



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MOROCCO'S DEMOCRACY AND GOVERNANCE ACTIVITIES

AUDIT REPORT NO. 9-000-08-006-P
March 28, 2008

WASHINGTON, DC



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

March 28, 2008

MEMORANDUM

TO: USAID/Morocco Director, Monica Stein-Olson

FROM: IG/A/PA, Director, Steven H. Bernstein /s/

SUBJECT: Audit of USAID/Morocco's Democracy and Governance Activities (Report No. 9-000-08-006-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and have included your responses in appendix II. Following the issuance of our draft report to you for comment, we consulted with our legal counsel and deleted recommendation 1 and all references to the corresponding finding from this final audit report. Accordingly, we have renumbered the recommendations in this report.

This report contains four recommendations intended to improve the implementation of USAID's democracy and governance activities in Morocco. Based on your comments and the documentation provided, we consider that final action has been taken on recommendation 4 and that management decisions have been reached on recommendations 1, 2, and 3. A determination of final action for recommendations 1, 2, and 3 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

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

CONTENTS

Summary of Results	1
Background	3
Audit Objective	4
Audit Findings	5
USAID/Morocco Achieved Many Democracy and Governance Performance Targets.....	6
USAID Modifies Data Collection and Reporting	7
USAID/Morocco Reviews Performance Indicators Routinely	9
USAID/Morocco Should Amend Its Strategic Objective Grant Agreement with the Government of Morocco.....	11
USAID/Morocco Should Verify Reported Data Periodically	13
USAID/Morocco Should Review Alternative Uses for Procured Property.....	15
Other Matter	17
Review of Unexpended Obligated Balances	17
Evaluation of Management Comments	18
Appendix I – Scope and Methodology	19
Appendix II – Management Comments	21
Appendix III – Operational Plan Standard Indicators for FY 2007	24
Appendix IV – Performance Management Plan Indicators for FY 2006 and FY 2007	26

SUMMARY OF RESULTS

This audit, performed by the Performance Audits Division, is the pilot in a series of audits to be conducted by the Office of Inspector General. This audit report summarizes the results of the audit conducted at USAID/Morocco, which was designed to determine whether USAID/Morocco's democracy and governance activities had achieved their intended results and what has been the impact (see page 4).

Over the past decade, the Government of Morocco¹ has made significant progress in implementing democratization and good governance reforms. To enhance these efforts, USAID/Morocco developed a strategic objective to improve government responsiveness to citizens and began the first of three projects—the parliamentary support project during October 2004—and has implemented two other major projects: the local government project during May 2005, and the electoral and political processes project in January 2007. The mission's activities are designed to support the democratic progress of the Government of Morocco with assistance that will promote a democratic, well-governed nation, at an estimated cost of about \$21 million. This audit focused on activities pertaining to (1) governance, (2) civil society, and (3) elections and political processes (see page 3).

USAID/Morocco has reported successes in achieving its goals and meeting its targets for the majority of its democracy and governance activities during fiscal years 2007 and 2006, and the mission has taken proactive measures to increase its chances of meeting all targets. Mission staff cited three primary reasons for not meeting some of its fiscal years 2006 and 2007 targets: (1) management and staffing changes, (2) slow activity startup, and (3) difficulties in working with some local Moroccan partners (see page 5).

During fiscal year 2007, USAID/Morocco's democracy and governance activities achieved their planned results for the standard indicators specified in the operational plan. Of the 15 standard indicators,² the mission met or exceeded the targets for 14. Although the mission fell short of its target to educate 15 million people through a voter education project, implementers made a significant achievement in educating more than 10.5 million people (the voting population is 34 million) about parliamentary elections in Morocco (see page 5).

During fiscal year 2006, the mission reported on its progress in achieving the targets for the indicators established in a management plan to the Bureau for Asia and Near East as part of its annual report (see appendix IV). Using the management plan in 2006, USAID/Morocco reported to the Bureau that it met its targets for 18 of 21 indicators. The three targets that the mission did not meet were the number of bills proposed by Members of Parliament, the percentage of targeted local governments where community leaders participate in decisions related to slum upgrading, and the percentage of local

¹ The Government of Morocco is represented by the Ministry of Finance and Privatization as indicated in the mission's strategic objective grant agreement dated April 30, 2004.

² A standard indicator is used primarily for public reporting in documents such as the Congressional Budget Justification.

governments that have integrated planning, budgeting, and management systems. As a management tool, USAID/Morocco used the management plan to internally assess its progress toward achieving its goals for 27 indicators during fiscal year 2007. The mission met performance targets for 21 indicators and did not meet targets for 4 indicators. Of the remaining two indicators, the mission did not have reported results for one indicator as of September 30, 2007, and dropped one indicator earlier in the year because the mission ended its work with one of the benefactors (see page 5.)

Nevertheless, USAID/Morocco should strengthen controls and procedures related to the following: (1) amending its grant agreement with the Government of Morocco for its democracy and governance activities, (2) reviewing standard provisions applicable to democracy and governance programs, (3) verifying reported results, and (4) conducting intermittent end-use checks for procured property (see pages 13 through 17).

