OFFICE OF INSPECTOR GENERAL

AUDIT OF THE SUSTAINABILITY OF USAID/IRAQ-FUNDED INFORMATION TECHNOLOGY SYSTEMS

AUDIT REPORT NO. E-267-12-002-P
MARCH 21, 2012

BAGHDAD, IRAQ

Office of Inspector General

March 21, 2012

MEMORANDUM

TO: USAID/Iraq Mission Director, Alex Dickie

FROM: Office of Inspector General/Iraq Director, Darren Roman /s/

SUBJECT: Audit of the Sustainability of USAID/Iraq-Funded Information Technology Systems (Report No. E-267-12-002-P)

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

The report contains seven recommendations to help the mission strengthen the oversight and performance of activities related to information technology systems. Based on your written comments in response to the draft report, management decisions have been reached on all seven recommendations. Please provide the Audit Performance and Compliance Division with evidence of final action on completion of the planned corrective actions.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

CONTENTS

Abbreviations

The following abbreviations appear in this report:

GAPTIS	Governorates Accounting and Project Tracking Information System
IT	information technology
IV&V	independent verification and validation
MSI	Management Systems International
NBP	National Board of Pensions
OIG	Office of Inspector General

SUMMARY OF RESULTS

Several factors must be considered and addressed to develop and implement successful IT systems in developing countries.[1] First, the host country must commit to needing, using, and supporting the IT systems. Second, USAID/Iraq and implementing partners need to consider the operating environment of host-country infrastructure—i.e., the availability and reliability of electricity, Internet, and telecommunications to support IT systems. Third, the computer hardware and software need to meet the needs of the intended user. Fourth, the users need to be trained in how to use the new technology. Finally, the host country must plan and take into account maintenance costs for IT systems, which can be high.

Between 2003 and 2011, USAID/Iraq implemented programs across several sectors to assist the Government of Iraq. These programs were intended to stabilize communities, foster economic and agricultural growth, and build the capacity of the national, local, and provincial governments. Some of these programs included the financing and development of information technology (IT) systems.

During this period, USAID/Iraq funded at least 24 IT systems,[2] totaling $73.2 million, through awards to various contactors and grantees. These USAID-financed IT systems were intended to be delivered to and used by Government of Iraq entities to allow them to operate in a more efficient, effective, and transparent manner. In some cases, the awards included IT systems as specific deliverables; in other cases, USAID/Iraq programs implemented IT systems to achieve broader goals such as to increase transparency and accountability, and to reduce fraud or corruption.

The Office of Inspector General's Country Office in Iraq (OIG) conducted this audit to determine whether selected USAID/Iraq-funded IT systems were used as intended.   If the Government of Iraq used the systems at the time of completion, even for a short time—less than a year—we considered that they were used as intended.

The audit determined that, of the 24 USAID/Iraq-funded IT systems, (1) 10 systems, totaling $62.1 million, were not completed, not functional when delivered, or not used by the Government of Iraq as intended, (2) 3 systems, totaling $1.5 million, were used as intended, and (3) 2 systems, totaling $2.5 million, were partially used (pages 3-8). For the remaining nine systems, totaling $7.1 million, the mission was unable to provide documentation that the systems were used or to provide direct contact information for the end users (noted as a scope limitation in Appendix I) so that auditors could follow up with them. Nevertheless, the director of the USAID/Iraq technical office said that the Government of Iraq likely did not use the systems.

The ten systems not used as planned were not used because the Government of Iraq did not

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[1] Chapter 548 of USAID's Automated Directives System, "Program-Funded Information Technology," states that IT systems implemented under USAID contracts and valued at more than $100,000 are required to undergo an independent verification and validation review performed by the Office of the Chief Information Officer. Such a review assesses several factors that influence successful development of the proposed IT system—for example, maintenance plans, host-country infrastructure, information security measures, and training and staffing plans for implementation. Although strongly recommended, these reviews are not required for IT systems under grants and cooperative agreements.

[2] "IT systems" in this report are those for which the mission procured or developed hardware or software. We excluded systems for which the mission provided only technical assistance.

support the systems, the mission's implementing partners did not deliver completed or functional systems, USAID/Iraq stopped funding the systems, and the Government of Iraq was not prepared to use one system.

So that future USAID/Iraq-financed IT systems are successfully developed and supported by Iraqi institutions, we recommend that the mission:

1. Obtain written commitment and buy-in from the Government of Iraq, including cost sharing, before investing any funds in IT systems, and monitor the Government of Iraq's commitment throughout the implementation of the systems (page 11).

2. Issue guidance to implementing partners of programs with IT components regarding the independent verification and validation (IV&V) review process so that it can be completed in a thorough and timely manner (page 11).

