



April 2016

## FOREIGN AID

# USAID Generally Complied with Its Antiterrorism Policies and Procedures for Program Assistance for West Bank and Gaza

# GAO Highlights

Highlights of [GAO-16-442](#), a report to congressional committees

## Why GAO Did This Study

Since 1993, the U.S. government has committed more than \$5 billion in bilateral assistance to the Palestinians in the West Bank and Gaza. Program assistance for development is a key part of the United States' commitment to a negotiated two-state solution to promote peace in the Middle East, and program funding is primarily administered by USAID.

Congress included a provision in the law for GAO to conduct an audit of all funds provided for programs in the West Bank and Gaza, including the extent to which programs comply with certain antiterrorism requirements. This report examines the extent to which (1) USAID has established antiterrorism policies and procedures for program assistance for the West Bank and Gaza and (2) USAID complied with requirements for vetting, antiterrorism certification, and mandatory provisions for program assistance for fiscal years 2012–2014.

GAO reviewed antiterrorism laws, policies, procedures, and USAID documents that pertain to assistance programs and interviewed USAID and State officials. GAO also assessed a random generalizable sample of 158 awards to USAID's implementing partners using funds provided in fiscal years 2012–2014 from the Economic Support Fund account to determine the extent to which the awards were granted in compliance with antiterrorism policies and procedures.

## What GAO Recommends

GAO is not making any recommendations in this report.

View [GAO-16-442](#). For more information, contact David B. Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

April 2016

## FOREIGN AID

### USAID Generally Complied with Its Antiterrorism Policies and Procedures for Program Assistance for West Bank and Gaza

## What GAO Found

In 2006, the U.S. Agency for International Development (USAID) issued key antiterrorism policies and procedures—known as Mission Order 21 (the order)—to help ensure that program assistance for the West Bank and Gaza would not inadvertently provide support to entities or individuals associated with terrorism. The order, updated in 2007, outlines requirements and procedures for (1) vetting, or investigating a person or entity for links to terrorism; (2) obtaining an antiterrorism certification from awardees; and (3) including in awards two mandatory provisions that prohibit support for terrorism and restrict funding to facilities named after terrorists. In 2008, USAID West Bank and Gaza established a post-award compliance review process to identify weaknesses in compliance with applicable requirements in the order, which USAID works to resolve. This process is a key function that allows USAID to provide reasonable assurance that all prime awards and subawards are in compliance with the order. The compliance review process is described in notices issued by the mission from 2008 to 2012. For the purposes of this report, a prime awardee is an organization that directly receives USAID funding to implement projects, while a subawardee is an organization that receives funding from prime awardees.

#### Timeline of Mission Order 21 and Selected Compliance Review Process Documents Issued by USAID West Bank and Gaza



Source: GAO analysis of information from U.S. Agency for International Development (USAID). | GAO-16-442

USAID's compliance reviews and GAO's examination of prime awards and subawards for fiscal years 2012–2014 found that USAID generally complied with requirements for vetting and inclusion of antiterrorism certification and mandatory provisions in awards. Regarding vetting, the compliance review reports—which covered more than 14,000 subawards—found, for example, one subawardee and 18 trainees for which no vetting was conducted. According to USAID, the subawardee and trainees were subsequently vetted and found eligible for program assistance. GAO's review of a random generalizable sample of 158 subawards found that 157 had applicable vetting conducted before the award. Regarding antiterrorism certification requirements, the compliance reviews identified one instance where a prime awardee failed to obtain an antiterrorism certification from a subawardee. GAO's review found that both prime awards and subawards were in compliance with antiterrorism certification requirements. Regarding mandatory provisions, the compliance reviews identified nine prime awardees that made a total of 449 subawards without including the two provisions. GAO's review found that 155 subawards (98 percent) had included the provisions in the award documentation. USAID required noncompliant awardees to provide antiterrorism certification and mandatory provisions for active awards, according to USAID.

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### Abbreviations

ESF	Economic Support Funds
PA	Palestinian Authority
PVS	Partner Vetting System
State	Department of State
TSC	Terrorist Screening Center
USAID	U.S. Agency for International Development

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April 18, 2016

The Honorable Lindsey Graham  
Chairman  
The Honorable Patrick J. Leahy  
Ranking Member  
Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
United States Senate

The Honorable Kay Granger  
Chairwoman  
The Honorable Nita Lowey  
Ranking Member  
Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
House of Representatives

Since 1993, the U.S. government has committed more than \$5 billion in bilateral assistance to the Palestinians in the West Bank and Gaza.<sup>1</sup> Assistance to the Palestinians is a key part of the United States' commitment to a negotiated two-state solution to promote peace in the Middle East. The U.S. Agency for International Development (USAID) is primarily responsible for administering assistance for development, which mainly comes from the Economic Support Fund (ESF) account, for the West Bank and Gaza. The assistance programs are bound by federal laws, executive orders, and policies to ensure that the assistance does not provide support to entities or individuals associated with terrorism. USAID's assistance generally supports programs in the areas of water resources and infrastructure, health and humanitarian assistance, democracy and governance, private enterprise, and education.

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<sup>1</sup>CRS, *U.S. Foreign Aid to the Palestinians*, RS22967 (Washington, D.C.: July 3, 2014). In 1993, the government of Israel and the Palestine Liberation Organization signed the Declaration of Principles on Interim Self-Government Arrangements, the first agreement in the Oslo Peace Accords, which called for the withdrawal of Israeli forces from parts of the West Bank and Gaza and affirmed the Palestinian right to self-government within those areas. The U.S. bilateral assistance provided since then includes funds appropriated through the Economic Support Fund (ESF) and International Narcotics Control and Law Enforcement accounts.

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Congress included a provision in the law for GAO to conduct an audit of all funds for the bilateral West Bank and Gaza program provided through the ESF, including the extent to which the programs in the West Bank and Gaza comply with certain antiterrorism and other requirements.<sup>2</sup> In this report, we examine the extent to which (1) USAID has established antiterrorism policies and procedures for program assistance for the West Bank and Gaza and (2) USAID complied with requirements for vetting, antiterrorism certification, and mandatory provisions for program assistance for fiscal years 2012–2014. In a recent report, we also reviewed all uses of ESF funds for the bilateral West Bank and Gaza Program from fiscal years 2012–2014.<sup>3</sup> In recent years, we have produced a body of work on this issue (see Related GAO Products page).

To address our objectives, we reviewed U.S. government antiterrorism policies and procedures. We also reviewed and examined relevant USAID records related to assistance programs, including financial and performance audit reports conducted under the direction of the USAID Regional Inspector General and compliance review reports issued by the USAID West Bank and Gaza mission (hereafter referred to as the USAID mission). We reviewed and analyzed all 47 compliance review reports provided to us that were conducted by USAID’s compliance specialist on 24 prime awardees during fiscal years 2012, 2013, and 2014.<sup>4</sup> We

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<sup>2</sup>Consolidated Appropriations Act, 2012, Pub. L. No.112-74, § 7039(e), Dec. 23, 2011; Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6, § 1101(a)(6), Mar. 26, 2013; and Consolidated Appropriations Act, 2014, Pub. L. No.113-76, § 7039(e), Jan. 17, 2014. The appropriations acts also included provisions in the law for GAO to determine whether ESF funds were made available for security assistance for West Bank and Gaza. We determined that no ESF funds were made available for such security assistance.

<sup>3</sup>GAO, *Foreign Aid: U.S. Assistance for the West Bank and Gaza for Fiscal Years 2012-2014*, [GAO-15-823](#) (Washington, D.C.: Sept. 22, 2015). This report examined the status of USAID’s allocations, obligations, and expenditures of ESF assistance to the Palestinians for fiscal years 2012, 2013, and 2014, and also assessed the extent to which USAID complied with legal requirements and its antiterrorism policies and procedures for cash assistance to the Palestinian Authority and its creditors.

<sup>4</sup>According to USAID, these prime awardees collectively made a total of 14,436 subawards during our 3-year time frame. For this report, we use the term “prime awardee” to refer to organizations and individuals that directly receive USAID funding to implement contracts, grants, or cooperative agreements, and “subawardees” to refer to organizations and individuals that receive subcontracts or subgrants from prime awardees for work on U.S. assistance projects. The prime awardee is responsible for submitting a monthly subaward report to USAID identifying all subawards it made using USAID funding during a specific month.