This report includes four recommendations for USAID/Morocco:

- Amend its grant agreement with the Government of Morocco to reflect changes that have been made to the democracy and governance program (see page 13).
- In conjunction with the regional legal advisor and the regional contracting officer, review USAID standard provisions that are applicable to USAID/Morocco's democracy and governance program, and establish a procedure to incorporate them into new agreements, as appropriate (see page 13).
- With respect to the democracy and governance program, develop a schedule to periodically sample and review its implementing partners' data for completeness, accuracy, and consistency (see page 15).
- Implement a procedure to conduct intermittent end-use checks for equipment financed by USAID that is in the custody of its recipients for the democracy and governance activities (see page 17).

In addition, the audit identified unexpended obligated balances for the democracy and governance program activities from 2005 and 2006. However, USAID/Morocco deobligated about \$42,000 in unexpended obligated balances before the conclusion of the audit (see page 17).

USAID/Morocco agreed with the findings and recommendations in the report. USAID/Morocco has implemented and closed one recommendation and plans to implement the remaining three recommendations. Management comments in their entirety are included in appendix II.

BACKGROUND

As the main implementer of U.S. democracy and governance programs, USAID is advancing the President's freedom agenda. USAID has played a significant role in supporting democracy and governance programs around the world and leading countries to greater freedoms.

Attributes of good governance include transparency, accountability and equity. Historically, USAID/Morocco's democracy and governance program began as an effort to make Morocco's Parliament more responsive to its citizens. As part of a relatively new program, the mission and its implementing partners designed activities to strengthen Parliament's oversight, policy assessment capacity, and national budget review processes. A major component of the program seeks to increase citizen involvement in policymaking through outreach efforts to develop government and citizen partnerships that will improve leadership, practices, and systems of transparency and accountability.

Over the past decade, Morocco has made significant progress in implementing democratization and good governance reforms. Beginning in fiscal year 2005, USAID/Morocco's democracy and governance program has sought to support this progress by focusing on (1) improving the national political environment, with particular emphasis on the capacities of representative democratic institutions, such as Parliament and political parties; (2) enhancing the capacity of local government to meet the needs of its citizens by working to establish the policies and practices that will increase the access of local government authorities to financing for local development; and (3) encouraging transparency in governance by building the capacities of audit and oversight institutions.

To administer its programs, USAID/Morocco has contributed technical assistance and other support through 11 implementing partners with contracts, grants, and cooperative agreements valued at about \$21 million.³ Specifically, the mission awarded two contracts to Research Triangle Institute and the International Development Group of the State University of New York. Research Triangle Institute develops local government project activities to bring citizens into the decisionmaking processes related to their priority concerns, especially those related to low-income housing needs. The International Development Group conducts projects to provide assistance and training activities at the Moroccan Parliament.

The audit focused on the following areas: (1) governance, (2) civil society, and (3) elections and political processes. As of September 30, 2007, USAID/Morocco's democracy and governance program had total obligations of \$19.3 million and total expenditures of \$13.7 million.

³ The acquisition instruments consisted of two contracts, two grants, and seven cooperative agreements.

AUDIT OBJECTIVE

As part of the fiscal year 2007 annual audit plan, the Office of Inspector General conducted this pilot audit as the first in a series of worldwide audits of USAID's democracy and governance activities. The audit was designed to answer the following question:

Are USAID/Morocco's democracy and governance activities achieving their intended results and what has been the impact?

Please refer to appendix I for the audit's scope and methodology.

AUDIT FINDINGS

USAID/Morocco has reported successes in achieving its goals and meeting its targets for the majority of its democracy and governance activities during fiscal years 2007 and 2006 and has made a positive impact in Morocco.

USAID/Morocco's democracy and governance activities achieved their planned results in fiscal year 2007 for the standard indicators specified in the operational plan, which includes quantitative indicators that all USAID operating units are required to report to the Office of the Director of U.S. Foreign Assistance Bureau of the State Department. At USAID/Morocco, the democracy and governance program reported on 15 standard indicators documented in the fiscal year 2007 operational plan (see appendix III). The mission met or exceeded the targets for 14 of the 15 indicators. Although the mission fell short of its target to educate 15 million people through a voter education project, implementers made a significant achievement in educating more than 10.5 million people (the voter population is 34 million) about parliamentary elections.

Using the management plan in 2006, USAID/Morocco reported to the Asia and Near East Bureau that it met the targets for 18 of 21 indicators. The three targets that the mission did not meet were the number of bills proposed by Members of Parliament, the percent of targeted local governments where community leaders participate in decisions related to slum upgrading, and the percentage of local governments that have integrated planning, budgeting, and management systems. Although not required for formal reporting purposes, USAID/Morocco used its management plan to internally assess its progress toward achieving its goals for 27 indicators during fiscal year 2007. The mission met performance targets for 21 indicators and did not meet targets for 4 indicators. Of the remaining two indicators, the mission did not have reported results for one indicator as of September 30, 2007, and dropped one indicator earlier in the year. USAID/Morocco mission staff cited three primary reasons for not meeting some of its targets: (1) management and staffing changes, (2) slow activity startup, and (3) difficulties in working with some local Moroccan partners.