3. Require sustainability and users' needs to be built into the design of IT systems (page 11).

4. Complete and transfer IT systems to the Government of Iraq in sufficient time so that systems are fully functional and used for their intended purposes before programs end (page 11).

5. Monitor the implementation of IT systems, and immediately stop funding them if they are found not to be usable, sustainable, or supported by the intended user (page 11).

6. Work with the Government of Iraq to determine whether the Bill Tracking System and the Content Management System (Numbers 8 and 9 in the table that begins on page 3) can be salvaged and used (page 11).

7. Establish follow-up procedures to document that IT systems have been transferred to the intended users and are in use (page 11).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. USAID/Iraq's written comments on the draft are included in Appendix II. Our evaluation of these management comments is included in the report on page 12.

AUDIT FINDINGS

Mission-Funded Information Technology Systems Were Not Being Used

Between 2003 and 2011, USAID/Iraq implemented several programs that included funding IT systems. In some cases, the contracts or cooperative agreements included IT systems as specific deliverables; in other cases, USAID/Iraq programs developed IT systems to achieve broader goals, such as to increase transparency and accountability, and to reduce fraud or corruption.

USAID's Automated Directives System (Sections 202.3.6 and 202.3.6.1) requires contracting officer's technical representatives and development objective teams to monitor the quality and timeliness of outputs produced by implementing partners and to maintain work files. USAID personnel are to monitor deliverables with the understanding that any "delays in completing outputs or problems in output quality provide an early warning that results may not be achieved as planned."

Of the 24 systems examined, (1) 10 systems, totaling $62.1 million, were not completed, not functional when delivered, or not used by the Government of Iraq as intended, (2) 3 systems, totaling $1.5 million, were used as intended, and (3) 2 systems, totaling $2.5 million, were partially used. For the remaining nine systems, totaling $7.1 million, the mission was unable to provide documentation that the systems were used or to provide direct contact information for the end users. The systems examined and their status are summarized in the table below by program area.

Audit Conclusions Regarding USAID/Iraq-Funded IT Systems

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
Capacity Building					
1.	**Iraq Development Management System** Management Systems International (MSI), National Capacity Development Program, July 2011	A customized tool to help the Ministry of Planning plan and track capital investment projects	181,227[*]	Yes	The system was launched in June 2011 at the Ministry of Planning, and the Ministry issued a report using the system in December 2011. A follow-on USAID program is implementing the system at other ministries and at the provincial level.

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
2.	**Geographic Information System** MSI, National Capacity Development Program, July 2011	To allow select Iraqi ministries to collect and analyze spatial data related to infrastructure, population density, and land use	1,284,473[†]	Yes	An employee from the Ministry of Agriculture confirmed the use of the system. Additionally, reports made using the system were given to OIG.
3.	**Social Safety Net System** MSI, National Capacity Development Program, July 2011	To help the Ministry of Labor and Social Affairs manage social welfare benefits	1,410,900[*]	Partially	The system (also listed as No. 18) was in use at four ministry locations in Baghdad and deployed but not in use at five other ministry locations. A follow-on program continues to support the system.
4.	**Education Management Information System** Creative Associates International, Education Program II, February 2007	To assist the Ministry of Education in managing information on the physical condition of schools	1,644,966[*]	No	The system was not completed, according to a 2007 OIG audit.[‡]
5.	**Medical Facilities Database** Abt Associates, Health Systems Strengthening Program, November 2004	To manage information on medical facilities for the Ministry of Health	Unknown	No	According to a 2005 OIG audit,[‡] the mission's implementing partner delivered the system in an unusable condition. In October 2011, IT officials in the Ministry of Health told OIG that they were unaware of the system.
6.	**Disease Surveillance System** Abt Associates, Health Systems Strengthening Program, November 2004	To collect information about and track the spread and outbreak of diseases	Unknown	No	In 2005, the mission's implementing partner delivered the system in an unusable condition. As of October 2011, IT officials in the Ministry of Health indicated that they were not aware of any such system.

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
Democracy and Governance					
7.	**Voter Registration System** International Foundation for Electoral Systems, Electoral Technical Assistance Program, September 2011	A credible and sustainable voter registration database to help the Independent High Electoral Commission administer elections	Unknown	Yes	The system is deployed and currently in use.
8.	**Bill Tracking System** AECOM, Iraq Legislative Strengthening Program, October 2011	To help Parliament manage legislation	894,850[*]	No	One of three servers was delivered to Parliament, which allowed the implementing partner to conduct training. Although the system was ready, it remained in training mode and was not in use.
9.	**Content Management System** AECOM, Iraq Legislative Strengthening Program, October 2011	To strengthen Parliament's public outreach through improved Web services	33,589[*]	No	Work on the system ended prior to program completion.
10.	**Governorates Accounting and Project Tracking Information System (GAPTIS)** Research Triangle Institute, Local Governance Program III, June 2011	To help 14 provincial governorates manage their budgets	1,065,422[*]	Partially	The implementing partner completed the system. However, information provided by the mission showed that the system was in use at only some governorates.
11.	**Geographic Information System** Research Triangle Institute, Local Governance Program II and III, June 2011	To help Iraqi provincial officials produce city maps with utility overlays to help plan for the delivery of essential services	5,176,900[*]	No	The mission stopped funding the system, which it thought was unsustainable and would not be used.

