned or completed under LGI.

Recommendation No. 2:

We recommend that USAID/West Bank and Gaza (1) revise the Local Government and Infrastructure Program's sustainability framework to require beneficiaries to provide written cost estimates of what is needed to operate and sustain projects, and (2) direct Cooperative Housing Foundation International to assess the viability of the cost estimates to sustain the project before construction starts and document the results.

Response:

The LGI program has a rigorous sustainability plan that includes the selection of projects to meet community needs, assessment of each project's technical feasibility, design of sustainable projects, monitoring implementation to ensure that projects are completed at required quality standards, and ensuring that projects are properly utilized and maintained for after the project is completed. That being said, by January 31, 2013, the Mission will amend the project's sustainability framework by requesting that CHF International obtain from potential beneficiaries written cost estimates for operating and sustaining infrastructure projects to be completed under the LGI program. CHF International will be requested to confirm beneficiaries' cost estimates to sustain infrastructure projects provided under LGI prior to beginning construction.

Recommendation No. 3:

We recommend that USAID/West Bank and Gaza implement written procedures for completing environmental screening forms for projects within politically sensitive areas under the Local Government and Infrastructure program to mitigate the environmental impact of construction.

Response:

For projects requiring immediate contractor mobilization to construction sites, the AOR will provide the implementing partner, CHF International, written instructions cleared by the Mission Environmental Officer (MEO) delineating the pre-construction actions that should be followed prior to the approval of the environmental screening form and require that the environmental screening form be submitted for approval within one week of receiving these written instructions. By February 15, 2013, the AOR will send CHF International written guidance clarifying this process.

Recommendation No. 4:

We recommend that USAID/West Bank and Gaza obtain a written legal decision from its regional legal advisor on how to proceed with the three projects that are either completed or under way for which the staff did not complete environmental screening forms before construction began.

Response:

The Mission's RLA will review the Yasid agricultural roads' projects and Salah al Deen School project with the LGI AOR to ensure appropriate documentation of conditional verbal approval is placed in the project activity file (along with any supporting emails). With respect to the Daher Al Abed School, the RLA will review the controls put in place by the AOR to determine whether additional guidance needs to be provided to CHF International. The RLA will review the procedures outlined in Recommendation No. 3 to ensure that in the future, construction does not proceed prior to approval of the environmental screening form unless clearance from the MEO is received and appropriate documentation is included in the activity file justifying the necessity of proceeding. The RLA will provide a written legal decision to the LGI AOR on the cited cases by March 31, 2013.

Recommendation No. 5:

We recommend that USAID/West Bank and Gaza (1) modify the Local Government and Infrastructure program agreement to add the June 2012 USAID's Automated Directives System revised human trafficking provision, and (2) direct Cooperative Housing Foundation International to amend its ongoing subcontracts to include the revised human trafficking provision.

Response:

The subject Cooperative Agreement already includes the provision "Trafficking in Persons dated October 2010". As of June 2012, the Agency amended this provision and introduced a revised version for all new awards. While Agency policy does not require Agreement Officers to take such action, the Agreement Officer will modify the subject cooperative agreement and replace the existing provision with the June 2012 provision. This modification will be finalized no later than January 31, 2013. Additionally, in the transmittal letter for this modification, the Agreement Officer will request CHF International to 1) amend all of their active sub-awards and contracts to include the updated provision by February 28, 2013 and 2) send the Agreement Officer a written confirmation once this action is completed.

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