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United States Department of State  
and the Broadcasting Board of Governors  
*Office of Inspector General*

## MIDDLE EAST REGIONAL OFFICE

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### Performance Evaluation of Palestinian Authority Security Forces Infrastructure Construction Projects in the West Bank

**Report Number MERO-I-11-03, March 2011**

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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel  
Deputy Inspector General

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## KEY FINDINGS

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- Completion of all planned construction for infrastructure in support of Palestinian Authority security forces (PASF) will exceed the \$80 million in funding covered by the 2007 Framework Agreement between the United States of America and the Palestinian Authority. An estimated \$77 million has already been obligated; the cost to complete all future projects is estimated at more than \$50 million. On December 26, 2010, the funding level in the Framework Agreement was raised to \$150 million.
- Construction has begun on six of nine operations camps; the Presidential Guard College in Jericho and a training center in Nuweimah are being renovated. Site visits to the Presidential Guard College, two operations camps, and the training center revealed construction that appeared to be of generally good quality and on schedule. Locations have now been identified and property rights clarified for eight of nine planned operations camps in the West Bank.
- The Palestinian Authority (PA), along with its relevant ministries and the Project Implementation Unit (PIU), has effectively coordinated with both the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the U.S. Security Coordinator (USSC) at the Department of State. Effective practices include:
  - Obtaining independent government cost estimates;
  - Ensuring bids are publicly advertised;
  - Ensuring funds are fully available prior to the start of the bidding process;
  - Ensuring bidding packages contain complete project designs;
  - Using firm fixed-price contracts;
  - Internally vetting contracts to prevent involvement of terrorist organizations; and
  - Effectively overseeing project implementation through oversight of the contract award process, project approval and implementation, processing of payments, and daily monitoring of construction projects.
- The INL office at Consulate General Jerusalem has provided adequate oversight of construction contracts and projects and fulfilled its responsibilities under the 2007 Framework Agreement and the relevant Implementation Letters.
- All construction contract personnel have been properly vetted and all have been cleared by the Department of State.
- The INL office at Consulate General Jerusalem has limited U.S. Government direct-hire staff to perform functions that are inherently governmental or approach being inherently governmental.



# INTRODUCTION

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Professionalization of the PASF<sup>1</sup> is a key component of the U.S. Government's effort to broker a negotiated two-state solution for settling the Israeli-Palestinian conflict.<sup>2</sup> Since 2007, the Department of State (Department), through INL, has provided \$395 million to help train and equip the PASF, including a total of \$117 million for security infrastructure construction projects.<sup>3</sup>

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this evaluation under the authority of the Inspector General Act of 1978, as amended, in response to congressional interest and concerns regarding security infrastructure construction projects. These projects are being carried out under the Framework Agreement between the United States of America and the Palestinian Authority (Framework Agreement) signed on August 2, 2007. Primarily, OIG performed this evaluation to determine whether INL is effectively managing and overseeing the construction of PASF training camps and garrisons. Specifically, OIG's objectives were to determine: (1) the effectiveness of the PA's Project Implementation Unit's (PIU) management of construction projects; (2) whether independent cost estimates are being performed; (3) whether Palestinian construction contractors are being properly vetted; and (4) whether contract processes are in accordance with international best practices.

This report, which focuses on security infrastructure construction projects, is the first of two on the Department's management of assistance to parts of the PASF. A second report will address an INL-directed DynCorp International (DynCorp) program to train and provide equipment and logistical support to the PASF in the West Bank and Jordan. For this evaluation, OIG met with officials from INL; the Department's office of the USSC for Israel and the Palestinian Authority; Consulate General Jerusalem; the PA Ministries of Interior, Finance, and Public Works and Housing; and the PIU. In addition, OIG visited ongoing security forces' garrison and training construction sites in Jenin, Jericho, and Nuweimah in the West Bank. OIG

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<sup>1</sup> National Security Forces (NSF) and Presidential Guard units are part of the PASF. NSF are capable of supporting the civil police and other security forces to maintain law and order and combat terrorism within the West Bank. Presidential Guard units protect PA leaders, key installations, and foreign visitors.

<sup>2</sup> Under the *Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict* (UN Document S/2003/529, May 7, 2003), Israelis and Palestinians are obligated to undertake a series of coordinated steps to disengage Israeli troops from areas in the Palestinian territories and replace them with consolidated and retrained PASF.

<sup>3</sup> Of the \$117 million, \$77 million has been obligated under the Framework Agreement. In 2007, but prior to the Framework Agreement, \$10 million was obligated to build the Jericho Presidential Guard College. Finally, in FY 2010, \$30 million was obligated for other security infrastructure construction projects (See infrastructure line in Table 1).

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conducted this performance evaluation from January 2010 to September 2010 in accordance with the *Quality Standards for Inspection and Evaluation* issued in January 2011 by the Council of the Inspectors General on Integrity and Efficiency.

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# EXECUTIVE SUMMARY

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## RESULTS

Under the 2007 Framework Agreement between the United States of America and the Palestinian Authority, the U.S. Government committed to assisting the PA in promoting law and order through professionalization of the security sector, and stated it intended to provide up to \$80 million for this effort. Current plans call for constructing nine operations camps, refurbishing and expanding a training center and the Presidential Guard College, and building five police stations. According to INL, an estimated \$77 million has already been obligated for six of the nine planned operations camps, the training center, and the police stations. INL has estimated that more than \$50 million will be required to complete the three additional camps and a second phase of construction at the Nuweimah training center, as well as at a fourth camp. On December 26, 2010, the Department and the PA signed an Implementation Letter under the Framework Agreement, providing for funding not to exceed \$150 million. The U.S. Government has successfully overcome some political and logistical challenges, and eight of nine camp locations have been identified and property rights clarified; construction has begun on six of nine operations camps. In the next 3-5 years, these camps will train and accommodate an estimated 3,500 of the approximate 5,000 PASF troops. The OIG team visited four construction sites and interviewed relevant officials, and observed what appeared to be generally good quality, on-schedule construction.