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
Economic Growth and Agriculture					
12.	**Iraq Financial Management Information System** BearingPoint, Economic Governance Program II, September 2009	To help the Ministry of Finance formulate, execute, and monitor central government budgets	32,600,000[*]	No	A July 2010 OIG audit[‡] found that the system was not meeting users' needs. The mission did not complete the system, and USAID does not intend to spend any additional funds on it.
13.	**Census System** BearingPoint, Economic Governance Program II, September 2009	To help the Census Unit of the Ministry of Finance maintain a database of all government employees	897,010[†]	Unknown	The mission was unable to supply any evidence of use.
14.	**Customs Levy System** BearingPoint, Economic Governance Program II, September 2009	To upgrade the Reconstruction Levy System (No. 22) to help the government collect revenue	1,092,125[†]	Unknown	The mission was unable to supply any evidence of use.
15.	**Electric Meter Survey System** BearingPoint, Economic Governance Program II, September 2009	To enable the Ministry of Electricity to manage electric meters	710,947[†]	Unknown	The mission was unable to supply any evidence of use.
16.	**Provincial Budget Offline Management Tool** BearingPoint, Economic Governance Program II, September 2009	To help the Ministry of Finance manage provincial projects	962,408[†]	Unknown	The mission was unable to supply any evidence of use.
17.	**National Board of Pensions (NBP) Member Registry System** BearingPoint, Economic Governance Program II, September 2009	To help NBP manage all pension fund members	228,776[†]	Unknown	The mission was unable to supply any evidence of use.

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
18.	**Social Safety Net System** BearingPoint, Economic Governance Program II, September 2009	To help the Ministry of Labor and Social Affairs implement a reliable social safety net	16,000,000[*]	No	When the Economic Governance Program II finished, the system was not deployed or usable. Afterward, system implementation was transferred to a different implementing partner, which has partially implemented the system (described in No. 3 above).
19.	**Public Sector and Private Sector Pension Administration System** BearingPoint, Economic Governance Program II, September 2009	To assist the Ministry of Labor and Social Affairs in administering pensions	425,824[†]	Unknown	The mission was unable to supply any evidence of use.
20.	**Tagdeer Tax Information Technology System** BearingPoint, Economic Governance Program II, September 2009	To help the Iraq General Commission on Taxes administer taxes	4,975,379[†]	No	The tax system was not left in a usable condition at the end of the program. The U.S. Department of Treasury is currently trying to salvage the system.
21.	**Central Registry System** BearingPoint, Economic Governance Program II, September 2009	To simplify the registration process for companies at the Ministry of Trade	1,855,954[†]	Unknown	The mission was unable to supply any evidence of use.
22.	**Reconstruction Levy System** BearingPoint, Economic Governance Program I, September 2004	To improve the collection of customs at 20 border posts	486,712[†]	Unknown	The mission was unable to supply any evidence of use.
23.	**Central Data Center** BearingPoint, Economic Governance Program II, September 2009	To enable the Central Bank of Iraq to manage databases of information required for day-to-day work	465,570[†]	Unknown	The mission was unable to supply any evidence of use.

No.	IT System Implementing Partner, Program Name, and Program End Date	Intended Use	Cost ($) (unaudited)	Used	Comments
24.	**Marketing Information System** Louis Berger Group, Agribusiness Program, May 2012	To provide daily wholesale prices of major agricultural commodities from 18 wholesale markets across the country	836,060[†]	No	A May 2011 OIG audit[‡] found that the system was not sustainable, and the mission stopped funding the system.
	Total		**73,229,092**		**10 of 24 systems tested were not used; 3 systems were in use; 2 systems were partially in use; and there was no evidence of use for 9 systems.**

[*] Actual cost information came directly from the implementing partner or program documentation.

[†] Cost was the projected value reported in the IV&V review documentation.

[‡] Audits referred to in table order are the following:

- "Follow-Up Audit of USAID/Iraq's Education Activities," Report No. E-267-07-003, February 4, 2007.
- "Audit of USAID/Iraq's Health System Strengthening Contract Activities," Report No. E-267-05-002-P, February 28, 2005.
- "Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System," Report No. E-267-10-002-P, July 19, 2010.
- "Audit of USAID/Iraq's Agribusiness Program," Report No. E-267-11-002-P, May 16, 2011.