In January 2003, USAID required missions to develop standard indicators for the programs in a management plan as a tool to plan and manage the process of assessing and reporting progress toward achieving their strategic objectives. According to mission officials, the standard indicators in the operational plan are generally quantitative rather than qualitative. Consequently, to better assess the qualitative aspects of the program, the mission continues to use the indicators documented in its management plan. As a proactive measure to enhance management oversight, the mission's review of qualitative aspects of its democracy and governance activities provides a biannual review to support periodic revisions to its indicators. To assist the mission in strategic planning and program oversight, a contractor was hired to update the management plan and revise the progress indicators annually, among other things.⁴

⁴ The contractor provides these services in collaboration with the mission's strategic objective teams, not only for the democracy and governance programs but also for the economic growth and education programs.

USAID/Morocco has had a positive impact in Morocco and has achieved many of its planned results. The achievements, as well as opportunities to improve performance management or program operations, are discussed in the following sections.

USAID/Morocco Achieved Many Democracy and Governance Performance Targets

USAID/Morocco has achieved many of its planned results, and the impact for Morocco has been positive.

To promote increased government responsiveness to citizens, USAID funded the local governance project, which organized the following activities:

- In Casablanca, elected officials and communal staff have initiated a process to develop codes of conduct that lay out the values and the commitment that underpin their public actions. Working with the mayor and municipality of Casablanca, a USAID implementing partner has promoted transparency and ethical behavior. Once the code was signed by both elected officials and city employees, the mayor committed to submitting the pact to the council, where it is expected to lead to trust, cooperation, partnership, and openness with local citizens.
- For the first time in Morocco, three cities (Casablanca, Marrakech, and Salé) are being rated by an internationally recognized credit-rating agency to improve their access to capital financing.
- In four rural communes in the province of Errachidia, USAID enabled the participation of nearly 7,000 people (more than half of whom were women or children) in determining local priorities within the framework of the national initiative for human development. USAID also supported the creation of a human development center in one of these communes, as well as income-generating activities for women and low-income populations.



Photo of a woman processing palm dates into jam, using USAID equipment, to generate income at a facility in Errachidia, Morocco. Taken by an Office of Inspector General auditor on October 27, 2007.

With USAID assistance and a professional working relationship with the Moroccan Parliament, the mission's implementing partner achieved the following:

- Created a budget analysis office, which, for the first time in Morocco's history, provides Members of Parliament access to nonpartisan, objective budget analysis.
- Established a multipurpose multimedia hall that provides about 500 Members of Parliament and 200 staff with a facility to train and communicate with constituents. The facility also provides access to a parliamentary database, a bill tracking system, and other global resources for legislative research, continuing education, media, and interparliamentary dialog.



Photograph of the new multipurpose multimedia hall in Rabat, Morocco. Taken by an Office of Inspector General auditor on October 25, 2007.

- Created a "Get Out the Vote" campaign to educate voters, particularly women and youth, about the election process. A "whistle-stop" technique, labeled "2007 Daba," was fashioned to increase citizens' awareness of and participation in the election process. Ninety-six caravan stops targeted 64 cities to distribute voter education materials. In total, more than 6.3 million people attended the "2007 Daba" caravan stops.

As stated earlier, USAID/Morocco reported on the standard indicators in the operational plan in fiscal year 2007. Although not required for formal reporting purposes, USAID/Morocco used its management plan to internally assess its progress toward achieving its goals. USAID/Morocco's use of the management plan has helped it to better assess the qualitative aspects of the program. The next two sections of the report provide a more detailed explanation of the reporting requirements and procedures at the mission.

USAID Modifies Data Collection and Reporting

USAID missions use a performance management plan (management plan) as a mission-level management tool that focuses on the results and impact of a specific program. The management plan helps the missions to plan and oversee their process for

assessing and reporting progress toward achieving a strategic objective. As indicated in Automated Directives System (ADS) 203.3.3.1, Contents of a Complete Performance Management Plan, the management plan must define at least one performance indicator that will be used to measure progress toward intermediate results,⁵ and baseline levels and targets to be achieved over the life of the strategic objective. The management plan should do the following:

- Include a calendar of performance management tasks with an illustrative timeline of tasks to be completed
- State the set of performance indicators that the operating unit will use to assess its progress
- Provide baseline values and target values
- Specify the source of data and data collection methods
- Specify the schedule for data collection
- Describe known data limitations
- Describe the quality assessment procedures that will be used to verify performance information

The management plan was not intended to be used for reporting purposes, but it contained some standard indicators whose results were published in USAID annual reports and Office of Management and Budget reports. Results published on the standard indicators included USAID missions' successes in achieving some of their performance targets that link to the Agency's strategic plan.

However, with the establishment of the Department of State's new Office of the Director of Foreign Assistance in 2006 and the introduction of foreign assistance reform by the Foreign Assistance Office in 2007, USAID realigned its planning, budgeting, and reporting system. Consequently, in February 2007, the State Department and USAID produced the first set of joint operational plans as the operating unit-level planning, budgeting, and reporting tool, which focuses primarily on the output level.⁶ The operational plan, organized around a new program hierarchy and covering a single year, overtook the system of multiyear USAID mission strategies built on strategic objectives, results frameworks, and annual reports upon which performance management plans had been based. The program hierarchy upon which USAID now plans and reports performance information is based on five objectives:

- Objective 1: Peace and Security
- Objective 2: Governing Justly and Democratically
- Objective 3: Investing in People
- Objective 4: Economic Growth

⁵ An intermediate result is essential to achieving a strategic objective.