The PA, along with its relevant ministries, has been effectively cooperating with INL and the USSC to oversee the contract award process and monitor construction projects. Because coordination is key to program success, INL and the PA established a PIU in the PA Ministry of Finance, which comprises representatives from the Ministries of Finance, Public Works and Housing, and Interior. The PIU has been a major contributor to the success of the ongoing construction and project approval and implementation. The PIU facilitates coordination among the ministries, processes payments, monitors projects on a daily basis, holds contractors accountable for cost overruns and substandard work, identifies problems, ensures compliance with the Framework Agreement and the relevant Implementation Letters, and prepares required reports. The PA Ministry of Public Works and Housing has acquisition regulations that closely resemble those of the U.S. Government, including obtaining independent government cost estimates, using firm fixed-price contracts, and openly vetting contracts. The Central Bidding Committee in the Ministry of Public Works and Housing ensures bids are publicly advertised, project funds are fully available before bidding begins, and bids contain complete project designs. All bids undergo

an independent technical review by qualified personnel. Contracts are awarded to the lowest qualified bidder for bids varying 20 percent or less from the independent cost estimate. The PA also internally checks to ensure that potential contractors are not linked to terrorist organizations.

INL representatives at Consulate General Jerusalem have been adequately overseeing construction contract awards and project implementation, and fulfilling their responsibilities. These responsibilities include ensuring accountability for expenditure of U.S. Government-provided funds and proper vetting of contractors for foreign terrorist organizations. Invoices are double checked to resolve any discrepancies. INL engineers review all proposed projects for feasibility of design and accuracy of cost estimates. Upon recommendation by the INL director in Jerusalem, projects are approved by the consul general or his representative before funds are transferred to the PA. A West Bank accounting firm conducts monthly reviews of all invoices and payments and reports the results to INL. OIG confirmed that, to date, all key personnel involved in construction contracts have been properly vetted and have been cleared by the Department.

From October 2007 to August 2008, the INL office in Jerusalem had a series of directors on temporary duty, but since that time, the office has had two permanent directors, including the current director who arrived in September 2010. Although the INL staff has grown since 2007 from five personnel to 17, only the director is a U.S. Government direct-hire employee. Other employees in the office who are not U.S. Government direct-hires may be performing functions that are inherently governmental or approach being inherently governmental. Furthermore, the office currently oversees \$395.4 million, and both funding and the number of projects are expected to increase.

The PA and INL have successfully worked together to oversee and implement these security infrastructure construction projects. The PIU and PA ministries are following appropriate processes and providing adequate oversight of construction. The INL office in Jerusalem is adequately monitoring the work of the PA and its ministries. However, one U.S. Government direct-hire employee may not be sufficient to perform all the inherently governmental functions required by this program. OIG agrees with INL that the initial amount of \$80 million in funding obligated from FY 2007-2010 for construction will not be sufficient to complete future projects. OIG notes that funding was increased in the Implementation Letter signed in December 2010.

## RECOMMENDATIONS

**Recommendation 1:** The Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the U.S. Security Coordinator, should develop detailed plans to complete and sustain the Palestinian Authority security forces infrastructure construction program. These plans should include firm estimates of future funding requirements and a strategy to successfully transition program responsibility to the Palestinian Authority. (Action: INL, in coordination with the USSC)

**Recommendation 2:** The Bureau of International Narcotics and Law Enforcement Affairs should conduct a staffing analysis of INL at Consulate General Jerusalem to ensure the appropriate numbers of U.S. Government direct-hire staff are assigned to effectively perform inherently governmental functions. (Action: INL)

## MANAGEMENT COMMENTS AND OIG RESPONSE

INL provided formal written technical and management comments to this report, Consulate General Jerusalem and the Bureau of Near Eastern Affairs provided technical comments, and the Office of Acquisition Management did not provide comments. INL generally agreed with the intent of both recommendations. Management comments from INL are included verbatim in Appendix IV, and OIG has incorporated technical comments as appropriate.

In regard to Recommendation 1, INL noted that the bureau and the USSC have identified PA infrastructure needs through FY 2012 and have requested funding for these projects. In addition, the USSC's strategy focuses on the need to transition to a "sustainment" phase, which has also been addressed in the FY 2012 funding request. However, many factors affect the ability to develop firm funding estimates including other donors' support, the PA's priorities, and agreement between the PA and the Government of Israel on infrastructure requirements. In response to Recommendation 2, INL noted it is constantly assessing staffing needs in Jerusalem and has added staff to provide technical assistance. INL continues to seek the right mix of direct-hire and other staff given the current travel constraints in the West Bank.



## BACKGROUND

The 1993 Oslo Accords, which resulted from the first direct, face-to-face negotiation between the new Israeli Government and the Palestinian Liberation Organization, supported the PA as an interim self-government, called for Israeli defense forces to depart from areas of the West Bank and Gaza, and provided for the establishment of Palestinian internal security forces in these two areas. The arrangements were intended to last for a 5-year temporary period and to serve as a framework for negotiations on all final status issues, ultimately leading to a permanent agreement.

The outbreak of the second intifada in 2000<sup>4</sup> compromised assistance efforts and resulted in the Israeli security forces' destruction of much of the Palestinian security infrastructure. Consequently, Israeli-Palestinian security cooperation ended, and other governments reduced or ceased their security assistance to the PA. In 2003, security assistance efforts resumed when the PA, Israel, the United States, the United Nations, the European Union, and Russia agreed to implement the Roadmap for Peace. Designed to create a Palestinian state that would coexist peacefully with Israel, the Roadmap for Peace was modified and officially endorsed by the Quartet, which is composed of the United States, the European Union, Russia, and the United Nations. In 2005, then-U.S. Secretary of State Rice created the office of the USSC for Israel and the PA. Recognizing that security is key to Israeli-Palestinian peace, the USSC's goal was to professionalize and consolidate the PASF and coordinate their activity with Israeli officials. Figure 1 shows the current boundaries of Gaza and the West Bank in relation to the surrounding countries.



**Figure 1: Map of Israel, the West Bank, and Gaza**

*Source: CIA World Factbook*

<sup>4</sup> The first intifada between Palestinian and Israeli security forces occurred between 1987 and 1993.