As the table indicates, of the 24 systems examined, only 3 were used and 2 were partially in use. Three systems—Numbers 1, 2, and 7—were being used as intended. USAID/Iraq's implementing partners completed the systems by the end of their programs, and the systems meet their users' needs. However, these systems were all completed recently, and their long-term use remains uncertain. For nine systems, no evidence of use was provided. The remaining ten systems were not used because the Government of Iraq did not support the systems, IT systems were not delivered in usable condition or could not be used, USAID/Iraq stopped funding the systems, and the Government of Iraq was not prepared to use one system.

The nine systems for which the mission was unable to provide documentation (either showing that systems were used or providing direct contact information for the end users) were developed under the Economic Governance Program (Numbers 13-17, 19, and 21-23 in the table). A USAID/Iraq official mentioned that these systems were likely not in use because at the time these systems were being developed certain officials within the Government of Iraq might not have welcomed transparency and did not support the systems. (This statement is consistent with others the mission made in its official comments on a prior audit report.[3])

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[3] "Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System," Report No. E-267-10-002-P, July 19, 2010.

Moreover, an OIG audit[4] found that implementing partners did not obtain IV&V approval for several IT systems implemented under the Economic Governance Program and that some IT submissions for approval did not accurately reflect the costs of the systems. The IV&V review is an important control to help ensure the successful development of IT systems. IV&V reviews were submitted for these systems after the audit, after implementation was well under way. The estimated cost of the nine systems was $7.1 million.

Although the mission did not provide documentation, U.S. Department of Treasury officials in Iraq stated that they are currently trying to salvage the Tagdeer Tax System (No. 20), which was not completed at the end of USAID's Economic Governance Program II. According to the officials, they decided to do this on their own and are working on the system without USAID/Iraq assistance.

Reasons for disuse of systems are detailed below.

Lack of Government Support. The Government of Iraq did not support three systems:

- When the Content Management System (No. 9) and the Bill Tracking System (No. 8) were first proposed, the Iraqi Parliament supported them. However, after parliamentary elections changed the makeup of Parliament in March 2011, the new Parliament no longer supported the Content Management System. Thus, the implementing partner, AECOM, stopped working on it after $33,589 had been spent. Work ceased on the Bill Tracking System when the new Parliament terminated its memorandum of understanding with USAID in October 2011 after $894,850 had been spent on the system. AECOM officials said that, had they been able to finish the USAID/Washington-mandated IV&V review process earlier, they could have implemented the two systems before the change in Parliament, thus increasing the chances that the systems would be used. The IV&V approval for the Content Management System was delayed 3 months because of internal delays, according to AECOM officials. Similarly, AECOM experienced a 2-month delay in the IV&V process for the Bill Tracking System because it initially sent the review request to the mission instead of to the Office of the Chief Information Officer in Washington, D.C. The review was further delayed because part of AECOM's submission did not meet the office's standards.

- GAPTIS (No. 10) was intended to improve the transparency of accounting practices in the governorates. However, according to State Department officials from a Provincial Reconstruction Team, USAID and its implementer, Research Triangle Institute, assumed that the Government of Iraq wanted to improve transparency, which was not the case. This lack of user buy-in, coupled with only limited, rudimentary training, led to disuse of the system in some governorates. One State Department official said the program "should have done a lot more work on coordinating it [GAPTIS] at the national level and providing sustained expert assistance. The program assumed that Iraqis would want the new efficiencies and transparencies." Had USAID achieved tangible user buy-in, such as cost sharing, or provided more extensive, sustained training, GAPTIS might have been used in more locations. USAID spent $1,065,422 on the system. In response to the draft report, USAID/Iraq stated that two current implementing partners working with provincial governors' offices reported that GAPTIS is in use and that at least some governors find it valuable. Therefore, we have classified this system as partially in use.

Unusable Systems. Three systems were not delivered in usable condition, as described below:

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[4] "Audit of USAID/Iraq's Economic Governance Program II," Report No. E-267-09-004-P, June 3, 2009.

- Because servers for the Education Management Information System (No. 4) were not delivered as scheduled to Iraq, the system was not in use at the end of the program. According to an OIG audit,[5] the servers were stuck in the customs clearing process. USAID confirmed that the Government of Iraq eventually received the servers, but because the program had ended, mission officials stated that they had no authority to ensure the system's use. The mission provided United Nations documents dated November 14, 2011, indicating that the system may now be in use.

- The Medical Facilities Database System (No. 5) contained a virus, and the backup version was "read only." As a result, the system was not usable.