⁶ On a lower level, the output level focuses on the expenditures of funds for a program in any one year, and not on the program achievement.

Objective 5: Humanitarian Assistance

Beginning with 2007, all USAID operating units have been required to report on specific standard indicators defined by the Office of Foreign Assistance and identified in the operational plan, which is submitted to and approved by the Office of Foreign Assistance. The operational plan includes consolidated information that will be reported in the joint State-USAID highlights document, which will include summary budget, performance, and financial information. The highlights document is also expected to include major programmatic accomplishments to be published in February 2008. USAID now uses some of the information from its data collection efforts to report on specific accomplishments in the annual performance and accountability report.

Performance information serves two purposes:

- To help implement and manage programs in a way that will achieve the results we are committed to achieve
- To help communicate that progress in a way that is clear and credible

The Department of State and USAID collect data for two main purposes, using specific types of indicators that are either custom or standard:

- (1) *Custom indicators* measure and manage operating units' activities performance.
- (2) *Standard indicators* tell an Agency-level performance story.

Operating units use data collected for the custom indicators to manage for results (i.e., make program adjustments based on performance) and, Washington uses them to communicate budgeting decisions. Data collected regarding the standard indicators are used primarily for reporting in documents such as the Congressional Budget Justification, congressional notifications, joint performance plan, performance and accountability report, and the program assessment rating tool.

USAID/Morocco Reviews Performance Indicators Routinely

Automated Directives System (ADS) 203.3.4.2 requires that performance indicators (1) be precisely defined in the performance management plan and (2) measure changes that are clearly and reasonably attributable, at least in part, to USAID efforts. Moreover, ADS 203.3.4 states that performance indicators should be used to observe progress and to measure actual results compared to expected results for one dimension. In this regard, performance indicators help to assess an operating unit's achievement of planned results for an objective. In addition, ADS 203.3.4.2 states that performance indicators should closely track the results they are intended to measure and should be unambiguous about what is being measured.

In accordance with ADS requirements, USAID/Morocco reviews its performance indicators each year. In fact, the mission began reviewing its portfolio biannually in May

2007 and held its second review in November 2007. According to the mission, monitoring and evaluation is an essential component of management for results, and staff continues to review the indicators to ensure that program goals relate to the immediate needs of the benefactors. As a proponent for continued improvement, in July 2005 the mission awarded Management Systems International a 2-year, \$242,000 contract to provide monitoring and evaluation services. Subsequently, the mission extended the contract to July 2008 for \$741,000. Management Systems International was responsible for annually updating the mission's performance management plan and, as necessary, revising results frameworks and progress indicators and assessing the extent to which indicators remain relevant and useful as the nature of activities changes over time.

Although the mission generally met its performance targets, the audit team found problems with some of the indicators. Three of the 27 performance indicators in USAID/Morocco's May 2007 performance management plan were either too general, were not clearly defined, or did not reflect program activities or objectives. These indicators, which were not required to be reported in the fiscal year 2007 operational plan, were as follows:

(1) *Improvements in the structure and form of committee reports* (corresponds to indicator 7 in appendix IV), which measures the improvements in the structure and form of committee reports. According to an implementing partner and the monitoring and evaluation contractor, this indicator should not be measured under the program because it does not have any significance when assessing the program as a whole. The committee reports were once handwritten, but after the program developed a template to record committee reports this indicator became irrelevant.

(2) *Increase the number of Parliament staff with specialized budgetary responsibilities* (corresponds to indicator 9 in appendix IV), which measures the number of Parliament staff who have been trained to assume specialized budgetary responsibilities. (The implementing partner reports that the majority of the budget staff have been trained, and the implementing partner has notified the mission's monitoring and evaluation contractor that the indicator will need to be changed). The indicator is not reflecting the work that is actually being conducted as the activity has shifted focus and now trains Members of Parliament and members of political parties who are interested in the training.

(3) *Percentage of local governments that have integrated planning, budgeting, and management systems* (corresponds to indicator 25 in appendix IV), which has been significantly hampered because of local conditions outside the control of the mission and the implementing partner. Consequently, the implementing partner has not been able to conduct its work to achieve the planned results required for this indicator in fiscal years 2006 and 2007.

In addition, USAID/Morocco has been measuring seven of its 2006 and 2007 indicators as percentages without numbers. In accordance with the operational plan requirement to quantify achievements as a percentage, USAID/Morocco collected data on the seven indicators and reported the target information as a percentage for each. Although the joint State-USAID highlights document information and report it as percentages, one of the mission's implementing partners and the monitoring and evaluating contractor stated that measuring indicators as a percentage causes difficulties when comparing the results for any specific time period to results in another time period. For example, a project in

its first year achieved its goals in 3 of 10 cities, resulting in a 30 percent rate of accomplishment. During the second year, however, the project achieved its goals in four of seven cities, thus achieving 57 percent, which appears to be 27 percent increase from the first year. But comparatively, if the first-year data continued to be used, the net result of achievement would be only 10 percent greater, an incorrect interpretation of the results achieved. Both percentages and number should be used to measure these indicators.