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analyzed these compliance review reports to assess and compile all instances of noncompliance with USAID's antiterrorism policies and procedures. In addition, we interviewed cognizant USAID and State officials in Washington, D.C., and USAID officials in Tel Aviv, Israel, and Jerusalem. To determine whether program assistance complies with antiterrorism policies and procedures, we examined 48 prime awards—which include contracts, grants, and cooperative agreements provided to USAID's implementing partners with fiscal years 2012–2014 ESF funding—and assessed whether these awards were granted in compliance with USAID's antiterrorism policies and procedures.<sup>5</sup> We also examined a random generalizable sample of 158 subawards, which included contracts and grants, and assessed the extent to which these awards were granted in compliance with USAID's antiterrorism policies and procedures.<sup>6</sup> For additional details about our scope and methodology, see appendix I.

We conducted this performance audit from July 2015 to April 2016 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

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<sup>5</sup>We selected this time frame because it covers the last fiscal year that we reported on in our 2012 report and also represents the most recently available data. According to USAID's definition, a *contract* is a mutually binding legal instrument whose principal purpose is the acquisition of property or services for the direct benefit or use of the federal government or host country. A *grant* is a legal instrument whose principal purpose is the transfer of money, property, services or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by federal statute and where substantial involvement by USAID is not anticipated. A *cooperative agreement* is a legal instrument whose principal purpose is the transfer of money, property, services, or anything of value to a recipient to accomplish a public purpose of support or stimulation authorized by federal statute and where substantial USAID involvement is anticipated.

<sup>6</sup>We selected the random generalizable sample from a universe of 8,744 subawards for fiscal years 2012–2014 that the USAID mission identified based on subaward activity reported to the mission by the prime awardees. The subawards in our sample include contracts, grants, and cooperative agreements as well as cost amendments and time extensions of the foregoing.

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## Background

The West Bank and Gaza cover about 2,400 square miles and have a combined population of about 4.6 million people. The West Bank has a land area of 2,263 square miles and a population of about 2.8 million. Gaza has a land area of 139 square miles and a population of about 1.8 million. The Palestinian Authority and Israel administer areas in the West Bank, and the Hamas-controlled *de facto* authorities control Gaza (see fig. 1).<sup>7</sup> Since Hamas' takeover of control in Gaza in June 2007, USAID has adjusted U.S. assistance to Gaza to take into account this factional and geographical split between Fatah and Hamas and to comply with U.S. law and policy.<sup>8</sup>

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<sup>7</sup>After the death of Yasser Arafat, then president of the Palestinian Authority (PA), in 2004, divisions between Fatah and Hamas appeared. In January 2005, the Palestinian people elected Mahmoud Abbas, an Arafat deputy, Fatah member, and supporter of the peace strategy, to be president of the Palestinian Authority. In January 2006, Palestinian elections resulted in a Hamas majority in the Palestinian Legislative Council. In June 2007, Hamas forcibly took control as the *de facto* government of Gaza. To avoid further division, Fatah and Hamas formed a unity PA government in 2014 that is comprised of technocrats and not members of Hamas.

<sup>8</sup>Hamas has been designated a Foreign Terrorist Organization, a Specially Designated Terrorist, and a Specially Designated Global Terrorist by the U.S. government. Provisions in annual U.S. appropriations acts have prohibited funding for assistance to Hamas or any Hamas-controlled entity or any power-sharing government of which Hamas is a member or that results from an agreement with Hamas and over which Hamas exercises undue influence. See Consolidated Appropriations Act, 2012, Pub. L. No. 112-74, § 7040(f), Dec. 23, 2011; Consolidated and Further Continuing Appropriations Act, 2013 Pub. L. No. 113-6, § 1101(a)(6), Mar. 26, 2013; and Consolidated Appropriations Act, 2014, Pub. L. No. 113-76, § 7040(f), Jan. 17, 2014.

**Figure 1: Map of the West Bank and Gaza and Surrounding Countries**



Source: Map Resources (map). | GAO-16-442

The U.S. government’s foreign assistance program in the West Bank and Gaza is designed, among other things, to support development assistance, provide critical infrastructure programming, and improve security conditions on the ground while reinforcing Palestinian respect for the rule of law. USAID’s role is to assist in building institutions for an eventual Palestinian state that result from a comprehensive peace agreement to promote a viable economy and to improve everyday lives of Palestinians, according to USAID. In September 2015, we reported on the five development sectors administered by the USAID mission from fiscal years 2012–2014.<sup>9</sup> Our analysis from that report indicated the following information by sector:

<sup>9</sup>[GAO-15-823](#).

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- *Water resources and infrastructure.* The primary objective of USAID's largest project in this sector is to focus on the rehabilitation and construction of roads, schools, water, and wastewater projects.
  - *Health and humanitarian assistance.* The primary objective of USAID's largest project in this sector is to focus on food security, including meeting food needs, enhancing food consumption, and increasing the dietary diversity of the most vulnerable and food-insecure non-refugee population.
  - *Democracy and governance.* The primary objective of the largest project in this sector is to address infrastructure recovery needs through improvements in community infrastructure and housing, economic recovery, and development through the creation of income generation and business development opportunities.
  - *Private enterprise.* The primary objective of USAID's largest project in this sector is to strengthen the competitiveness and export potential of at least four sectors: agriculture and agribusiness, stone and marble, tourism, and information technology.
  - *Education.* The primary goal of USAID's largest program in this sector is to improve access to quality education and mitigate challenges to youth development in marginalized areas of the West Bank.

According to USAID, since September 2015, the USAID mission has reorganized its work along three new lines: (1) governance and civic engagement; (2) water, energy, and trade; and (3) social services and humanitarian assistance.

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## USAID Has Issued Antiterrorism Policies and Procedures for Program Assistance for the West Bank and Gaza and Developed a Key Antiterrorism Compliance Review Process

In March 2006, the USAID West Bank and Gaza mission approved and issued various antiterrorism policies and procedures for program assistance for the West Bank and Gaza in a document known as Mission Order 21, which it last updated in October 2007. In 2008, the USAID mission developed a key compliance review process to monitor compliance with antiterrorism policies and procedures. This process is reflected in formal mission notices.

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## In 2006, USAID West Bank and Gaza Issued Antiterrorism Policies and Procedures in Mission Order 21, Which Was Last Updated in 2007

In response to federal laws and executive orders prohibiting assistance to entities or individuals associated with terrorism, in March 2006, the USAID mission adopted a key administrative policy document known as Mission Order 21.<sup>10</sup> The stated purpose of Mission Order 21, last amended in 2007, is to describe policies and procedures to ensure that the mission's program assistance does not inadvertently provide support to entities or individuals associated with terrorism. Such procedures include (1) vetting, (2) obtaining antiterrorism certifications, and (3) including specific mandatory provisions in award documents. Mission Order 21 is intended to balance development efforts in the West Bank and Gaza with ensuring that the assistance does not benefit entities or individuals who engage in terrorist activity, according to a senior USAID official. The vetting requirements in Mission Order 21 apply to certain contractors and subcontractors, recipients of grants and cooperative agreements, trainees / students, and recipients of cash or in-kind

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<sup>10</sup>Such laws and executive orders include, in part, Executive Order 13224, which blocks property of individuals and entities that are designated as committing or posing a significant risk of committing terrorist acts, and provisions in appropriations laws that prohibit funding terrorists and require procedures to be established to ensure that assistance is not provided to or through any individual or entity associated with terrorism. See Exec. Order No. 13224, 66 Fed. Reg. 49079, Sep. 23, 2001, codified as amended at 50 U.S.C. § 1701 note; Consolidated Appropriations Act, 2014, Pub. L. No. 113-76, § 7039, Jan. 17, 2014. The USAID West Bank and Gaza mission has been conducting antiterrorism vetting since 2003 in response to statutory requirements, according to the USAID mission.

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assistance, with some exceptions. All program awards are required to have a reference to Mission Order 21, according to USAID.

## Vetting

Mission Order 21 requires that certain individuals and non-U.S. organizations undergo vetting, which involves checking their names and other identifying information against databases and other sources to determine if they have any identified links to terrorism. Non-U.S. organizations are cleared by vetting their key individuals regardless of nationality, including U.S. citizens.<sup>11</sup> The vetting process provides reasonable assurance that program assistance is “not provided to or through any individual, private or government entity, or educational institution that is believed to advocate, plan, sponsor, engage in, or has engaged in, terrorist activity.” Applicable vetting is required before an award is made or assistance is provided. Appendix II provides more detailed information on USAID’s vetting process.