- The Disease Surveillance System (No. 6) was dependent on Internet and telecommunications capabilities. At the time of implementation in 2004, Iraq did not have the necessary infrastructure to use the system effectively.

Funding Cutoff. The mission stopped funding three systems:

- A 2010 OIG audit[6] of the Iraq Financial Management Information System (No. 12) concluded that the system had not been completed and was not being used as intended. USAID/Iraq made the decision to stop funding the system after spending $32.6 million.

- A 2011 OIG audit[7] found that the $836,060 Marketing Information System (No. 24) developed under the Agribusiness Program was not sustainable. The mission decided to terminate funding when it became apparent that the Government of Iraq was not prepared to assume responsibility for the system.

- USAID/Iraq decided to stop funding the Geographic Information System (No. 11) because the mission determined that the system was not sustainable and would not be used. The system implementation had started under the prior program, Local Governance Program II, and the mission's decision to stop funding the system came after more than $5 million had been spent on it. Furthermore, an IV&V review, which would have required program officials to build sustainability into the system design, was not submitted to USAID/Washington for approval.

Lack of Government Preparation. The Social Safety Net System (No. 18) was developed by BearingPoint under the Economic Governance Program II. However, after $16 million was spent, the system was not completed and was left in unusable condition at the close of the program in September 2009. The USAID/Iraq Capacity Development Program subsequently picked up the system (No. 3). Under this program, the system was delivered in a usable condition to nine Ministry of Labor and Social Affairs sites after the mission spent an additional $1.4 million. However, at five of those sites, the ministry had not prepared the data necessary to use the system. Therefore, the system is used as intended at only four of nine deployment sites. The mission's Administrative Reform Program continues to support the implementation of the system.

In summary, the IT system endeavors failed. USAID/Iraq's $62.1 million investment in the 10

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[5] "Follow-Up Audit of USAID/Iraq's Education Activities," Report No. E-267-07-003, February 4, 2007.
[6] "Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System."
[7] "Audit of USAID/Iraq's Agribusiness Program," Report No. E-267-11-002-P, May 16, 2011.

unused systems represents wasted U.S. taxpayer dollars, and the $7.1 million spent on nine other systems may have been wasted because the mission doesn't know whether they were completed, delivered, and used by the Government of Iraq as intended. Thus, either USAID programs did not achieve their goals to make Government of Iraq entities more effective, efficient, and transparent, or USAID/Iraq does not know whether the program goals were achieved.

Because many of the systems that were never used were either part of programs that ended several years ago or the mission stopped funding the systems because it realized that the Government of Iraq did not support the systems, the recommendations below focus on helping to ensure that future USAID/Iraq-financed IT systems are successfully developed and supported by Iraqi institutions. We also recommend that the mission attempt to salvage two recently completed systems that were not in use.

> ***Recommendation 1.*** *We recommend that USAID/Iraq obtain written commitment and buy-in from the Government of Iraq, including cost sharing, before investing any funds in information technology systems, and monitor the Government of Iraq's commitment throughout the implementation of the systems.*

> ***Recommendation 2.*** *We recommend that USAID/Iraq issue written guidance to implementing partners of programs with information technology components regarding the independent verification and validation review process so that it can be completed in a thorough and timely manner.*

> ***Recommendation 3.*** *We recommend that USAID/Iraq require sustainability and users' needs to be built into the design of USAID-funded information technology systems.*

> ***Recommendation 4.*** *We recommend that USAID/Iraq complete and transfer information technology systems to the Government of Iraq in sufficient time to confirm that the systems are fully functional and used for their intended purposes before programs end. The completion, transfer, and use of the system should be documented.*

> ***Recommendation 5.*** *We recommend that USAID/Iraq monitor the implementation of information technology systems and immediately stop funding them if they are found not to be usable, sustainable, or supported by the intended user.*

> ***Recommendation 6.*** *We recommend that USAID/Iraq work with the Government of Iraq to determine whether the Bill Tracking System and the Content Management System (Numbers 8 and 9 in the table) can be salvaged and used, and document the results.*

> ***Recommendation 7.*** *We recommend that USAID/Iraq establish and implement follow-up procedures to document that information technology systems have been transferred to the intended users and are in use.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Iraq agreed with all seven recommendations and plans to issue a mission order on USAID-funded IT systems by September 30, 2012, to strengthen its system and address recommendations made in this report. Regarding Recommendation 6, the mission stated that it is seeking a meeting with the Secretary General of the Council of Representatives to advocate for the full implementation of the Bill Tracking System and the Content Management System. Based on the information provided in the mission's response, management decisions have been reached on all seven recommendations.