The mission recognizes that some indicators should be revised and plans to incorporate these revisions into its next review during May 2008. Although the reviews are conducted, mission staff planned to address some of the noted problems with the indicators during its formal review sessions. According to the mission, staff and implementers began its biannual portfolio reviews in May 2007. The mission will need to reassess its program needs to determine whether revisions are necessary for the democracy and governance program indicators in the performance management plan, too. Since the mission routinely reviews and revises its performance indicators biannually, the audit team is not making a recommendation at this time.

Although USAID/Morocco's democracy and governance program has achieved many of its planned results and had a positive impact in Morocco, opportunities exist to improve performance management or program operations related to (1) amending its grant agreement with the Government of Morocco for its democracy and governance activities, (2) reviewing standard provisions applicable to democracy and governance programs, (3) verifying reported results, and (4) conducting intermittent end-use checks for procured property. The audit team also noted one other matter related to unexpended obligated balances, which is included in the following sections.

USAID/Morocco Should Amend Its Strategic Objective Grant Agreement with the Government of Morocco

<p>Summary: ADS chapter 350.2 states that USAID operating units, within their delegated authorities, are responsible for preparing, negotiating, signing, and implementing a grant agreement to further strategic plans and management contracts. Although the overall strategic objective and intermediate results remain unchanged, some activities documented in the existing agreement have been modified. Since USAID/Morocco executed its agreement with the Government of Morocco in 2004, some updated references to U.S. laws, statutes, or regulations, as well as changes to the planned program, may need to be included in a revised or amended agreement. Because mission officials considered activities in the grant agreement to be representative of activities that could occur, the current agreement does not describe the actual activities being implemented or supported by the Moroccan Parliament.</p>
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ADS 350.2 states that USAID operating units, within their delegated authorities, are responsible for preparing, negotiating, signing, and implementing grant agreements to further their strategic plans and management contracts. The strategic objective grant agreement was the principal agreement used by USAID/Morocco.

As reported previously,⁷ USAID's use of grant agreements helps to ensure that its operational units address the most imperative needs of a country in which the Agency and its partners conduct program activities. As a partnership, a grant agreement between USAID/Morocco and the Government of Morocco helps to identify activities of mutual interest that will be designed to address immediate needs.

USAID/Morocco signed a strategic objective grant agreement on April 30, 2004. This agreement was intended to achieve the strategic objective, "Increased Government Responsiveness to Citizens," which is directed at promoting democracy and good governance through more transparent, accountable, and equitable governing institutions at both the national and subnational levels. To achieve the strategic objective, the Moroccan government and USAID agreed to work with technical ministries and other entities to improve the national political environment, encourage transparency in government, and improve local government performance.

Although the overall strategic objective and intermediate results remain unchanged, some activities documented in the existing grant agreement have been eliminated or changed, in part because of changes in the commitment from some local Moroccan partners. First, the grant agreement included activities with the Court of Accounts.⁸ However, all activity planned with the Court of Accounts has been eliminated owing to the lack of cooperation from the Court of Accounts. Second, the project "Regionalizing of Participatory Strategic Planning" was targeted at the regional level to increase the interaction between local partners and elected regional councils. Planned activities included the following:

- Providing training for regional council members and private sector leaders in strategic planning methods
- Initiating public dialogs at all governmental levels on economic growth strategies and equity issues
- Supporting regional investment centers in their coordination of technical input into the development vision through the convening of a consultative group of experts

The mission considered activities in the grant agreement to be "illustrative," and therefore did not believe they needed to be updated. Furthermore, the mission used a memorandum of understanding with the Court of Accounts to define the terms and responsibilities of the parties. Since USAID/Morocco executed its grant agreement with the Government of Morocco in 2004, some U.S. laws, statutes, or regulations that may need to be referenced in the agreement will also need to be included in the amended agreement. For example, section 7.3 standard provisions annex of the grant agreement did not include the standard provision for implementation of Executive Order 13224 on terrorism financing. This provision reminds recipients that U.S. law prohibits

⁷ Audit report 1-518-07-003-P, *Audit of USAID/Ecuador's Democracy and Governance Activities*, dated December 14, 2006.

⁸ The Moroccan Court of Accounts was created in September 1979 as a supreme audit institution charged with the responsibility of exercising the highest level of audit of the execution of financial laws.

transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. Although this clause is not specifically required in the standard provisions of the grant agreement, the mission should determine its applicability.

A current or updated grant agreement can better describe the actual activities being implemented and can help the mission reassess the support of the Moroccan government and identify the activities in which the Moroccan government is currently interested and thus, willing to support. As stated in annex 2, section A.2 of the grant agreement, "Implementation Letters," USAID will issue implementation letters that will furnish additional information about matters stated in the grant agreement and may also issue jointly agreed-upon implementation letters to confirm and record the mutual understanding on aspects of the implementation of the agreement. The implementation letters can also be issued to record revisions or exceptions that are permitted by the grant agreement. Therefore, we are making the following recommendations:

Recommendation No. 1: We recommend that USAID/Morocco amend its grant agreement with the Government of Morocco to update changes that have been made to the democracy and governance program.