In 2007, U.S. Secretary of State Rice and Palestinian Prime Minister Fayyad signed a Framework Agreement that formalized U.S. Government intentions to provide assistance to the PA to promote law and order by strengthening and reforming the Palestinian security sector. According to a senior U.S. Government official, the associated monetary support was designed to show political support and send the message that the U.S. Government was serious in its pledge to support the PA security sector. That support was specifically intended to promote law and order through the professionalization of the PASF. The Framework Agreement provided an overarching structure, set forth conditions for disbursement of funds directly to the PA Implementation Letters, and established terms for reporting, oversight, and auditing.

The USSC, which works for the Secretary of State under chief of mission authority, is composed of U.S. military personnel, U.S. Government civilian staff, and allied military staff operating in the West Bank; it provides advice and guidance to the Palestinian security sector on its reform efforts, and also coordinates the programs of several other donors to the security sector. INL is responsible for implementing U.S. foreign assistance to the PA for security sector reform and coordinates closely with the USSC in support of PASF infrastructure construction projects. Approximately 17 INL staff members at Consulate General Jerusalem approve the transfer of funds and implement the security infrastructure construction program, including the construction of nine operations camps and one training center. Table 1 shows Department funding to support the PASF.

**Table 1: Department Funding in Support of Palestinian Authority Security Forces, FY 2007-2010\***

	FY 2007 appropriation	FY 2008 supplemental appropriation	FY 2009 bridge supplemental appropriation	FY 2009 appropriation	FY 2009 supplemental appropriation	FY 2010 appropriation	Total FY 2007-2010
Training	\$28.6	\$13.0	\$22.6	\$13.5	\$39.0	\$41.0	\$157.7
Equipment	\$22.6	\$12.0	\$0	\$7.0	\$14.2	\$17.0	\$72.8
Infrastructure	\$18.6	\$0	\$18.4	\$0	\$49.7	\$30.5	\$117.2
Capacity development	\$6.0	\$0	\$4.0	\$3.5	\$4.2	\$6.5	\$24.2
Program development & support	\$10.6	\$0	\$5.0	\$1.0	\$1.9	\$5.0	\$23.5
<b>Total</b>	<b>\$86.4</b>	<b>\$25.0</b>	<b>\$50.0</b>	<b>\$25.0</b>	<b>\$109.0</b>	<b>\$100.0</b>	<b>\$395.4</b>

\* According to INL, the initial \$80 million in funding was reprogrammed from Economic Support Funds to International Narcotics and Law Enforcement funds.

*Source: GAO report of May 11, 2010, Palestinian Authority, U.S. Assistance Is Training and Equipping Security Forces, but the Program Needs to Measure Progress and Faces Logistical Constraints*



In consultation with the U.S. Government, the PA decided that nine operations camps in the West Bank, each designed for one Palestinian National Security Forces (NSF)<sup>5</sup> battalion, would be located throughout nine Palestinian governorates. These infrastructure projects directly support the four USSC programs of stabilization, transformation, transition, and enduring security relations. The nine operations camps will support the Palestinian strategic plan for security forces to be permanently stationed throughout the West Bank to enforce law and order in Palestinian communities. Eight of nine NSF operations camp locations have been identified.<sup>6</sup> They will be located in Jericho, Jenin, Tubas, Bethlehem, Hebron, Tulkarem, Nablus, and Qalqilyah. In addition to the operations camps, the Presidential Guard College in Jericho will be refurbished and a training center in Nuweimah is still under construction. Figure 2 shows the locations of major ongoing and planned security infrastructure construction projects.

**Figure 2: Locations of Major Ongoing and Planned U.S. Government-funded Construction Projects, the Nuweimah Training Center, and the Training Center at the Presidential Guard College in the West Bank**

*Source: OIG analysis of INL data; CIA World Factbook map*

<sup>5</sup> NSF are capable of supporting the civil police and other security forces to maintain law and order and combat terrorism within the West Bank.

<sup>6</sup> At the time of OIG’s evaluation, all nine camp locations had been identified. However, in comments on a draft of this report, Consulate General Jerusalem noted that the one location in Ramallah had subsequently become unavailable, and that the PA was seeking a new location in Ramallah.



# SECURITY INFRASTRUCTURE CONSTRUCTION PROJECTS

## PROJECT FUNDING

During its evaluation, OIG learned that additional funding beyond the original \$80 million will be needed to complete future security infrastructure construction projects not envisioned in the Framework Agreement. According to INL, \$77 million has already been obligated for six of the nine planned operations camps, the Nuweimah training center, civil defense projects, joint operation centers, building renovations, and five police stations. Table 2 below shows the breakdown of funded security infrastructure construction projects. (See Appendix II for more detailed project descriptions).

**Table 2: Funded Infrastructure Construction Projects - Training Centers, Operations Camps, Presidential Guard College, and Other Projects in the West Bank**

Project and Location	Project Start Date	Funding in U.S Dollars	Percent Complete	Scheduled Completion Date
Nuweimah Training Center	Dec. 2007	\$9,933,000	92%	1st quarter (QTR) 2011
Jericho Operations Camp	June 2007	\$11,313,000	98%	4th QTR 2011
Jenin Operations Camp	Feb. 2009	\$11,000,000	25%	4th QTR 2011
Tubas Operations Camp	Dec. 2009	\$3,000,000	10%	2nd QTR 2012
Hebron Operations Camp	Sept. 2009	\$15,000,000	20%	2nd QTR 2012
Tulkarem Operations Camp	May 2010	\$9,500,000	2%	2nd QTR 2012
Jericho Presidential Guard College*	August 2010	\$1,300,000	1%	3rd QTR 2011
Bethlehem City Operations Camp	Sept. 2010	\$10,000,000	1%	1st QTR 2012
<b>Total Funded Camps and Training Centers</b>		<b>\$71,046,000</b>		
Civil Defense, Joint Operation Centers, Building Renovations and Five Police Stations	Ongoing	\$5,884,348	Various	Various
<b>Total Funded Projects</b>		<b>\$76,930,348</b>		

\* Presidential Guard College project includes only upgrades and renovations.