In addition, USAID/Iraq provided some general comments on the draft report. For example, the mission stated that a change of leadership in a ministry and fluctuating budgets may prevent the counterpart from using the system, even though its viability is not in question. Additionally, the mission stated that Iraq has been and continues to be a challenging environment and that the working relationship with the Government of Iraq changes over time.

USAID/Iraq also provided additional information regarding some IT systems. Mission comments on certain systems, followed by our evaluation of the comments, follow:

- The mission stated that it decided to terminate the Marketing Information System (No. 24 in the report table) when it became apparent that the Government of Iraq was not prepared to assume responsibility for that system, despite earlier assurances that it would do so.

- Concerning the Education Management Information System (No. 4), the mission stated that it provided some information to OIG showing that the system was in use. Yet the mission went on to say that the system is in use but not fully functional and that technical assistance is required to upgrade the system. As stated in the report, the servers for the Education Management Information System were not delivered as scheduled to Iraq; thus, the system was not in use at the end of the program as intended. We asked mission officials repeatedly during the audit to provide sufficient evidence on the use of the system; however, the mission did not do so.

- Regarding GAPTIS (No. 10), the mission stated that two current implementing partners working with provincial governors' offices reported GAPTIS is in use and at least some governors find it valuable. Still, Department of State employees visited one governorate and confirmed that GAPTIS was not in use there. And, although we asked mission officials repeatedly during the audit to provide evidence that GAPTIS was used by the 14 assisted governorates, they did not do so. Nevertheless, given the additional information provided by the mission in its response to the draft, we reclassified this system as partially in use.

Finally, the mission stated that it referred the auditors to the final reports of the contractors implementing the systems mentioned in the report, which are routinely published through the Development Experience Clearinghouse. However, the mission did not dispute that these final reports inadequately documented the use of IT systems. Having reviewed the final contractor reports, we agree with the mission that they were inadequate in documenting the use of IT systems.

SCOPE AND METHODOLOGY

Scope

We conducted this performance 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 in accordance with our audit objective. The mission was unable to produce documentation that ten of its IT systems were officially transferred to or used by the Government of Iraq as intended, or provide any direct contact information for the end users. Except for any adverse effects of not being able to confirm the status of these systems, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

The purpose of this audit was to determine whether USAID/Iraq-funded IT systems were used as intended. USAID/Iraq funded the implementation of at least 24 IT systems, totaling $73.2 million, between 2003 and 2011 under contracts and cooperative agreements. The audit covered all identifiable IT systems on which USAID spent more than $100,000.[8] "IT systems" in this report are those for which the mission procured or developed hardware or software, not systems on which the mission gave only technical assistance. The audit team identified IT systems by:

- Reviewing prior OIG audits from 2004 through 2011.
- Interviewing USAID/Iraq officials.
- Interviewing implementing partners.
- Reviewing USAID/Washington's Office of the Chief Information Officer's IV&V database.

We conducted this audit from September 2011 to January 2012 at USAID/Iraq and made site visits to the offices of MSI and the Independent High Electoral Commission in Baghdad. Because of the perceived need for increased security in Iraq in December 2011, the U.S. Embassy further restricted movement within Iraq; thus, the audit team was not able to conduct additional site visits. To compensate for this limitation, we conducted interviews with end users by phone, obtained IT system reports electronically or through implementing partners, and interviewed officials with the U.S. Departments of State and Treasury.

Because work on the systems was already completed at the time of the audit, we did not assess internal controls related to system development. We did, however, determine whether the mission and implementing partner requested and obtained an IV&V review from USAID/Washington before starting to develop any IT systems.

Methodology

To answer the audit objective, we first determined the intended use and users of the identified IT systems by reviewing contracts, cooperative agreements, and other program documents and by interviewing mission and implementing partner personnel. We then obtained the latest

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[8] The Content Management System (No. 9) had a projected cost of $401,297; therefore, we included the system in the audit. However, the mission stopped work on this system after spending $33,589 because the Government of Iraq no longer supported the system.

available information to determine whether the systems were completed, delivered to the end user, and used. We considered that IT systems were used if the Government of Iraq end user used the IT systems at the time of completion, even if the government used them for a short time—i.e., less than a year. We did this by making site visits to Government of Iraq institutions to observe demonstrations of systems' use; reviewing program documentation; reviewing prior OIG audit reports; interviewing mission, implementing partner, and Government of Iraq end users; and obtaining system-produced reports. In addition, we interviewed U.S. officials in Iraq working for the Departments of State and Treasury who were familiar with the status of the systems.

We obtained the costs for each system by reviewing program documents, reviewing prior OIG audit reports, and interviewing mission and implementing partner personnel. In some cases, the costs included in the report are best estimates or projected costs that were included in IV&V reviews. In other cases, the mission was unable to provide either cost information or documentation on the status of the system, including whether the system was completed, delivered, or used by the Government of Iraq as intended.