Recommendation No. 2: We recommend that USAID/Morocco, in conjunction with the regional legal advisor and the regional contracting officer, review all USAID standard provisions that are applicable to USAID/Morocco's democracy and governance programs and establish a procedure to incorporate them into new agreements, as appropriate.

USAID/Morocco Should Verify Reported Data Periodically

Summary: ADS 203.3.5.2 states that the operating unit should be aware of the strengths and weaknesses of its data and to what extent the data can be trusted to influence management decisions. Also, the mission's data quality assessment dated September 28, 2007, recommended that USAID/Morocco periodically validate the integrity of the data collected on the reported indicators. However, mission officials did not conduct periodic testing and verification of the quality of the data provided to them because they relied on contractors to report data and ensure data quality. As a result, some reporting errors occurred. Therefore, decisionmakers may not have had the best available data on which to base management decisions regarding the program's performance and budgetary requirements. Moreover, the mission may not receive proper credit for achievements that result from its programs.

ADS 203.3.5.2 states that the operating unit should be aware of the strengths and weaknesses of its data and to the extent to which the data can be trusted to influence management decisions. Additionally, USAID's performance management toolkit supplementary guidance document states that the goal of assessing data from implementing partners and secondary sources is to be aware of the data strengths and weaknesses and the extent to which data can be trusted when making management decisions and reporting. It also states that a practical approach to planning data quality assessments includes an initial data quality assessment and periodic quality reviews for

completeness, accuracy, and consistency. According to the mission's data quality assessment dated September 28, 2007, USAID/Morocco should periodically validate the integrity of the data collected on the reported indicators through spot checks to ensure that the numbers reported are accurate and could be supported.

However, mission officials did not conduct periodic testing and verification of the quality of the data provided to them, and therefore relied too heavily on the results reported by the implementing partners. In general, mission staff relied on contractors to report data and ensure data quality. Also, mission staff relied on the monitoring and evaluation contractor to perform data quality assessments of the reported results. However, the monitoring and evaluation contractor was not tasked with spot-checking the results to ensure their accuracy. The data quality assessment conducted by the monitoring and evaluation contractor recommended that mission staff be responsible for this role.

Sample tests of data from implementing partners revealed some errors in the reported numbers. The differences noted in the reported numbers are described in table 1, which includes indicators from both the operational plan (OP) and the mission's management plan (MP).

Table 1: Differences Noted in the Reported Results

Indicator	Reported by mission	Actual result supported by documentation	Variance
Percentage of local governments that have expanded and/or improved community services in poor/disadvantaged areas (MP)	17%	14%	+3%
Percentage of Inspectors General of Administrative Territories using advanced auditing methods and investigative techniques (MP)	15%	20%	-5%
Number of civil society organizations receiving U.S. Government-assisted training in advocacy (OP)	303	216	+87
Number of U.S. Government-assisted civil society organizations that participate in legislative proceedings and/or engage in advocacy with national legislature and its committees (OP)	286	199	+87
Number of individuals who received U.S. Government-assisted training, including management skills and fiscal management to strengthen local government and/or decentralization (OP)	659	709	-50
Number of government officials receiving U.S. Government-supported anticorruption training (OP)	155	148	+7

Although the examples in table 1 did not result in any material inaccuracies or distortions in the mission's reported data for fiscal years 2006 and 2007 that would result in a change to the overall audit conclusions, these examples collectively highlight the need for the mission to strengthen its data quality assurance procedures. Data quality assessments and periodic verification of reported results to supporting documentation ensure that consistent and reliable data are collected for management decisionmaking purposes as well as for reporting purposes. Without such assurances, decisionmakers may not have the best data on which to base management decisions regarding programs, performance, and budgetary requirements. Furthermore, the mission may not receive proper credit for achievements that result from its programs. Consequently, we are making the following recommendation:

Recommendation No. 3: We recommend that USAID/Morocco, with respect to the democracy and governance program, develop a schedule to periodically sample and review its implementing partners' data for completeness, accuracy, and consistency.

USAID/Morocco Should Review Alternative Uses for Procured Property

Summary: Through the parliamentary support project, USAID provided approximately \$32,000⁹ to purchase a high-capacity printer for the Moroccan Parliament to print mass volumes of documents. However, the Government of Morocco information technology staff began providing the session minutes to members via the Parliament Web site during the October 2007 session. Consequently, the transcribers and editors use the printer on a limited basis, so the printer is not being used for its intended output capabilities. USAID/Morocco confirms that USAID-procured commodities are being used as specified in agreements and ADS 324.5.6 through end-use checks at the end of the project and not during the life of the project. Also, the implementing partner was not aware of the printer's limited use owing to the lack of a monitoring and evaluation staff person who could have detected that the printer was not being used for its intended purpose. The printer is not being used for the purpose for which it was intended. Since the printer is capable of printing many different fonts, the Parliament's print shop could achieve a great benefit from its expanded use.

USAID/Morocco's implementing partner designed its parliamentary support project, among other things, to help the Moroccan Parliament adopt more accountable and equitable governance mechanisms. To achieve intended results for a part of this project, the implementing partner procured a verbatim transcription system. As a component of the transcription system, the implementing partner procured a high-capacity printer to provide Members of Parliament and other interested parties with copies of the session minutes in a timely manner. The printer procured met the minimum production requirements mandated by the Constitution of the Moroccan Parliament.