Source: INL Implementation Letters under the Framework Agreement

It has been estimated that completing construction of three additional camps and a second phase of construction on the training center will require more than \$50 million. On December 26, 2010, the consul general in Jerusalem and PA Prime Minister Fayyad signed Implementation Letter No. 1B under the Framework Agreement, stating that the Department intends to provide assistance not to exceed \$150 million, thus raising the funding level from \$80 million to not more than \$150 million. Table 3 below shows the breakdown of these planned, but as yet, unfunded security infrastructure construction projects.

**Table 3: Planned but Unfunded Security Infrastructure Construction Projects in the West Bank**

Project	Estimated Cost in U.S. Dollars	Planned/Projected Completion Date*
Tubas Operations Camp**	\$7,000,000	2nd QTR 2012
Nablus Operations Camp	\$12,000,000	4th QTR 2012
Ramallah Operations Camp	\$15,000,000	4th QTR 2012
Nuweimah Training Center Phase II	\$10,000,000	4th QTR 2012
Qalquilya Operations Camp	\$7,000,000	1st QTR 2013
<b>Total Planned but Unfunded Projects</b>	<b>\$51,000,000</b>	

\* Estimated completion date pending FY 2011 funding.

\*\* Estimated cost is for additional construction at the Tubas operations camp.

Source: INL Jerusalem

## STATUS OF CONSTRUCTION

Although the U.S. Government has faced some political and logistical challenges, including acquisition of materials, funds, and permits, it has been successful to date in assisting the PA in constructing operations camps. Construction has begun on six of nine camps with the three remaining camps to begin construction in 2011, pending passage of INL's FY 2011 \$150 million budget request. For example, the U.S. Government faced a major challenge in acquiring land for the operations camps with clear property rights,<sup>7</sup> but eight of nine camp locations in the West Bank have now been identified and all property rights clarified for these eight camps.

<sup>7</sup>The GAO report of May 11, 2010, *Palestinian Authority, U.S. Assistance Is Training and Equipping Security Forces, but the Program Needs to Measure Progress and Faces Logistical Constraints* discusses these challenges.

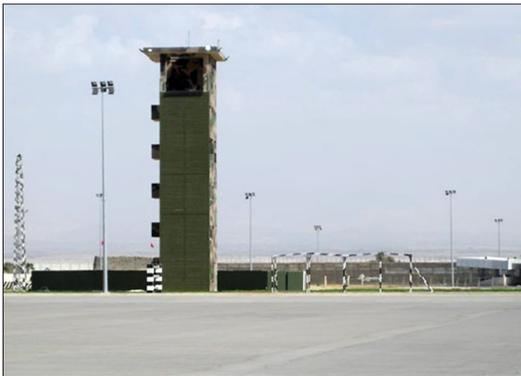


**Figure 3:** The photos above show, from top to bottom, an administration building, barracks, and a mess hall at operations camps visited by the OIG team.

*Source: OIG*

These camps are designed to accommodate an estimated 3,500 of the approximate 5,000 PASF troops that the U.S. Government plans to help train in the next 3-5 years. While operations camps and training centers are being constructed in the West Bank, NSF troops and presidential guardsmen are being trained at the Jordan International Police Training Center near Amman, which has been used in the past. West Bank operations camps and training centers are planned to be fully functional, each equipped with administration buildings, barracks, a mess hall, classrooms, and training facilities. Once construction is completed, all troop and guardsmen quartering, and most training will take place in the West Bank; the training center in Jordan will continue to be used as needed.

OIG visited the four sites under construction—the Presidential Guard College in Jericho, NSF operations camps in Jenin and Jericho, and the training center in Nuweimah. The OIG team also interviewed U.S. and Palestinian engineers, representatives of Palestinian Ministries, and contractors. Through these site visits and interviews, OIG observed that construction appeared to be generally of good quality and on schedule. The photos in Figures 3 and 4 were taken during site visits to facilities under construction to illustrate what a completed operations camp would include.



### *Presidential Guard College in Jericho*

Through its visit to the completed Presidential Guard College in Jericho and interviews, OIG learned that several of the initial buildings constructed beginning in October 2007, were built by Palestinian military personnel with no construction background.<sup>8</sup> As a result, the team was told, there were structural settlement problems with two of the barracks buildings, but these were scheduled for repair using renovation funds provided through the Framework Agreement.

The college has classroom space and accommodations for 250 personnel, as well as dining and support facilities for 500 personnel, which could include those not training or stationed at the college. The Palestinian commander of the college stated that a Presidential Guard battalion<sup>9</sup> comes for refresher training every 3 months. A battalion was attending refresher training when OIG visited. OIG observed intermediate and senior leadership courses being conducted.

**Figure 4:** The top photo shows a classroom. The center photo shows an outdoor training area at an operations camp. The photo on the bottom shows a rappelling tower at the Presidential Guard College in Jericho.

*Source: OIG*

<sup>8</sup> Initial construction was carried out under the United Nations Office of Project Services. See Appendix III for descriptions of projects and funding amounts.

<sup>9</sup> The Presidential Guard is composed of three battalions with approximately 400 soldiers in each, and one battalion with 180 soldiers.



**Figure 5:** The photos above show barracks and administration buildings on the left and parade ground bleachers on the right at the Presidential Guard College in Jericho.

*Source: OIG*

### *National Security Forces Operations Camp in Jenin*

During its site visit to the NSF operations camp in Jenin, the OIG team learned through interviews with Palestinian officials and the INL supervisory engineer that the plans for several buildings were revised by Palestinian engineers because of problems with excavation and back filling of soil. At the time of OIG’s site visit, construction had begun on the perimeter fence, the foundations of buildings, and the mess hall.



**Figure 6:** The photos above from the operations camp at Jenin show barracks under construction on the left and construction personnel and buildings on the right.

*Source: OIG*

### *National Security Forces Operations Camp in Jericho*

This operations camp is planned to accommodate approximately 750 personnel and provide workspace, basic vehicle maintenance facilities, clinical facilities, tactical communications, a warehouse, and housing for canines. During its site visit, OIG found that the headquarters building had not been completed, but staff members had adjusted and were temporarily using rooms in the barracks as offices. The dining facility and housing accommodations were completed and functional.