### **Mission Order 21 Vetting Requirements**

Mission Order 21 requires USAID’s West Bank and Gaza mission to vet the following:

- All non-U.S. prime awardee and subawardee organizations or individuals proposed for a contract or subcontract above \$25,000. The \$25,000 threshold is cumulative for multiple awards to the same organization or individual within a rolling 12-month period.
- All non-U.S. prime awardee and subawardee organizations or individuals (other than public international organizations) proposed to receive cash or in-kind assistance under a cooperative agreement, grant, or subgrant, regardless of the dollar amount.
- All non-U.S. individuals who receive USAID-financed training, study tours, or invitational travel in the United States or third countries, regardless of the duration; or who receive training in the West Bank and Gaza lasting more than 5 consecutive work days.
- All entities or specifically identified persons who directly receive other forms of cash or in-kind assistance, with the following exceptions (these thresholds apply to assistance per occasion):
  - individuals who receive jobs under employment generation activities,
  - individuals who receive cash or in-kind assistance of \$1,000 or less,
  - organizations that receive cash or in-kind assistance of \$2,500 or less,
  - households that receive micro-enterprise loans or cash or in-kind assistance of \$5,000 or less, and,
  - vendors of goods or services acquired by USAID contractors and grantees in the ordinary course of business for their own use.

Non-U.S. organizations are cleared by vetting their key individuals regardless of nationality, including U.S. citizens. In addition, Mission Order 21 also provides that even if vetting would not otherwise be required under these rules, vetting will be conducted whenever there is reason to believe that the beneficiary of assistance or the vendor of goods or services commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has done so in the past.

Source: GAO analysis of U.S. Agency for International Development (USAID) documents. | GAO-16-442

Note: Requirements apply to individuals 16 years old or older. According to USAID, the mission, under Mission Order 21, also has the right to require vetting at all levels below subawards and individual recipients of training and other assistance are required to be vetted regardless of award level.

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<sup>11</sup>Key individuals include principal officers of the organization’s governing body, the principal officer and deputy principal officer, the program manager or chief of party, and any other persons with significant responsibility for administration of USAID-funded activities or resources, according to USAID.

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Mission Order 21 provides specific details on how vetting procedures will be operationalized and the information implementing partners need to provide to specific entities within the USAID mission.<sup>12</sup> Attachments to Mission Order 21 include a form that prime awardees must use to provide the particular details necessary to conduct vetting of an individual or entity as well as required language that must be incorporated in USAID-funded awards for the West Bank and Gaza program.

#### Antiterrorism Certification

Mission Order 21 requires that all U.S. and non-U.S. organizations sign an antiterrorism certification before being awarded a grant or cooperative agreement to attest that the organization does not provide material support or resources for terrorism.<sup>13</sup> The antiterrorism certification is generally an attachment to the award documentation that certifies, in part, that the “recipient did not provide...and will take all reasonable steps to ensure that it does not and will not knowingly provide material support or resources to any individual or entity that commits, attempts to commit, advocates, facilitates, or participates in terrorist acts.”<sup>14</sup>

#### Mandatory Provisions

Mission Order 21 requires that all prime awards and subawards for contracts, grants, and cooperative agreements contain two mandatory provisions (which are included as clauses in award documents): a provision prohibiting support for terrorism and a provision restricting funding to facilities that recognize or honor an individual or entity that commits or has committed terrorism. These two mandatory provisions inform awardees of their legal duty to (1) “prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism” (antiterrorism clause) and (2) restrict “assistance for any school, community center, or other facility named after any person or group of persons that has advocated, sponsored, or

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<sup>12</sup>Before a prime awardee makes a subaward, it must submit to USAID data needed to vet the proposed recipient of the subaward.

<sup>13</sup>According to USAID, this requirement is consistent with USAID policy worldwide. Unlike for vetting, Mission Order 21 does not require the antiterrorism certification for contracts or individuals.

<sup>14</sup>The USAID West Bank and Gaza mission also requires the antiterrorism certification from second-tier recipients of cash assistance and also from grants under contracts.

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committed acts of terrorism” (facility naming clause).<sup>15</sup> Both mandatory clauses must be incorporated in agreements at the time of signature.

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### USAID Developed a Key Antiterrorism Compliance Review Process in 2008 That Is Reflected in Formal Mission Notices

#### USAID Developed a Key Compliance Review Process in 2008

In July 2008, the USAID mission established a post-award compliance review function under the Office of Contracts Management to assess implementing partners’ compliance with the requirements of the antiterrorism procedures contained in Mission Order 21 when making subawards. This function was detailed to implementing partners in a July 2008 notice issued by the USAID mission. In 2009, we reported that USAID had enhanced its Mission Order 21 oversight efforts by hiring a compliance specialist and implementing a new compliance review process that provides additional assurance over contract and grant management.<sup>16</sup> These recurring, detailed reviews were developed specifically to examine implementing partners’ subaward compliance with

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<sup>15</sup>The antiterrorism clause states that USAID reserves the right to terminate the contract or agreement if USAID determines that the contractor or recipient is involved in or advocates terrorist activity or has failed to comply with any requirements of the antiterrorism provision. The facility naming clause provides that in cases of noncompliance, USAID can disallow any or all costs incurred by the contractor or recipient with respect to the facility and, if necessary, issue a bill for collection for the amount owed.

<sup>16</sup>In addition to the compliance review process, the USAID West Bank and Gaza mission conducts oversight of its own compliance with Mission Order 21 as part of financial audits it conducts under the direction of its Regional Inspector General. These financial audits are conducted on every USAID-funded prime awardee and on subawardees having a cumulative cost of \$300,000 or higher per fiscal year. In addition to financial audits, USAID’s Regional Inspector General also conducts performance audits of programs and contracts under its purview. A performance audit may or may not include assessing Mission Order 21 compliance in its scope of work. Further, under contract management, prime awards are continuously reviewed to ensure that contracting requirements, including adherence to mandatory provisions regarding antiterrorism, are met.

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Mission Order 21 in USAID's program assistance for the West Bank and Gaza.<sup>17</sup>

Since 2009, the internal compliance review process has been an essential control function that allows USAID to provide reasonable assurance that all prime awardees are in compliance with all applicable requirements when making subawards and providing funding for trainees. The compliance specialist uses a checklist to assess implementing partners' subaward compliance in four categories: (1) the proper vetting of subawardees and beneficiaries, (2) the timely incorporation of the antiterrorism certificate, (3) the timely incorporation of applicable mandatory provisions, and (4) monthly subaward reporting. To conduct these compliance reviews, the compliance specialist assesses policies, procedures, and program activities associated with an awardee, interviews relevant implementing partners' staff, conducts periodic site visits, and inspects subaward documentation. The compliance specialist produces an official compliance review report and provides feedback to the prime awardee regarding any weaknesses in compliance identified during the review.<sup>18</sup> According to these reports, throughout the review process the compliance specialist educates relevant prime awardee staff members about the Mission Order 21 requirements and informally shares best practices and suggestions with the prime awardee to help improve compliance in the future.

In addition to identifying weaknesses in compliance, the reports also include a general observations section documenting noncritical, compliance-related issues identified during the review process.<sup>19</sup> These observations are organized into three categories: (1) subaward reporting,

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<sup>17</sup>During each compliance review cycle, the compliance specialist examines prime awardees' subaward compliance with Mission Order 21 during a set period of time beginning from when the previous review of a given prime awardee left off. This ensures that the compliance review process covers the complete life cycle of a prime award.

<sup>18</sup>According to USAID's compliance review reports, each noncompliance weakness identified by the compliance specialist is considered a violation of Mission Order 21 and the terms and conditions of the subject award.

<sup>19</sup>General observations made in the compliance review reports are not considered critical noncompliance weaknesses with Mission Order 21, but instead represent suggestions or nonmandatory recommendations for prime awardees' consideration, according to USAID. Therefore, prime awardees are not required to address and resolve any noncritical issues included in this section of the compliance review report.

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(2) internal control over compliance with Mission Order 21, and (3) the cross-referencing of incorporated special mandatory provisions.<sup>20</sup> This general observations section includes recommendations on how prime awardees can improve their policies and procedures to strengthen their compliance environment and avoid compliance-related issues in the future.