⁹ As of October 30, 2007, the currency exchange rate was \$1 to 7.8642 Moroccan dirham. The cost of the printer was 250,000 dirham, or \$31,803.

Through the parliamentary support project, USAID provided approximately \$32,000 to purchase a high-capacity printer for the Moroccan Parliament. A consultant to the USAID implementing partner recommended this printer because of its capability to produce mass volumes of documents for more than 500 Members of Parliament. According to USAID's implementing partner, transcribers used the printer to enhance the production and distribution of the Parliament's session minutes, which decreased the time required to publish the records. Within 48 hours of a legislative session, transcribers and editors were able to provide session minutes to Members of Parliament. Transcribers used the printer during the 2006 fall session, but about 9 months after the printer was placed into service, the transcribers and editors stopped using the printer for this purpose.



Photograph of a wav pedal and the central processing unit purchased by USAID as part of the parliamentary support project. The wav pedal allows a user to control the playback speed of a recorded voice. Taken by an Office of Inspector General auditor on October 25, 2007, in Rabat, Morocco.

ADS 324.5.6, "End-Use Checks," requires missions to confirm that USAID-procured commodities are being used as specified in agreements. According to the mission, these end-use checks are conducted upon completion of the project and not during the life of the project. Also, the implementing partner was not aware of the printer's limited use owing to the lack of a monitoring and evaluation staff person who could have detected that the printer was underused.

Although USAID purchased the printer to provide mass volumes of documents to the Moroccan Parliament, the information technology staff began providing the session minutes to members via the Parliament Web site during the October 2007 session. Consequently, the transcribers and editors use the printer on a limited basis, resulting in the printer not being used for its intended output capabilities.

The printer's limited use results in a low return on USAID's investment. The high-capacity multifont printer procured under the project is not currently used to its maximum capacity. Considering its capability to print in many different fonts, the printer could be maximized in a bilingual setting such as Morocco. Since the mission has transferred ownership of the printer to the Parliament, we are not making a recommendation related to the printer. However, we are making the following recommendation related to end-use checks:

Recommendation No. 4: We recommend that USAID/Morocco implement a procedure to conduct intermittent end-use checks for equipment financed by USAID that is in the custody of its recipients for the democracy and governance activities.

Other Matter

Review of Unexpended Obligated Balances

ADS 621.3.17 refers to a review of unexpended obligated balances, also referred to as section 1311 of the Federal Managers' Financial Integrity Act. This review is conducted at least annually to determine the amount of unexpended obligations remaining for each funding line. According to the ADS, unexpended obligated balances must be monitored to ensure that the level of funding is consistent with Agency forward-funding guidelines and that balances are deobligated when no longer needed for the purposes for which they were initially obligated.

USAID/Morocco reviews its unexpended obligated balances at least twice a year. However, during a review of the Summary Report of Sub-Obligations dated October 22, 2007, unexpended obligated balances valued at approximately \$42,000 from 2005 and 2006 had not been expended. For example, salaries and benefits, travel authorizations, and other vendor amounts from 2005 and 2006 had not been deobligated in a timely manner, as indicated in table 2:

Table 2: Unexpended Obligated Balances from 2005 and 2006

Description	Amount
Salaries and benefits	\$38,800
Travel authorizations	1,333
Various vendors	2,084
Total	\$42,217

For various reasons attributable to the management-to-budget process, lack of staff, and management oversight, the mission did not deobligate these funds in a timely manner. Mission officials agreed with the observation at the time of the audit and have taken action to deobligate the amounts mentioned above. Therefore, we are not making a recommendation at this time.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Morocco's comments to the draft report are included in their entirety in appendix II.

In its comments to the draft report, the mission agreed with the five recommendations presented. However, following the issuance of the draft report to the mission for comment, the audit team consulted with legal counsel and deleted recommendation 1 and all references to the corresponding finding from this final audit report. Accordingly, the recommendations in this report have been renumbered.

A determination of final action with regard to the measures taken by the mission to address the recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

In response to recommendation 1, the mission agreed to amend its grant agreement with the Government of Morocco during the fiscal year 2008 incremental funding period to update changes that have been made to the democracy and governance program. Therefore, a management decision has been reached on this recommendation.

Regarding recommendation 2, the mission agreed to include the applicable standard provisions in the amended grant agreement and incorporate standard provisions that are applicable in new agreements. Therefore, a management decision has been reached on this recommendation.

In response to recommendation 3, the mission agreed to plan and implement improved monitoring of performance data and intends to submit a plan of action to the Office of Inspector General by May 2008. Therefore, a management decision has been reached on this recommendation.

Regarding recommendation 4, the mission has implemented a procedure to conduct intermittent end-use checks for equipment financed by USAID that is in the custody of its recipients of its democracy and governance activities. A review of the mission's new procedures and documents found them to be sufficient to address the recommendation. Therefore, final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General conducted this audit in accordance with generally accepted Government auditing standards to determine if USAID/Morocco's democracy and governance activities had achieved their intended results and what has been the impact of its program. Audit fieldwork was conducted at USAID's headquarters in Washington, DC, and at USAID/Morocco from August 16 through October 31, 2007. The audit covered the period from October 1, 2005, through September 30, 2007, but in cases where related activities expanded beyond that period—such as the contracts with the Research Triangle Institute and the State University of New York, which began in fiscal year 2005—we considered supporting documentation from prior periods.