The camp is designed to be self-sufficient and will be the first one finished. As part of its self-sufficiency, water is stored in an underground tank and pumped into an aboveground gravity-operated pressure tank as needed. Plants will be watered with recycled water from a sewage treatment facility. Water from the municipal system is reported to be drinkable upon arrival, however, the PIU has requested installation of a purification system.



**Figure 7:** The photos above from the operations camp in Jericho show an office building on the left and dining facilities on the right.

*Source: OIG*

### *National Security Forces Training Center in Nuweimah*

An existing facility in Nuweimah is being refurbished, and the site is being expanded to serve as an NSF training center. Upon completion of the first phase of construction, this center will accommodate 700 people; after completion of a planned second phase, the center will accommodate 2,000. The OIG team observed the buildings appeared to be well constructed and construction had been proceeding on schedule. Figure 8 on the following page shows construction progress between October 2009 and April 2010.



**Figure 8:** The photos above show the status of construction at the NSF training center in Nuweimah in October 2009 on the left and construction observed during OIG’s site visit in April 2010 on the right.

*Source: OIG*



## PALESTINIAN AUTHORITY MANAGEMENT OF SECURITY INFRASTRUCTURE CONSTRUCTION CONTRACTS AND PROJECTS

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The PA, along with its relevant Ministries, is effectively implementing the U.S. Government-funded security infrastructure construction program. At the time the Framework Agreement was signed, the PA lacked the history and capacity for working level project coordination across ministries. Because multi-ministry coordination and decision-making are key to the success of the program, INL and the PA established the PIU, which is located in the Ministry of Finance and consists of representatives from the Ministries of Finance, Public Works and Housing, and Interior. The PIU facilitates coordination among the ministries and provides day-to-day oversight and management of all construction projects. The PA Ministry of Public Works and Housing has acquisition regulations that closely mirror those of the U.S. Government, and it follows best business practices such as obtaining independent government cost estimates, using firm fixed-price contracts, and openly vetting contracts through an established system. A Central Bidding Committee in the Ministry of Public Works and Housing issues contract bidding requirements. Finally, per the requirements of the Framework Agreement, the PA has set up a separate account to segregate and manage U.S. Government-provided funds.

According to INL and Palestinian officials, the PIU has been pivotal to the success of current construction projects and is effectively overseeing implementation of all projects. It works with the PA ministries to keep contract and project processes moving. The PIU provides project coordinators and engineers who facilitate the progress of construction by ensuring the quality of design, an optimal supply process, and higher level day-to-day supervision of construction contracts. The PIU also oversees the construction project approval and implementation cycles and the processing of payments. Its onsite representatives fully document and oversee ongoing construction activities. PIU engineers and project managers monitor the construction projects on a daily basis and hold contractors accountable for cost overruns and substandard work. Through interviews and review of quarterly reports, OIG found that the PIU identifies problems and bottlenecks in project implementation, ensures compliance with all Framework Agreement and relevant Implementation Letter requirements, and prepares all required reports for Palestinian and U.S. Government officials. OIG also found that since the establishment of the PIU in April 2009, the time between contract award and the start of the project has been shortened by more than 65 percent.

OIG found that independent cost estimates for proposed projects are determined, prior to the contract bidding process, by Palestinian ministry personnel with architectural and design expertise or through international architectural and design firms. The Palestinian procurement law of 1999 guides the PA Ministry of Public Works and Housing and covers the contracting process; it is comparable to U.S. acquisition and procurement regulations. Independent cost estimates, which are based on market research, as well as current price and availability of labor and materials, are critical to finding the best qualified Palestinian companies. Using this research and information from past projects, a qualified estimate is developed. OIG's examination of samples of contract awards revealed that initial independent cost estimates had been obtained for ongoing construction projects prior to the bidding process. INL officials verified that these cost estimates are reviewed by INL engineers in Jerusalem before the Palestinian bidding process begins. OIG determined that all 38 awards to date have been for firm fixed-price contracts and have remained within 2-12 percent of their independent cost estimates.

A Central Bidding Committee in the Ministry of Public Works and Housing has bidding requirements including ensuring bids are advertised in a public forum, project funds are fully available prior to the start of the bidding process, and bidding packages contain complete project designs. Once bids are received and contents checked by the Central Bidding Committee, they are sealed and sent for an independent technical review to qualified Ministry personnel and/or an international architectural and design firm. Under Palestinian law, a contract must be awarded to the lowest qualified bidder, and regulations require that only bids varying 20 percent or less from the independent cost estimate be considered. OIG also verified that, prior to awarding contracts, the PA internally checks information on all potential contractors to prevent the involvement of terrorist organizations.

## OVERSIGHT OF SECURITY INFRASTRUCTURE CONSTRUCTION CONTRACTS AND PROJECTS BY THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

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INL representatives at Consulate General Jerusalem have provided adequate oversight of construction contracts and projects and fulfilled their responsibilities. Projects are coordinated between the field and Washington, DC, where appropriate Department bureaus are consulted as necessary. The Department also prepares the required Implementation Letters that obligate and set conditions for disbursement of foreign assistance funds; and authorizes signature of the Implementation Letters by the consul general on behalf of the U.S. Government. The INL office in Jerusalem oversees the expenditure of U.S. Government-provided funds to ensure effective management and accountability, oversight of the awarding of construction contracts,<sup>10</sup> proper vetting of contractors, and monitoring of project implementation.

INL has put in place management controls to double check payment of all invoices and resolve problems in a timely manner. INL engineers in Jerusalem review all proposed projects for feasibility of design and accuracy of cost estimates. Once reviewed and approved by the engineers, the project plans are referred to the INL director in Jerusalem, and upon his recommendation, are approved by the consul general. After Implementation Letters are signed by Prime Minister Fayyad and the consul general, the funds are transferred. Funds cannot be drawn for the single treasury account (bank account for assistance funds) unless the invoice is approved by the consul general. Each invoice is approved by engineers representing INL, the Palestinian Ministry of Public Works and Housing, and the PIU. Following INL approval, the International Relations Department in the Ministry of Finance sends the request to its general accountant who issues the payment. As an additional management control, INL Jerusalem has contracted with a West Bank accounting firm to conduct monthly reviews of all invoices and payments to ensure funds are accounted for in a timely manner, reducing the possibility of fraud or abuse. The accounting firm provides monthly reports to INL on all transactions, so any identified problems can be resolved immediately, rather than after a future audit.