Implementing partners are granted 2 weeks following receipt of the compliance review report to provide a written response to explain the reasons for any identified weaknesses in compliance and to outline the corrective actions the prime awardee will take to mitigate them, according to USAID. The compliance specialist follows up with the implementing partner to ensure that responses to address any identified weaknesses in compliance are submitted on time and to check on the sufficiency of the corrective actions stated by the implementing partner, according to USAID. USAID officials told us that following up to ensure that all weaknesses in compliance have been sufficiently resolved is a key aspect of the overall compliance review process. Failure to comply with vetting, as outlined in Mission Order 21, may lead to disallowance of costs incurred by the prime awardee if the organization or individual in question is found to be ineligible to receive USAID funds, according to USAID.

The compliance specialist, the acquisition supervisor, and the director of the Office of Contracts Management meet with senior USAID mission officials annually to present the outputs, analysis, and notable findings of the compliance review cycle, according to USAID.<sup>21</sup> In addition, common issues identified during the compliance reviews are shared with the

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<sup>20</sup>General observations on subaward reporting refers to issues identified in a prime awardee's monthly subaward reports to USAID. General observations on internal control over compliance with Mission Order 21 refers to issues identified with a prime awardee's internal control environment, such as lacking documented procedures to implement compliance activities with regard to Mission Order 21 and lacking detection controls to identify changes in key individuals for already vetted contractors. General observations on the cross-referencing of incorporated special mandatory provisions refers to mandatory provisions that are included as a separate attachment to the subaward. According to USAID Notice 2009-WBG-11, USAID requires that a clear reference to this separate attachment be included in the body of the subaward agreement itself. Likewise, the attachment must also include a clear reference linking it back to the subaward agreement it supports.

<sup>21</sup>The reports are also shared with the Contracting Officer Representatives, Agreement Officer Representatives, and the USAID Regional Inspector General, according to USAID.

mission's Program Support Unit and the Resident Legal Officer so that they can address such issues in future Mission Order 21 training sessions for prime awardees.<sup>22</sup>

### Antiterrorism Compliance Review Process Is Reflected in Mission Notices

The compliance review function is a key control in the mission's assistance program because it assesses the quality of the mission's antiterrorism oversight over time. The compliance review process and procedures are described in a series of stand-alone documents, such as notices issued by the mission to implementing partners involved in assistance programs (see fig. 2).

**Figure 2: Timeline of Mission Order 21 and Selected Compliance Review Process Documents Issued by USAID West Bank and Gaza**



Source: GAO analysis of information from U.S. Agency for International Development (USAID). | GAO-16-442

For example, in December 2012 the mission issued a notice to implementing partners detailing new compliance review protocols that expand the scope of the compliance reviews to include a better understanding of the implementing partner's internal controls in addition to Mission Order 21 compliance. This and other pertinent formal notices are posted on USAID's West Bank and Gaza website. According to

<sup>22</sup>Training on Mission Order 21 requirements as well as a copy of the policies and procedures is provided to implementing partners, according to USAID. In particular, training on vetting requirements is conducted for all new awardees before an award is granted as well as for current implementing partners if a new program is awarded. Refresher training on Mission Order 21 for awardees is conducted on an annual basis, according to USAID. In addition, USAID told us that the mission provides tailored one-on-one sessions for implementing partners based on their requests for training, especially when there is turnover in staff.

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officials in the mission, the contents of the notices and compliance with Mission Order 21 are discussed in each program award orientation meeting with implementing partners. No new formal notices related to the compliance review have been issued since the end of 2012 because the latest guidance remains effective and there have been no changes to the process since the issuance of the latest notice, according to USAID.

USAID officials told us that they anticipate updating Mission Order 21 at some point in the future to reflect lessons learned from implementation of a joint USAID and State Partner Vetting System Pilot Program that vets both U.S. and non-U.S. persons, as well as lessons learned from ongoing vetting programs for the West Bank and Gaza, Afghanistan, and Syria assistance.<sup>23</sup> One purpose of the pilot program is to help assess the extent to which partner vetting adds value as a risk mitigation tool, and if so, under what circumstances vetting should occur, according to USAID. Under the pilot program, USAID will test vetting policies and procedures, evaluate the resources required for vetting, and seek input from implementing partners, Congress, and other stakeholders about the impact of vetting on USAID-funded delivery of foreign assistance. USAID currently is implementing the pilot program in Guatemala, Kenya, Lebanon, the Philippines, and Ukraine.

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<sup>23</sup>Congress required the development and implementation of the Partner Vetting System pilot program in the Consolidated Appropriations Act, 2012. Pub. L. No. 112-74, 125 Stat. 1215, § 7034(i), Dec. 23, 2011.

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## USAID Has Generally Complied with Its Requirements for Program Assistance for the West Bank and Gaza at the Prime Award and Subaward Levels

GAO reviewed USAID's compliance reviews, the official reporting documents created during the compliance review function described above. That review and GAO's examination of prime awards and a generalizable sample of subawards from fiscal years 2012–2014 found that USAID generally complied with requirements for vetting as well as inclusion of required antiterrorism certification and mandatory provisions in awards. Our review was based on the following documentation relating to prime awards and subawards:

- *USAID's internal compliance reviews of 24 prime awardees and the more than 14,000 subawards that they made.*<sup>24</sup> The compliance review reports USAID provided to us identified some weaknesses in prime awardees' compliance with all aspects of Mission Order 21 requirements when making subawards and providing funding for trainees, including vetting, antiterrorism certification, and mandatory provisions. However, according to USAID officials, all noncompliance weaknesses identified in the compliance review reports for active awards were addressed as part of the overall compliance review process. According to USAID, prime awardees are required to amend applicable subaward documentation to incorporate the mandatory provisions if the subawards are ongoing and active. Prime awardees are not required to amend documentation for subawards that have already expired and are no longer active.
- *GAO's review of 48 prime awards and a random generalizable sample of 158 subawards associated with these prime awards, covering the*

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<sup>24</sup>USAID provided us with all 47 compliance review reports for fiscal years 2012 through 2014 assessing whether 24 prime awardees complied with all aspects of Mission Order 21 in the 14,436 total subawards they collectively made. While 46 of these compliance review reports were conducted internally by USAID's compliance specialist, one report was performed by an approved external auditing firm because the project was located in Gaza. As the external auditing firm was approved by USAID, we have included this review in USAID's overall analysis. We did not analyze workpapers or any other documentation associated with individual compliance review reports, but solely analyzed the final results of the official compliance review reports that USAID provided.

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*period of fiscal years 2012–2014.*<sup>25</sup> We found that USAID complied with the three applicable Mission Order 21 requirements for all prime awards we reviewed. In addition, we found that 155 of the 158 subawards reviewed in our random generalizable sample complied with applicable Mission Order 21 requirements.

Below, we discuss in more detail the findings of each set of documentation, in terms of vetting and inclusion of required antiterrorism certification and mandatory provisions in awards. In addition, we discuss an instance where the USAID mission during the course of our review self-reported an error in vetting that was subsequently resolved.

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## Vetting: USAID's Internal Compliance Reviews and GAO's Review

- *USAID's internal compliance review reports identified instances of noncompliance with applicable vetting.*<sup>26</sup> In the universe of 14,436 subawards assessed by the compliance review reports provided by USAID, 1 prime awardee failed to vet a subawardee. In addition, 4 prime awardees collectively failed to vet a total of 18 non-U.S. individuals taking part in USAID-funded trainings in the West Bank

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<sup>25</sup>We selected this random generalizable sample from a universe of 8,744 subawards for fiscal years 2012 through 2014 identified by the mission based on subaward activity reported to the mission by prime awardees. While USAID's compliance review reports assess USAID-funded trainees, our sample excluded subawards made for trainees, among other categories. Our universe included 8,521 non-U.S. organizations and 223 U.S. organizations. We conducted a probability sample of new subawards, stratified by either U.S. or non-U.S. subawardees. With a probability sample, each subaward in the population had a non-zero probability of being included, and that probability could be computed for any member. Each sample element selected was subsequently weighted in the analysis to account statistically for all the members of the population. The result of the sample can be projected to the population from which it was selected. Because our sample selection was based on random selections, it was only one of a large number of samples that might have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's result as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals included within this report will include the true values in the study population.

<sup>26</sup>While more than 14,000 subawards were assessed by the compliance review reports provided by USAID, not all subawards in this universe required vetting according to Mission Order 21. However, we did not have access to the data necessary to precisely determine how many subawards included in our universe required vetting as this information was outside the scope of our review.