MANAGEMENT COMMENTS

March 1, 2012

MEMORANDUM
UNCLASSIFIED

TO: Darren Roman, Director Office of Inspector General/Iraq

FROM: Alex Dickie, Mission Director/s/

SUBJECT: Management Response to Draft Audit Report No. E-267-12-00X-P

REFERENCE: Office of Inspector General (OIG)/Iraq Draft Audit Report entitled "Audit of the Sustainability of USAID/Iraq Funded Information Technology Systems" transmitted to the Mission Director on February 3, 2012.

Thank you for the opportunity to comment on the referenced Draft Audit Report. USAID/Iraq recognizes the value of this audit as a management tool to further strengthen our programs. We extend our appreciation to OIG/Iraq for the cooperation exhibited throughout the production of this report.

The USAID Mission to Iraq was established in the spring of 2003. This audit covers projects implemented between 2003 and 2011, a period of eight years. U.S. assistance to Iraq has changed substantially over this period of time and will continue to evolve as security issues and the political climate continue to change. Iraq has been and continues to be a challenging environment in which to implement USAID programs. The Iraq of today is substantially different than the Iraq of 2003 and the success of many of these projects were dependent on the environment in which they were created.

Please see below our general comments on the draft audit report.

- Page 9 of the audit report "No Evidence of Use": In an oral interview, USAID staff speculated - and made very clear that their views were only speculation - that certain officials within the Government of Iraq, in some instances several years ago, might not have welcomed transparency. This was a period when, for example, USAID contractors working on an information system for transparency at the Ministry of Finance were kidnapped and killed. The working environment today in Iraq is substantially different in that regard.

Ensuring continuous use of a system deployed by USAID in ministries is not within the manageable control of our contractors. Change of leadership within the ministry and fluctuating budgets may prevent the counterpart from continuing to use the system, even though its viability is not in question. In a formal response USAID stated it did not have the capability to monitor projects implemented under closed projects implemented years ago under a different Iraqi government.

- Page 10 of the audit report "USAID/Iraq stopped Funding Systems": USAID's decision to terminate the Marketing Information System should not suggest that the contractor failed to make the system functional or sustainable. Any information system represents a partnership with the organization implementing the system (i.e. the Government of Iraq) and the organization providing technical assistance and training (i.e. USAID). The Mission attempted through its contractor to work with the Government of Iraq to make the system sustainable, which involved a commitment on the part of the Government of Iraq to provide adequate staffing, facilities, and funds. USAID decided to terminate funding when it became apparent that the Government of Iraq was not prepared to assume responsibility for that system, despite earlier assurances that it would do so. The Mission asserts this was the right and proper action to take, and shows that the Mission understands the required partnership approach and will safeguard tax payers' money when the "no buy in" evidence is apparent.

- Page 11 of the audit report "GOI Not Prepared to Receive a System": USAID's actions with respect to the Social Safety Net System should not suggest that the Government of Iraq was not prepared to receive the system. Neither should the report state that one USAID contractor left the system in an "unusable condition." The previous USAID contractor did substantial work on the program during its period of performance and then reached a formal agreement to hand the work over to another contractor. This is a common occurrence in such programs worldwide, where USAID provides highly qualified technical assistance to a governmental ministry, but for political or economic reasons that ministry is unable to fulfill its agreement with USAID to receive and implement that assistance within the timeframe specified. The Mission asserts that USAID followed correct procedures.

- The audit states that the mission was unable to produce documentation about Information Technology Systems implemented during the subject period of the audit. In the case of each information technology system, the Mission referred the auditors to the final reports of the contractors implementing these systems, which are routinely published through the Development Experience Clearinghouse. While the Mission does not dispute that in some cases these final reports were inadequately detailed for the purpose the auditor wished to use them, these reports do constitute the documentation to which the auditors refer.

- The table in the draft audit report states that SSN (#3) is partially deployed in four sites. In fact, we have recent information from a January GOI-World Bank meeting that the SSN is now deployed in six sites. More importantly, in the remaining sites (which cannot yet be considered fully deployed), data entry to the system is actively underway nationwide; as of January, 87% of records were entered into the SSN. The World bank Aide Memoire of the January meeting states that "the use of the system has led to the development of a central beneficiary database, which has allowed MOLSA to identify duplicates (sometime triplicate)

beneficiaries (excluding about 57,000 ineligible households out of 120,000 in Baghdad), resulting in savings to date of about US$18 million to the SSN budget." We view the SSN as a key achievement and will support the completion of its deployment over the coming six months.