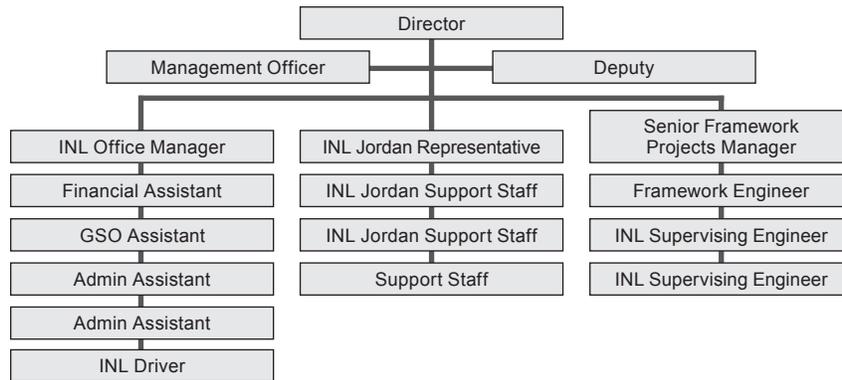
OIG verified that all key personnel involved in PA security infrastructure construction contracts to date have been properly vetted by the Department, and to date, all personnel submitted have been cleared.

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<sup>10</sup> As an example of its effective oversight of contract awards, after analyzing the Palestinian procurement law, INL noted to the PA that awarding a contract to the lowest bidder can lead to requests by the contractor for additional funds and/or inadequate performance. In response to INL raising this point, the PA agreed to write regulations stipulating that a contract would be awarded to the lowest bidder only if the bid was within 20 percent of the independent cost estimate.

The INL office in Jerusalem has had some staffing issues. The first temporary director, who arrived in October 2007 and stayed 3 months, was followed by a series of temporary duty officers until the first permanent INL director was assigned in August 2008. When the permanent INL Jerusalem director arrived, four other staff members were assigned to the office. The director completed his tour on July 1, 2010, and a new director arrived in September 2010 for a 3-year tour. The assignment of a permanent director has brought continuity to the program, which was lacking from October 2007 until August 2008 during the critical startup months.

Since 2007, INL staff in Jerusalem has grown from five to 17 and from overseeing \$86.4 million to \$395.4 million. Although staffing has increased, only the director is a U.S. Government direct-hire. The other positions tasked with ensuring adequate internal management control and implementing projects are staffed by a personal services contractor, locally employed staff, and a third party contractor. OIG believes this staffing situation could lead to contractor personnel performing inherently governmental functions as defined in the *Federal Acquisition Regulation (FAR)*.<sup>11</sup> As an example, OIG observed several documents related to the transfer of U.S. Government-furnished equipment to the PA that had been signed by a personal services contractor. Furthermore, the senior framework projects manager is a third party contractor who regularly represents INL at meetings with Palestinian officials and contractors to discuss contract administration, technical evaluations, and policies. These functions may approach being inherently governmental.<sup>12</sup> This issue will be examined further in OIG's upcoming report on its evaluation of INL's contracts covering logistics and training of the PASE. Figure 9 shows the current organizational structure of the INL office in Jerusalem.



**Figure 9: Organization of the Bureau of International Narcotics and Law Enforcement Affairs Office in Jerusalem**

Source: INL

<sup>11</sup> FAR 7.503 (c) (1)-(17) lists examples of functions considered to be inherently governmental functions or which shall be treated as such. The list is not all inclusive.

<sup>12</sup> FAR 7.503 (d) (1)-(19) lists services and actions not considered to be inherently governmental functions but “may approach being in that category because of the nature of the function, the manner in which the contractor performs the contract, or the manner in which the Government administers contractor performance.” The list is not all inclusive.

## CONCLUSION

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Through its evaluation, OIG determined that the PA and INL have successfully worked together to oversee both the awarding of contracts and implementation of these security infrastructure construction projects. The PIU and PA ministries involved in contract awards are following appropriate processes that comply with good business practices and are providing adequate oversight of construction. Construction at the sites visited by OIG appears to be satisfactory and proceeding on pace. The INL office at Consulate General Jerusalem is monitoring the work of the PA and its ministries, and is fulfilling its responsibilities. However, only one U.S. Government direct-hire employee is assigned to perform all inherently governmental functions. OIG agrees with INL that the amount of funding initially obligated for construction will not be sufficient to complete the planned projects. OIG notes that funding was increased in an Implementation Letter signed in December 2010.



# ABBREVIATIONS

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Department	Department of State
FAR	<i>Federal Acquisition Regulation</i>
Framework Agreement	Framework Agreement between the United States of America and the Palestinian Authority of 2007
INL	Bureau of International Narcotics and Law Enforcement Affairs
MERO	Middle East Regional Office
NSF	National Security Forces
OIG	Office of Inspector General
PA	Palestinian Authority
PASF	Palestinian Authority security forces
PIU	Project Implementation Unit
USSC	U.S. Security Coordinator



# APPENDIX I: PURPOSE, SCOPE, AND METHODOLOGY

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MERO initiated this work under the authority of the Inspector General Act of 1978, as amended, because of Congressional concerns about U.S. funds appropriated for construction of PASF operations camps and training facilities. The primary objective of this evaluation was to determine whether INL was effectively managing and overseeing the construction of PASF operations camps and training facilities. Specifically, OIG's objectives were to determine: (1) the effectiveness of the PIU's management of construction projects; (2) whether independent cost estimates are being performed; (3) whether Palestinian construction contractors are being properly vetted; and (4) whether contract processes are in accordance with international best practices.