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(see table 1).<sup>27</sup> Specifically, one of these prime awardees did not obtain valid vetting approval for 15 students participating in a U.S.-funded academic program. These prime awardees were required to address all noncompliance weaknesses and obtain the proper vetting approvals for the subawardee and all applicable trainees, according to USAID. The compliance review reports also identified 11 prime awardees that obtained late vetting approval, after the subawards were signed, across 23 subawards. In addition, 3 prime awardees conducted similar late vetting for 219 USAID-funded trainees. Most of these instances of late vetting for trainees occurred when a single prime awardee failed to obtain valid vetting approval for 167 non-U.S. individuals prior to the start date of their USAID-funded academic program.<sup>28</sup> USAID's compliance review reports identified one prime awardee that obtained late vetting approval targeting 4 beneficiaries of direct cash or in-kind assistance.

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<sup>27</sup> Mission Order 21 requires that non-U.S. individuals participating in USAID-financed training lasting more than 5 consecutive work days (regardless of the number of hours of training on each day) be vetted prior to the occurrence of any training event.

<sup>28</sup> According to USAID officials, the accounting system used by the academic program in question pooled the scholarship funds of trainees that received USAID funds with trainees that received funding from other sources. Because of this accounting practice, USAID required that all trainees participating in the academic program be submitted for vetting. The compliance review report associated with these trainees ultimately identified two of the previously non-vetted trainees as ineligible for program assistance. However, according to USAID officials, neither of these individuals ever received USAID funds. Furthermore, according to USAID, the academic program's accounting system has been updated to ensure that USAID-funded scholarships are linked directly to individual student accounts and not pooled with funding from other sources.

**Table 1: Prime Awardee Noncompliance with Mission Order 21 Vetting Requirements for the West Bank and Gaza Identified by USAID’s Compliance Review Reports, Fiscal Years 2012–2014**

	<b>Category of prime awardee noncompliance</b>	<b>Number of noncompliant prime awardees</b>	<b>Number of subawards/trainees/beneficiaries represented</b>
<b>No vetting</b>	No vetting for subawards	1	1 subaward
	No vetting for trainees	4	18 trainees
	No vetting for other direct cash or in-kind assistance	0	0 subawards
<b>Late vetting</b>	Late vetting for subawards	11	23 subawards
	Late vetting for trainees	3	219 trainees
	Late vetting for other direct cash or in-kind assistance	1	4 beneficiaries
	<b>Total</b>	<b>14<sup>a</sup></b>	<b>24 subawards 237 trainees 4 beneficiaries</b>

Source: GAO analysis of U.S. Agency for International Development (USAID) documents. | GAO-16-442

Notes: This table includes all noncompliance weaknesses with Mission Order 21 vetting requirements identified in 24 prime awardees and the 14,436 total subawards they made, according to the 47 compliance review reports that USAID provided to GAO. According to USAID officials, all noncompliance weaknesses in vetting procedures identified in these compliance review reports have been addressed, and there were no instances of USAID providing funding to any individual or entity that ultimately did not pass vetting.

Thirteen of the 47 compliance review reports were conducted before the Office of Contracts Management amended its compliance review protocols to include reviewing trainees and beneficiaries for vetting compliance according to Mission Order 21. Therefore, table data on trainees and direct cash or in-kind assistance are from the 34 compliance review reports provided to GAO that include these categories in their review.

<sup>a</sup>The numbers do not add up to a total of 20 because multiple prime awardees were noncompliant across several vetting categories.

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According to USAID, all noncompliance weaknesses in vetting procedures identified in the compliance review reports provided to GAO have been resolved, and there were no instances of USAID providing funding to any individual or entity that ultimately did not pass vetting.<sup>29</sup>

- *GAO's review found that prime awards were in compliance and subawards were generally in compliance with vetting requirements.* We found that 11 of the 48 prime awards we reviewed required vetting according to Mission Order 21 because they were with non-U.S. organizations and, if contracts, had a value of more than \$25,000. Our review of vetting information provided by USAID found that the vetting was conducted for all 11 of these prime awardees, and eligibility decisions were made prior to the signing of the awards, consistent with Mission Order 21. We also found that 29 of the 91 subawards (in our universe of 158 subawards) that went to non-U.S. organizations had a contract value or a time and cost amendment value of more than \$25,000 and thus required vetting. Based on vetting information provided by USAID, vetting was conducted and eligibility decisions were made prior to the signing of the award in 28 out of the 29 instances, in compliance with Mission Order 21.<sup>30</sup> However, vetting was obtained in 1 instance after the award was signed.<sup>31</sup>

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<sup>29</sup>When USAID finds that a prime awardee has failed to properly vet a subawardee or trainee, USAID requires that the prime awardee complete the proper vetting procedures regardless of whether the subawardee or trainee in question is still active, according to USAID.

<sup>30</sup>In doing this analysis of prime awards and subawards, we relied on a list of key individuals who required vetting that USAID provided. According to USAID, the CEOs of each organization are required to certify to USAID in their submission of the Partner Information Form (PIF) that all key individuals of the organization are listed on the form. In addition, the mission's Program Support Unit double-checks that the PIF includes complete information on all key individuals and verifies that each individual listed on the form is vetted. We did not independently verify whether all key individuals who required vetting were vetted by USAID.

<sup>31</sup>USAID provided us with vetting information from the Partner Vetting System—a centralized database utilized to support the vetting of individuals and directors, officers, or other principal employees of nongovernmental organizations that apply for USAID contracts, grants, and cooperative agreements—but we were not able to independently verify that the key individuals vetted were in fact the key individuals that required vetting.

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Antiterrorism Certification:  
USAID's Internal  
Compliance Reviews and  
GAO's Review

- *USAID's internal compliance review reports identified one instance of noncompliance with antiterrorism certification requirements.* The compliance review reports identified a single instance where a prime awardee failed to obtain an antiterrorism certificate from a subawardee. According to USAID officials, this prime awardee was required to amend the subaward paperwork to include the antiterrorism certificate.
- *GAO's review found that prime awards and subawards were in compliance with antiterrorism certification requirements.* We found that 16 of the 48 prime awards were grants or cooperative agreements and thus required a signed antiterrorism certification. All 16 prime awards contained a signed antiterrorism certification that was signed in advance of the award. We found that 4 of the 158 subawards were grants or cooperative agreements and therefore required an antiterrorism certification. All 4 subawards contained a signed antiterrorism certification that was signed in advance of the award.

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Mandatory Provisions:  
USAID's Internal  
Compliance Reviews and  
GAO's Review

- *USAID's internal compliance review reports identified noncompliance with the two mandatory provision requirements.* The reports identified 9 prime awardees that collectively made a total of 449 subawards without the two mandatory provisions included.<sup>32</sup> Specifically, the majority of these instances were the result of a single prime awardee failing to include the mandatory provisions in 378 of its subawards. According to USAID officials, the 9 prime awardees were required to amend the subaward paperwork to include the mandatory provisions if the awards were still active.
- *GAO's review found that prime awards were in compliance with the two mandatory provisions requirements and the subawards were generally in compliance.* All 48 prime awards made by USAID contained the mandatory provision antiterrorism clause and the facility naming clause in the award documents. Of the 48 prime awards, 2

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<sup>32</sup>In the universe of 14,436 subawards assessed by the USAID compliance review reports provided to us, 100 percent were analyzed for compliance in the vetting category of Mission Order 21. However, for the antiterrorism certificate and mandatory provision categories, the USAID compliance specialist used a random sampling technique to select a smaller sample of subawards to examine for compliance. As a result, the compliance review reports provided to us analyzed 7,511 subawards for compliance in the antiterrorism certificate and mandatory provision categories.