- The table in the draft audit report states that EMIS (#4) is not in use. However, USAID/CBO provided evidence to OIG to the contrary. While the narrative in the OIG report references a January 2012 UNDP report that was provided to the OIG that made specific reference to the use of the EMIS, nevertheless the table does not reflect this. Rather, the narrative dismisses the importance of this evidence and simply states that it "may" be in use. As well, USAID/CBO provided to the OIG a read-out of a meeting held in January between our implementing partner and the Ministry of Education Director General for Information and Communications at which the use of the EMIS was specifically discussed. The system is in use, but not fully functional. Technical assistance is required to upgrade the system. The new Education project will work on deploying the system to all Iraq's provinces. A team from the Ministry of Education will visit USAID to discuss the upgrading of the system.

- The OIG report states that the GAPTIS is not in use/accepted by the GOI based on anecdotal evidence provided by a single Department of State employee. As discussed with the OIG, two current USAID implementing partners working with provincial governors' offices have reported to us that GAPTIS is in use and that at least some governors find it of value. In fact, the conversations have been about how to integrate the information in GAPTIS into the IDMS. The system will be linked to the IDMS by the USAID/Governance Strengthening Project (GSP). Reference to GAPTIS is included in the scope of work of the GSP project.

Recommendation 1: *We recommend that USAID/Iraq obtain firm commitment and buy-in from the GOI, including cost sharing, before investing any funds in IT systems, and monitor and track GOI commitment throughout the implementation of the systems.*

USAID concurs with the recommendation. USAID has terminated support for information systems in the past precisely because USAID was monitoring and tracking Government of Iraq commitment throughout the implementation of the systems. USAID will continue to follow this standard practice. In order to further strengthen this system and address OIG's recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT Systems.

Target date for completion of this action is September 30, 2012.

Recommendation 2: *We recommend that USAID/Iraq issue guidance to implementing partners of programs with IT components regarding the IV&V review process so that the process can be completed in a thorough and timely manner.*

USAID concurs with the recommendation, and agrees it will continue to follow this requirement of ADS 548. Implementers are aware that IT systems implemented under USAID contracts and valued over $100,000 are required to undergo an Independent Verification and Validation (IV&V) review performed by the Chief Information Office. In order to further strengthen this

system and address OIG's recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT systems.

Target date for completion of this action is September 30, 2012.

Recommendation 3: *We recommend that USAID/Iraq require sustainability and users' needs to be built into the design of USAID-funded IT systems.*

USAID concurs with the recommendation. It should be noted that all designs had a sustainability element built in; however, change of leadership of ministries may have affected the continuous implementation of the system. In order to further strengthen this system and address OIG's audit recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT systems.

Target date for completion of this action is September 30, 2012.

Recommendation 4: *We recommend that USAID/Iraq complete and transfer IT systems developed to the GOI in sufficient time before programs end to ensure that IT systems are fully functional and used for their intended purposes. The completion, transfer, and use of the system should be documented.*

USAID concurs with the recommendation, and will continue to follow set standard practices. The Mission asserts that while this is always the plan, for Iraq, the unexpected ferocity of terrorist attacks and violence in the country precluded effective implementation of plans during the subject period of the audit. In order to further strengthen this system and address OIG's recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT systems.

Target date for completion of this action is September 30, 2012.

Recommendation 5: *We recommend that USAID/Iraq monitor and track the implementation of IT systems, and immediately stop funding systems when it is determined that the systems will not be useable, sustainable, or supported by the intended user.*

USAID concurs with the recommendation, and agrees it will continue to follow this standard practice. The Mission notes that the audit itself cites instances where this practice was effectively followed by USAID/Iraq in the past. In order to further strengthen this system and address OIG's recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT systems.

Target date for completion of this action is September 30, 2012.

Recommendation 6: *We recommend that USAID/Iraq work with the GOI to determine if the Bill Tracking System and Content Management System (see numbers 8 and 9 in Table 1) can be salvaged and used.*

The mission concurs with this recommendation. DGO is seeking a meeting with the Secretary General of the Council of Representatives to advocate for the full implementation of the Bill Tracking System and Content Management System in the Council of Representatives (COR). DGO will continue to follow-up until they are able to meet with the Secretary General or his representative on this matter. Target date for completion of this action is September 30, 2012.

Recommendation 7: *We recommend that USAID/Iraq establish a follow-up system to document that IT systems have been transferred to the intended users and that they are in use.*

USAID concurs with the recommendation. It is the standard practice to document transfer to intended users in the final reports of contractors, which are routinely published through the Development Experience Clearinghouse. The monitoring of intended use generally endures to the end of the implementing contract. In order to further strengthen this system and address OIG's recommendation, USAID/Iraq will issue a Mission Order on USAID-funded IT systems.

Target date for completion of this action is September 30, 2012.