To determine INL's effectiveness in managing and overseeing the construction projects, OIG interviewed INL management and staff in Washington, DC, and Jerusalem. OIG reviewed contract files, monthly status reports, quality control reports, and project files. OIG reviewed the statements of work for the West Bank accounting firm INL has contracted with to review invoices and payments. OIG observed construction projects in the West Bank cities of Nuweimah, Jenin, Jericho, and Ramallah. OIG obtained and reviewed funding data by project to include amounts committed, obligated, and disbursed, and remaining balances including approval letters for individuals authorized to approve, transfer, or release funding from bank accounts and make payments.

To determine whether independent PA cost estimates were performed, OIG interviewed INL and Palestinian project managers and reviewed Palestinian procurement regulations (contracts and procurement laws and regulations were translated from Arabic to English). OIG interviewed a representative from an architecture and engineering firm contracted to conduct cost estimates for the PA. OIG reviewed project files and noted any variances between the PA's independent cost estimates and amounts of the contract awards.

In evaluating the effectiveness of the PIU, OIG interviewed INL management and USSC personnel in Jerusalem. OIG met with representatives of the PA Ministries of Interior, Finance, and Public Works and Housing and from the PIU. OIG visited construction sites in the West Bank where the team observed construction and interviewed PIU project managers and engineers. OIG interviewed NSF officials in Jenin, Jericho, and Ramallah. OIG reviewed project files and assessed the construction timeline before and after the establishment of the PIU.

To assess contractor vetting procedures OIG reviewed Palestinian procurement regulations and interviewed INL officials in Jerusalem and Washington, DC. OIG reviewed INL's records and process for ensuring U.S. funds are not being funneled to foreign terrorist organizations.

OIG conducted this evaluation from January 2010 to September 2010. OIG did not use computer-processed data to perform this evaluation. OIG conducted this performance evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued in January 2011 by the Council of the Inspectors General on Integrity and Efficiency.

This report was prepared under the direction of Richard "Nick" Arntson, Assistant Inspector General for MERO. The following staff members conducted the evaluation and/or contributed to the report: Barbara J. Brandon, Patrick Dickriede, Kelly Herberger, Janet Mayland, and James Pollard.

**APPENDIX II: U.S. GOVERNMENT-FUNDED  
SECURITY INFRASTRUCTURE CONSTRUCTION  
PROJECTS UNDER THE 2007 FRAMEWORK  
AGREEMENT BETWEEN THE UNITED STATES OF  
AMERICA AND THE PALESTINIAN AUTHORITY**

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	<b>Project Description</b>	<b>Training Camp Location</b>	<b>Total Committed (U.S. Dollars)</b>
IL-2*	Construction of Training Camp	Nuweihmah and Alami	\$8,083,000
IL-4	Construction of National Security Forces (NSF) Operations Camp	Jericho	\$11,313,000
IL-5	Renovation of Training Hub Strategic Planning Department	Ramallah	\$1,100,000
IL-6	Construction of NSF Operations Camp	Jenin	\$11,000,000
IL-8	Construction of NSF Operations Camp	Tubas	\$1,700,000
IL-9	Construction of NSF Operations Camp	Hebron	\$170,000
IL-10	Construction of Joint Operations Centers	Jericho, Qalqilya, Tulkarem, Nablus, Jenin, Ramallah and Bethlehem	\$703,100
IL-11	Construction of NSF Operations Camp	Tulkarem	\$9,500,000
IL-12	Construction of Civil Protection Center	Asira, Nabala and Jenin	\$2,250,000
IL-13	Complete Structures and Boundary Fence	Nuweihmah	\$1,850,000
IL-15	Complete Construction of Interim Operations Camp	Tubas	\$1,300,000
IL-16	Expand Infrastructure to renovate space Police Building	Hebron	\$1,000,000
IL-17	Renovation of Presidential Guard College	Jericho	\$1,300,000
IL-18	Renovation of Bethlehem Reform and Rehabilitation Center	Bethlehem	\$90,000
IL-20	Construction of NSF Operations Camp for Special Battalion	Hebron	\$15,000,000
IL-21	Construction of NSF Operations Camp	Bethlehem City	\$10,000,000
	<b>Subtotal</b>		<b>\$76,359,100</b>

*Table continues on next page*

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	<b>Project Description</b>	<b>Training Camp Location</b>	<b>Total Committed (U.S. Dollars)</b>
	<b>Establishment of PA Sub-account and Salaries</b>		
IL-1	Set up of Sub-account for Project Implementation Unit		-
IL-3	Strategic Planning Directorate Salaries		\$380,832
IL-7	PIU Salaries (2.8% from other ILs)		
IL-14	SPD Salaries		\$190,416
IL-19	PIU Salaries (2.8% from other ILs)		
	<b>Subtotal</b>		<b>\$571,248</b>
	<b>Total</b>		<b>\$76,930,348</b>

\* Implementation letter

Source INL-Jerusalem

## APPENDIX III: UNITED NATIONS OFFICE OF PROJECT SERVICES PROJECTS FOR PRESIDENTIAL GUARD COLLEGE IN JERICHO

Contract	Date	U.S. Dollars (USD)	New Israeli Shekels (NIS)	Euros
Training Camp Construction (UNOPS)	October 2007	\$8,799,802		
Training Camp Construction Additional	July 2008	\$498,242		
Training Camp Construction Additional	February 2009	\$799,969		
<b>Total Training Camp Construction Additional</b>		<b>\$10,098,013</b>		
Design Phase 1 (First Option)			297,386	
Design Phase 2 (First Option)			34,800	
Design Lecture Facility			67,201	
<b>Subtotal of Design Phase in NIS</b>			<b>399,387</b>	
Construction Management			411,000	
External Works - Construction			9,316,272	
Existing Buildings - Construction			5,573,320	
New Buildings - Construction			3,965,873	
Provision of Kitchen Equipment			1,239,308	
Provision of Office Furniture			146,328	
Provision of Dormitory Furniture			432,582	
Provision of Computer Equipment			213,716	
Provision of Office and Miscellaneous Furniture			236,664	
Provision of Dormitory Furniture			191,285	
Provision of Sewage Treatment Plant				50,900
Tiling Works to Existing WC 3			75,000	
Dormitory for Trained Officers - Construction			3,598,525	