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were made to the United Nations, which is defined as a public international organization, and contained differently worded clauses than for nongovernmental organizations.<sup>33</sup> We found that 155 of the 158 subawards, or 98 percent, included the mandatory antiterrorism clause and facility naming clause. Specifically, based on the subaward documents provided by USAID, we found one instance where the antiterrorism clause and facility naming clause were not present in the award documentation. We also found two instances where the facility naming clause was not included in the award documentation.<sup>34</sup> We estimate that there are 100 errors in our overall subaward universe population of 8,744 as it relates to whether mandatory clauses are present in the subawards.<sup>35</sup>

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## Vetting: USAID Mission Self-Reported Case

During the course of our review, the USAID mission contacted us after identifying an instance in which USAID erroneously provided funds to an organization that did not pass vetting, but subsequently determined that there was no indication of misuse of funds. According to the mission, the vetting error involved a previously cleared subawardee that had a change in a key individual in September 2014. A USAID official in the Program Support Unit entered the new individual's information manually into the Partner Vetting System and in the process of cross-referencing records, the official mistook the new key individual for a previously vetted and cleared key individual of the organization, as these two individuals had similar names. As a result, the vetting package submitted to the USAID Office of Security's Counterterrorism Branch erroneously included the formerly cleared individual and not the new individual.<sup>36</sup> In June 2015 the subawardee resubmitted information to USAID for vetting because of another change in key individuals. The Program Support Unit compiled

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<sup>33</sup>This clause is consistent with the special mandatory provision applicable to public international organizations in accordance with Mission Order 21.

<sup>34</sup>The two instances in our sample that did not contain the facility naming clause were to the same subawardee.

<sup>35</sup>For the weighted subaward totals, we have 95 percent confidence that there are no more than 285 errors in the total subaward population of 8,744.

<sup>36</sup>Analysts from the USAID Office of Security's Counterterrorism Branch are detailed to the Federal Bureau of Investigation's Terrorist Screening Center where they have access to the U.S. government's consolidated Terrorist Watchlist—a single database of identifying information about those known or reasonably suspected of being involved in terrorist activity.

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the vetting package and submitted it to the USAID Office of Security's Counterterrorism Branch, which then sent back an ineligibility recommendation for one of the key individuals listed for the subawardee. According to USAID, a review of the Partner Vetting System audit trail led to the conclusion that in 2014 this key individual was mistaken for a former key individual with a similar name. According to the mission, it immediately communicated the ineligibility decision to the prime awardee, who communicated this information to the subawardee and accordingly did not proceed with the proposed award extension. According to mission officials, once they became aware of the error in vetting, the mission performed a financial assessment to determine if there was any misuse of the U.S. government funds, which had been provided to the subawardee, totaling about \$77,000. The review concluded that adequate supporting documents were presented for the payments, both the prime awardee and subawardee had adhered to the terms and conditions of the subawards when making disbursements of funds, and therefore there was no indication of misuse. According to USAID, the mission promptly implemented a new policy to prevent such human error from recurring and also promptly notified both GAO and USAID's Regional Inspector General of the error.

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## Agency Comments

We provided a draft of this report to State and USAID for comment. State provided no comments, and USAID provided technical comments that were incorporated, as appropriate.

We are sending copies of this report to appropriate congressional committees, the Administrator of USAID, and the Secretary of State. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our Offices of Congressional relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to the report are listed in appendix IV.



David B. Gootnick  
Director, International Affairs and Trade

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# Appendix I: Objectives, Scope, and Methodology

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This report examines the extent to which (1) the U.S. Agency for International Development (USAID) has established antiterrorism policies and procedures for program assistance for the West Bank and Gaza and (2) USAID complied with requirements for vetting, antiterrorism certification, and mandatory provisions for program assistance for fiscal years 2012–2014.

To examine the extent to which USAID has established antiterrorism policies and procedures for program assistance for the West Bank and Gaza, we identified and reviewed relevant legal requirements as well as USAID policies and procedures to comply with those requirements. These legal and other requirements are contained in U.S. federal laws and executive orders. Mission Order 21 is the primary document that details the procedures to comply with applicable laws and executive orders to help ensure that assistance does not provide support to entities or individuals associated with terrorism. The effective date of the most recent version of Mission Order 21 is October 3, 2007, and it has not been updated since then, according to USAID officials. We also reviewed memorandums and notices issued by the USAID West Bank and Gaza mission that pertain to USAID’s antiterrorism compliance review process and reminders about Mission Order 21 updates.

To examine the extent to which USAID complied with its antiterrorism policies and procedures for program assistance for the West Bank and Gaza, we interviewed officials from USAID’s Office of Inspector General regarding its oversight requirements, and results of audits of West Bank and Gaza assistance programs against Mission Order 21 requirements. We examined documentation on USAID’s policies and procedures for monitoring prime awardees’ compliance with Mission Order 21 when making subawards and reviewed USAID’s formal compliance review process. We looked at 23 audit reports conducted under the direction of USAID’s Regional Inspector General and covering all prime awardees that received fiscal year 2012, 2013, or 2014 Economic Support Fund (ESF) assistance. We also reviewed and analyzed all 47 compliance review reports provided to us that were conducted by USAID’s compliance specialist on 24 prime awardees during fiscal years 2012, 2013, and 2014.<sup>1</sup> We analyzed these antiterrorism compliance review

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<sup>1</sup>According to USAID, these prime awardees had collectively made 14,436 subawards during our 3-year time frame.

reports to assess and compile all noncompliance weaknesses with Mission Order 21 identified by USAID in four categories: (1) the proper vetting of subawardees and beneficiaries, (2) the timely incorporation of the antiterrorism certificate, (3) the timely incorporation of applicable mandatory provisions, and (4) subaward reporting.<sup>2</sup> We also followed up with relevant USAID officials regarding these identified noncompliance weaknesses and the policies and practices USAID had in place to ensure that such weaknesses were addressed.

To determine the extent to which the USAID West Bank and Gaza mission complied—at the prime and subaward levels—with its vetting requirements as well as inclusion of antiterrorism certification and mandatory provisions for program assistance to provide reasonable assurance that its programs do not provide support to entities or individuals associated with terrorism, we reviewed key legal and other requirements as well as USAID’s policies and procedures for ensuring compliance with Mission Order 21. We discussed the USAID mission’s implementation of Mission Order 21 with the USAID Deputy Mission Director, senior staff, the regional legal advisor, program staff, and other officials responsible for managing assistance projects and overseeing contracts, grants, and cooperative agreements at the USAID mission in Tel Aviv, Israel, and the U.S. Consulate in Jerusalem. We also interviewed several of USAID’s implementing partners that had received relatively large dollar contracts from USAID. In addition, we interviewed State, USAID, and other officials involved in vetting USAID award recipients.

We focused our review on the mission’s prime award contracts, grants, and cooperative agreements that were made using Economic Support Fund (ESF) programming for fiscal years 2012–2014 as well as applicable subawards made by the prime awards during this time period. We selected this time period because it covers the last fiscal year that we reported on in our 2012 report and also represents the most recently

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<sup>2</sup>In the universe of 14,436 subawards assessed by the compliance review reports provided to us, 100 percent were analyzed for compliance in the vetting category of Mission Order 21. However, for the antiterrorism certificate and mandatory provision categories, the compliance specialist used a representative sampling technique to select a smaller sample of subawards to examine for compliance. As a result, the compliance review reports provided to us analyzed 7,511 subawards for compliance in the antiterrorism certificate and mandatory provision categories.

available data.<sup>3</sup> The mission provided us with copies of all 48 prime awards issued during this time frame and the relevant documentation to support proof of vetting of key individuals and the presence of antiterrorism certifications and mandatory provisions in awards.<sup>4</sup>

To determine whether subawards complied with relevant Mission Order 21 requirements, we examined a final random generalizable sample of 91 subawards made to non-U.S. organizations and 67 subawards made to U.S. organizations for a total of 158 subawards. Initially, we selected a random sample of 174 subawards.<sup>5</sup> However, the random sample decreased to 158 subawards because of various issues such as missing data, duplicates of awards, and errors identified by the mission in subaward reporting by the prime awardee. We selected these random generalizable samples from a universe of 8,744 subawards for fiscal years 2012 through 2014 identified by the mission based on subaward activity reported to the mission by prime awardees.<sup>6</sup> The universe included 8,521 non-U.S. organizations and 223 U.S. organizations.<sup>7</sup> The mission developed the universe by taking the 48 prime awards that we had received and reviewed and identifying the corresponding subaward reports made by each prime award. Some of the prime awards did not make any subawards during the time frame that we examined. In total,

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<sup>3</sup>GAO, *Foreign Assistance: U.S. Assistance to the West Bank and Gaza for Fiscal Years 2010 and 2011*, [GAO-12-817R](#) (Washington, D.C.: July 13, 2012).

<sup>4</sup>USAID identified 49 prime awards issued by the mission during fiscal years 2012 to 2014. We excluded one award that was a cash transfer to the Palestinian Authority because we reported on cash transfers in a separate report, [GAO-15-823](#).

<sup>5</sup>We did not design our sample of subawards to specifically analyze vetting compliance.

<sup>6</sup>Our sample excluded subawards made for trainees, among other award areas.

<sup>7</sup>We conducted a probability sample of new subawards, stratified by either U.S. or non-U.S. subawardees. With a probability sample, each subaward in the population had a non-zero probability of being included, and that probability could be computed for any member. Each sample element selected was subsequently weighted in the analysis to account statistically for all the members of the population. The result of the sample can be projected to the population from which it was selected. Because our sample selection was based on random selections, it was only one of a large number of samples that might have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's result as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals included within this report will include the true values in the study population.

the mission identified 37 of the 48 prime awards that had subawards reported. According to the mission, the subaward reports track the subaward awarded in a certain period of time and have no association with the fiscal year funding it received. Further, according to the mission, their main objective in developing the subaward universe for us was to track the vetting threshold by including all the individual subawards as well as their cost and time modifications that could trigger the vetting requirement per Mission Order 21. As a result, our subaward sample included several cost modifications and time extensions to awards.

We reviewed vetting information provided by USAID for all 11 prime awards made to non-U.S. organizations and a sample of 29 subawards made to non-U.S. organizations. The remaining 37 prime awards and 129 subawards were made to U.S. organizations, and were therefore not subject to vetting.<sup>8</sup> We compared the vetting date to the award date to determine if the mission vetted the appropriate non-U.S. organizations prior to the date of award. We found that of the 91 subawards in our sample, 29 subawards went to non-U.S. organizations that had a contract value or a time and cost amendment value of more than \$25,000 and thus required vetting. Based on vetting information provided by USAID, vetting was conducted and eligibility decisions were made prior to the signing of the award in 28 out of the 29 instances, in compliance with Mission Order 21.<sup>9</sup> However, vetting was conducted in 1 instance after the award was signed. To understand USAID's vetting process, we interviewed various mission officials, including the head of the Program Support Unit, which is the division responsible for the vetting process. We also reviewed snapshots of the Partner Vetting System (PVS), the system in which partner information is inputted, as well as training material related to the PVS to understand the vetting process.

To determine whether required antiterrorism certifications were obtained, we reviewed applicable documentation provided by USAID for 16 prime awards and 4 subawards that were grants or cooperative agreements to determine if antiterrorism certifications were included in the award and

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<sup>8</sup>There were a few instances where awards were made to a Public International Organization (PIO), such as the United Nations. PIOs are not subject to Mission Order 21 requirements.

<sup>9</sup>GAO did not independently verify whether all key individuals who required vetting were vetted by USAID.

signed prior to the date of the award. We determined that the 16 prime awards and the 4 subawards contained a signed antiterrorism certification that was signed in advance of the award.

To determine whether the prime awards and subawards contained mandatory provisions, specifically two mandatory clauses, we reviewed applicable documentation for each award to determine if the clauses were present. We reviewed 48 prime awards to determine if both the antiterrorism and facility naming clauses were present in the award before it was signed. We determined that all 48 prime awards had the mandatory clauses in the award before it was signed. For the subawards, we reviewed all 158 subawards to determine if mandatory clauses were present in the awards before it was signed. We used electronic searches to identify copies of the two clauses as efficiently as possible. We obtained the award documents from USAID in the form of scanned PDF files and used Adobe Acrobat Pro XI to convert them into machine-readable text. This conversion was generally reliable but sometimes introduced misspellings or other anomalies. We wrote Python code that performed keyword searches on each of the 260 PDF files for apparent instances of the two clauses. Each time the program found a potential match, it computed the edit distance between the clause the search identified and the actual boilerplate clause.<sup>10</sup> We then identified the candidate match for each award with the shortest edit distance from each clause and produced a document listing the best potential match for each clause in each award and a link to the PDF page from which we extracted each potential match. The search program treated all of the PDFs associated with a single award as a group and identified candidate matches, for example very likely matches, for both clauses in almost all of the awards. A GAO analyst manually reviewed each potential match on the original PDF and either confirmed that it was the required clause or not. If the computer did not find a match, we reviewed the entire award document to determine whether the required clause was present. Based

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<sup>10</sup>The edit distance between two text strings is the minimum number of additions and deletions necessary to convert one string into the other.

on our review, we found three instances where mandatory clauses were missing from the award.<sup>11</sup>

We conducted this performance audit from July 2015 to April 2016, 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

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<sup>11</sup>We estimate that there are 100 errors in our overall universe of 8,744 subawards as it relates to mandatory clauses present in the subawards. For the weighted subaward totals, we will have 95 percent confidence that there are no more than 285 errors in the total subaward population.

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# Appendix II: U.S. Agency for International Development (USAID) West Bank and Gaza Mission's Vetting Process for Awards

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This appendix provides information on the vetting process for awards to non-U.S. implementing partners (awardees) receiving U.S. government funding, including contracts, grants, cooperative agreements, and training, based on USAID documents and information from officials.

A typical vetting process starts with the implementing partner, or prime awardee, submitting through an online portal, the Partner Vetting System (PVS), a completed Partner Information Form that has the names and identifying information of the organization's key individuals, according to the USAID mission. The prime awardee has access to the online portal to submit the Partner Information Form and also collects and submits the needed vetting data from proposed recipients of subawards. Figure 3 provides details of the steps in the vetting process for awards. In a small number of cases, the implementing partner, or prime awardee, does not have access to the online portal, and hard copy forms are sent directly to USAID's vetting team, known as the Programs Support Unit (PSU), which inputs the information into the PVS.<sup>1</sup> The information submitted online or on hard copy is checked by vetting assistants at the USAID mission to ensure that it is complete and is a valid request. The information is compiled for a vetting package that is submitted through the portal to the USAID Office of Security's Counterterrorism Branch (SEC/CT) at the Terrorist Screening Center in the United States.<sup>2</sup> Until August 2015 the vetting package to be submitted to the SEC/CT was compiled by one member of the PSU team. In response to a vetting error identified in July 2015, the USAID mission implemented a new policy that requires an additional check of vetting packages submitted to the SEC/CT. The new process requires that a separate member of the PSU team verify that packages submitted to the SEC/CT include all key individuals listed in the Partner Information Form.

If the organization or individual submitted for vetting is found to have no derogatory information by the SEC/CT, analysts at the SEC/CT enter an eligible determination into PVS. If the proposed award is a contract or training, the PVS generates an automatic notification to the