*Table continues on next page*

# UNCLASSIFIED

Contract	Date	U.S. Dollars (USD)	New Israeli Shekels (NIS)	Euros
Provision of Utensils for Kitchen 2 contract			167,492	
Provision of Utensils for Kitchen 1 and 3			82,736	
Provision of Utensils for Kitchen 2			162,094	
Boundary Wall, Canteen, Guard Tower - Construction			1,910,634	
Provision of 2nd Sewage Treatment Plant				51,851
Provision of Technical, Geotechnical Assessment and Remedial Design Works of Settlement Defect			53,000	
Strengthening Works			931,304	
Provision of Consultancy Services and Design Works for Settlements Defects Ablution Unit, and Water Reserve			48,000	
<b>Subtotal Construction &amp; Other in NIS</b>			<b>28,755,133</b>	
<b>Total NIS</b>			<b>29,154,520<sup>a</sup></b>	
<b>Total Euros</b>				<b>102,751<sup>b</sup></b>
<b>Total UNOPS Project costs in USD (USD, NIS, EUR)</b>		<b>\$18,222,761</b>		

<sup>a</sup> Equals \$7,974,927.40 at Interbank average daily exchange rate of .27354 NIS to 1 USD from 10/01/07 to 02/01/09.

<sup>b</sup> Equals \$149,820.21 at Interbank average daily exchange rate of 1.45809 Euros to 1 USD from 10/01/07 to 02/01/09.

Source INL – Jerusalem

## APPENDIX IV: COMMENTS FROM THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

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United States Department of State  
Washington, D.C. 20520

February 22, 2011

### UNCLASSIFIED MEMORANDUM

TO:           OIG/MERO – Richard G. Arntson, Assistant Inspector General

FROM:        INL/RM – Robert S. <sup>Bob</sup>Byrnes, Executive Director

SUBJECT:     INL Comments on OIG Draft Report Palestinian Authority  
Security Forces Infrastructure Construction Projects in the West  
Bank (Report Number MERO-I-11-03, February 2011)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates the opportunity to comment on the draft OIG report. We are especially pleased with the report's overall assessment that looked favorably on the way we are managing and implementing the program's infrastructure program as expressed in the following appraisal on page 8: "The PA and INL have successfully worked together to oversee and implement these security infrastructure projects... The INL office in Jerusalem is adequately monitoring the work of the PA and its ministries." INL believes this reflects both the dedication and good work of the high quality people we have recruited and assigned to this task.

Before turning to the recommendations, we would like to offer one technical fix. We suggest adding a qualifier to the end of the sentence on page 14 in the first paragraph, line four, under the "Status of Construction" section so that it would read as follows: "Construction has begun on six of nine camps with the three remaining camps to begin construction in 2011, *pending passage of INL's FY 2011 \$150M request.*" The final three operations camp are budgeted in the FY 2011 request and the only way we can start construction in FY 2011 is if we receive the full request on time. However, this appropriation has not yet been enacted, and we do not know whether our request will be fully funded. Consequently, it is possible that we may not

have funding to do all three camps, and may not be able to get started until FY 2012. Nevertheless, our long-term goal remains to construct nine operations camps.

With regard to the two recommendations on page nine, we generally agree with them insofar as their intent. However, it should be noted that INL is aware of these needs and is continually seeking to address them. Specifically, INL's responses to the revised draft's recommendations are as follows:

**Recommendation 1:** The Bureau of International Narcotics and Law Enforcement Affairs, in conjunction with the U.S. Security Coordinator, should develop detailed plans to complete and sustain the Palestinian Authority security forces infrastructure program. These plans should include firm estimates of future funding requirements and a strategy to successfully transition program responsibility to the Palestinian Authority. (Action: INL, in coordination with the USSC)

**INL Response (February 2011):** INL and the USSC have identified future PA infrastructure needs through 2012 and have requested funding for them. Moreover, the USSC's mid-range assistance strategy focuses on the need to transition into a program "sustainment" phase, and this is likewise addressed in the FY 2012 INCLE request. Many factors, however, influence our ability to develop "firm" funding and implementation estimates in the West Bank. For instance, we must coordinate and cooperate with other donors who are also committed to providing infrastructure support to the PA—in particular, the EU, UN, Canadians, Germans, and Dutch—to determine which projects we will support. A recent example was our commitment to build five police stations in the West Bank only after the EU requested our support. In addition, we tailor our support to what the PA determines is its priorities and requirements. The PA's priorities, however, depend on what infrastructure requirements it and the Government of Israel (GOI) can agree to, and this can be a time-consuming and uneven process. For instance, our commitment to fund the construction of several National Security Force operations camps was delayed, in some cases by several years, because the GOI and the PA could not agree on suitable sites.

**Recommendation 2:** The Bureau of International Narcotics and Law Enforcement Affairs (INL) should conduct a staffing analysis of INL at Consulate General Jerusalem to ensure the appropriate numbers of U.S. Government direct-hire staff are assigned to effectively perform inherently government functions. (Action: INL)

**INL Response (February 2011):** INL fully agrees that its Jerusalem office should be staffed with the appropriate numbers of U.S. Government direct-hire staff, and we are constantly assessing our staffing needs to ensure that we have an adequate number of people performing the right roles within our funding confines to do the job. In the summer of 2009, INL conducted a management assistance visit to, among other things; review INL/Jerusalem staffing requirements. As a direct result of that review we have placed a Personal Services Contract deputy and management officer

in the INL Section and have added locally employed staff to the infrastructure team to help provide infrastructure project design and implementation technical assistance. We have sought, and will continue to seek, the right mix of direct-hire and other staff to ensure we can implement large infrastructure projects in several locations as rapidly as possible in the politically-challenging environment of the West Bank. This mission, however, can only be accomplished with the aid of contract employees because direct-hire employees under Chief of Mission authority can only travel in the West Bank, with the exception of to and from Jericho, under the protection of a personal security detail. While this provides important security to American officials, it also affects INL's ability to travel freely, widely, and quickly throughout the West Bank to exercise our oversight and technical assistance responsibilities unless we rely on contractors reporting to INL.

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