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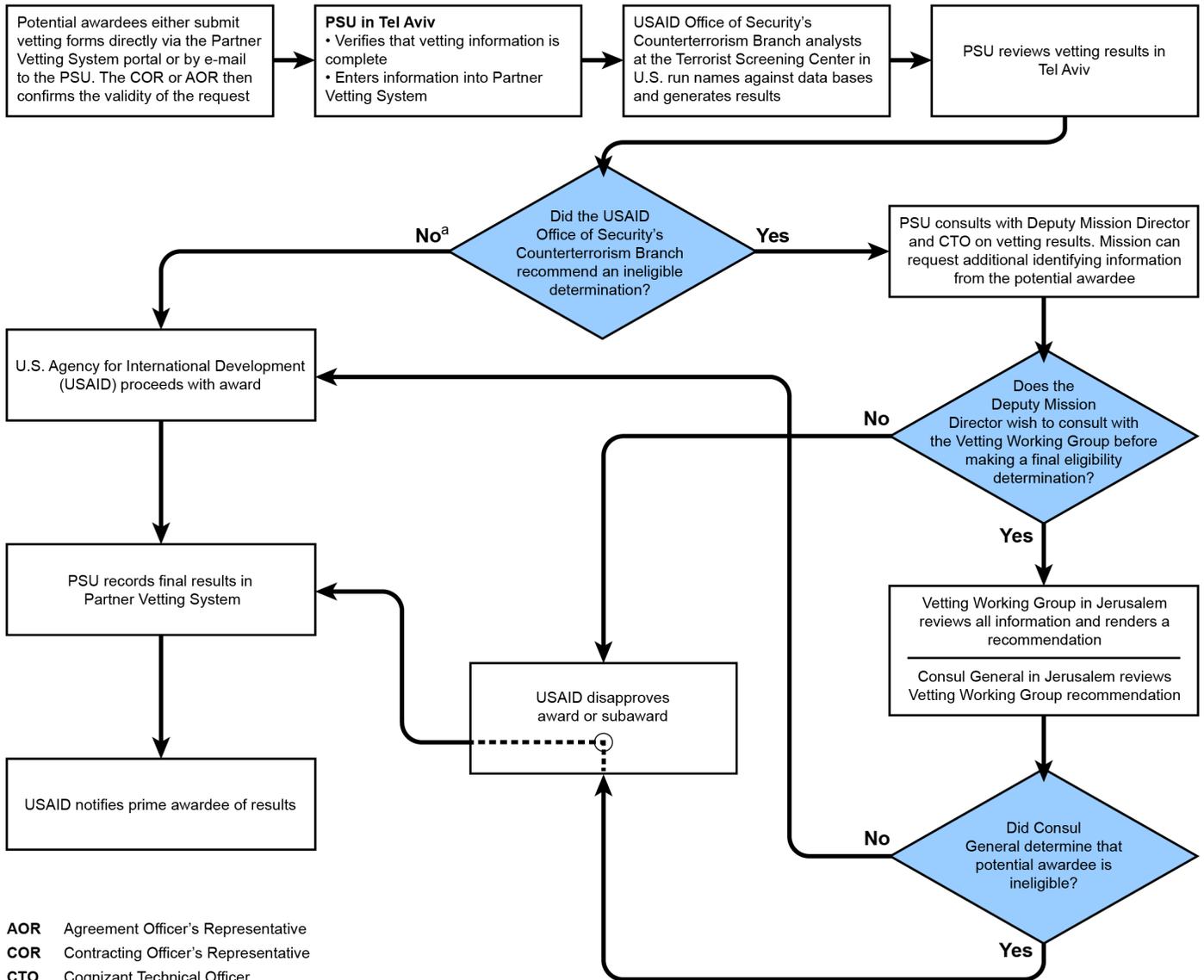
<sup>1</sup>The Program Support Unit is made up of a Supervisory Program Support Specialist, who is a U.S. citizen, and two Vetting Support Assistants who are under his/her supervision.

<sup>2</sup>Analysts from SEC/CT are detailed to the Federal Bureau of Investigation's Terrorist Screening Center where they have access to the U.S. government's consolidated Terrorist Watchlist—a single database of identifying information about those known or reasonably suspected of being involved in terrorist activity.

**Appendix II: U.S. Agency for International Development (USAID) West Bank and Gaza Mission's Vetting Process for Awards**

Contracting/Agreement Officer's Representative (C/AOR) and the vetting is a one-step process. The C/AOR notifies the awardee of the results.

**Figure 3: USAID's Vetting Process for Awards for the West Bank and Gaza**



- AOR** Agreement Officer's Representative
- COR** Contracting Officer's Representative
- CTO** Cognizant Technical Officer
- PSU** Program Support Unit

Source: GAO analysis of information from U.S. Agency for International Development (USAID). | GAO-16-442

<sup>a</sup>For grants and awards of cash or in-kind assistance, even if the USAID Office of Security's Counterterrorism Branch does not recommend an ineligible determination, second-step vetting also needs to be conducted by the Consulate General.

If the proposed award is a cash grant or in-kind assistance, following an eligible recommendation from the SEC/CT, the request is then sent to the Consulate General for a second vetting step. If the organization vetted by the Consulate General is also deemed eligible, results are entered into PVS, and an automatic notification is sent to the C/AOR who notifies the awardee of the results. If the SEC/CT finds derogatory information related to an organization or individual submitted for vetting, the SEC/CT analyzes the information to determine if an ineligible recommendation is warranted. If an ineligible recommendation is warranted, the SEC/CT drafts an assessment of the derogatory information to the Supervisory Program Support Specialist, according to the USAID mission. The Consulate General follows a similar notification process if an organization submitted for vetting results in an ineligible recommendation. In both cases, the Supervisory Program Support Specialist reviews the derogatory information and consults with key mission vetting officials who have been granted the appropriate security clearance and have a need-to-know. The C/AOR may also be asked to provide an impact assessment to evaluate the potential consequences for the implementation of the program should a particular prospective implementing partner be found ineligible.

If the mission would like to consider an award notwithstanding an ineligible finding by the SEC/CT, the mission refers the case to the Vetting Working Group, located in the U.S. Consulate General in Jerusalem. The Vetting Working Group is a multiagency group, responsible for reconciling derogatory vetting information obtained by U.S. agencies implementing programs in the West Bank and Gaza, according to the mission. The group meets on an ad-hoc basis and recommends eligibility or ineligibility based on consensus, with the final decision made by the Consul General. For cases that are not referred to the Vetting Working Group, the Deputy Mission Director has the authority to make final ineligibility decisions, according to the mission.<sup>3</sup> Once a final determination is made by either the Consulate General or the Deputy Mission Director, the Supervisory Program Support Specialist enters this determination into PVS and an automatic notification is sent to the C/AOR. The Contracting/Agreement Officer Representative notifies the awardee of the results.

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<sup>3</sup>According to USAID, the Deputy Mission Director cannot overrule a derogatory finding without going through the Vetting Working Group.

If a program awardee has been approved through the vetting process, the approval generally remains valid for that particular award for up to 3 years from the date of the award. However, new vetting is required in several circumstances. First, vetting is required if there is a change in the awardee's key individuals. Key individuals include principal officers of the organization's governing body, the principal officer and deputy principal officer of the organization, the program manager or chief of party, and any other persons with significant responsibility for administration of USAID-financed activities or resources. Second, new vetting is also required for any new awards or extensions of existing awards if more than 12 months have passed since the awardee was last approved. Third, new vetting is required for cost extension of awards when the total cost of the subaward including with the additional cost exceeds \$25,000. USAID may rescind vetting approval if the agency obtains information that an awardee or any of the key individuals is or has been involved in terrorist activity, according to USAID.

# Appendix III: Comments from USAID



MAR 30 2016

David Gootnick  
Director  
International Affairs and Trade  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Gootnick:

I am pleased to provide USAID's formal response to the Government Accountability Office (GAO) draft report GAO-16-442, "FOREIGN AID: USAID Generally complied with its Antiterrorism Policies and Procedures for Program Assistance for West Bank and Gaza" (Engagement Code 100198). This letter is provided for incorporation as an appendix to the final report.

We welcomed the opportunity provided by this GAO engagement to explain in detail our work in this area, and are pleased that the draft report contains no recommendations. We believe this validates the robustness of our antiterrorism vetting policies and procedures in the West Bank and Gaza, which we have developed in close collaboration with the GAO over the last ten years.

Thank you for the opportunity to respond to the GAO draft report. We greatly appreciate the flexibility and professionalism demonstrated by your staff throughout the process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly  
Assistant Administrator  
Bureau for Management

Enclosure: a/s

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

David B. Gootnick, (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Judy McCloskey (Assistant Director), Andrea Riba Miller (Analyst-in-Charge), Bryan Bourgault, and Ria Bailey-Galvis made key contributions to this report. Ashley Alley, Martin de Alteriis, Justin Fisher, Jeffrey Isaacs, Debbie Chung, Brian Egger, Robert Letzler, and Oziel Trevino provided additional assistance.

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# Related GAO Products

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*Foreign Aid: U.S. Assistance for the West Bank and Gaza for Fiscal Years 2012–2014.* [GAO-15-823](#). Washington, D.C.: September 22, 2015.

*Foreign Assistance: U.S. Assistance to the West Bank and Gaza for Fiscal Years 2010 and 2011.* [GAO-12-817R](#). Washington, D.C.: July 13, 2012.

*Foreign Assistance: U.S. Assistance to the West Bank and Gaza for Fiscal Years 2008 and 2009.* [GAO-10-623R](#). Washington, D.C.: May 14, 2010.

*Foreign Assistance: Measures to Prevent Inadvertent Payments to Terrorists under Palestinian Aid Programs Have Been Strengthened, but Some Weaknesses Remain.* [GAO-09-622](#). Washington, D.C.: May 19, 2009.

*Foreign Assistance: U.S. Assistance to the West Bank and Gaza for Fiscal Years 2005 and 2006.* [GAO-07-443R](#). Washington, D.C.: March 5, 2007.

*Foreign Assistance: Recent Improvements Made, but USAID Should Do More to Help Ensure Aid Is Not Provided for Terrorist Activities in West Bank and Gaza.* [GAO-06-1062R](#). Washington, D.C.: September 29, 2006.

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