In planning and performing the audit, we assessed management controls related to management review, proper execution of transactions and events, and review of performance measures and indicators. Specifically, we evaluated (1) the fiscal year 2006 annual report (not required for fiscal year 2007), (2) the fiscal year 2007 operational plan (new requirement for fiscal year 2007), (3) the fiscal year 2007 performance management plan, (4) the Federal Managers' Financial Integrity Act of 1982, (5) the award oversight performed by cognizant technical officers, (6) performance measures, (7) actual performance results, (8) the fiscal year 2007 data quality assessment, and (9) financial reports. We also conducted interviews with key USAID/Morocco personnel and implementing partners at USAID/Morocco and at various project locations throughout Morocco, including Casablanca and Errachidia.

As of September 30, 2007, USAID/Morocco's democracy and governance program had 11 active agreements with total obligations of \$19.3 million and total expenditures of \$13.7 million. We reviewed five of the largest active agreements representing 93 percent of the program's total expenditures, or \$12.8 million. The five agreements were implemented by the Research Triangle Institute, the State University of New York, the International Republican Institute, and the National Democratic Institute.

Methodology

To answer the audit objective, we reviewed the fiscal year 2007 operational plan's planned and actual results. At USAID/Morocco, the democracy and governance program reported on 15 standard indicators in its operational plan. We also reviewed the mission's performance management plan's planned and actual results for fiscal years 2006 and 2007. The mission's performance management plan reported on 21 indicators in 2006 and 27 indicators in 2007.

To verify the mission's determination of the project's performance, we validated performance results and compared reported information to documented results for a judgmentally selected sample of indicator data results submitted by implementing partners as of September 30, 2007, for the operational plan and for the performance management plan as of September 30, 2006, and September 30, 2007. We concluded that the mission met its targets if it achieved at least 80 percent of its planned results.

For the five largest agreements selected, we reviewed the implementing partners' agreement documents, progress reports, and work plans.

We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Morocco's democracy and governance program including the following: Federal Managers' Financial Integrity Act of 1982; Foreign Assistance Act of 1961 section 116 (e); Automated Directives System chapters 201, 203, 253, 324, 350, and 621; and Executive Order 13224 on terrorism financing.

We also reviewed obligating and budget reports as of September 30, 2007, and current reports for which fieldwork took place. We judgmentally selected three projects for site visits: (1) Cities Without Slums Project in Casablanca, (2) National Human Development Initiative in Errachidia, and (3) the Parliamentary Support Project in Rabat. We also interviewed USAID/Morocco's democracy and governance cognizant technical officers, regional legal advisor, financial analyst, monitoring and evaluation specialist, and implementing partners.

MANAGEMENT COMMENTS



USAID | **MOROCCO**
FROM THE AMERICAN PEOPLE

Memorandum

To: IG/A/PA. Director, Steven H. Bernstein
From: USAID/Morocco Mission Director, Monica Stein-Olson
Date: March 28, 2008
Re: Response to Draft Report on Audit of USAID/Morocco's Democracy and Governance (7-608-05-XXX-P) date of the report.

Recommendation No. 1:

Recommendation No. 1: We recommend that USAID/Morocco, in conjunction with the regional contracting officer establish a procedure for continual review and amendment of the democracy and governance agreements to comply with funding restrictions of the section 116 (e) of the Foreign Assistance Act of 1961.

The Mission has identified four agreements to be amended to comply with funding restrictions of the section 116(e) of the Foreign Assistance Act of 1961. (Attached are scanned copies of the agreements amendments). The Contracting Officer has agreed to include these restrictions in each new Democracy and Governance award.

In view of the above, the Mission believes that management decision has been made and actions taken in order to fully close Recommendation No. 1 upon final report issuance.

Recommendation No. 2 & 3:

Recommendation No. 2: We recommend that USAID/Morocco amend its grant agreement with the Government of Morocco to update changes that have been made to the Democracy and Governance program.

Recommendation No. 3: We recommend that USAID/Morocco, in conjunction with the regional legal adviser and the regional contracting officer, review all USAID standard provisions that are applicable to USAID/Morocco's democracy and governance programs and establish a procedure to incorporate them into new agreements, as appropriate.

Mission agreed to include the recommended update changes that have been made to the DG program and the standard provisions, as necessary, in the SOAG amendments to be issued for FY 08 incremental funding.

Mission Agreed, in conjunction with the regional legal advisor and the contracting Officer to develop a checklist of USAID standard provisions that are applicable to USAID/Morocco's democracy and governance programs and incorporate them into new agreements as appropriate starting May 2008.

Recommendation No. 4

Recommendation No. 4: We recommend that USAID/Morocco, with respect to the Democracy and Governance program, develop a schedule to periodically sample and review its implementing partners' data for completeness, accuracy, and consistency.

The Mission has agreed to plan and implement improved monitoring of performance data. A general plan of action will be provided to the IG in May 2008. Furthermore, the Mission will generalize this procedure across the portfolio.

Recommendation No. 5

Recommendation No. 5: We recommend that USAID/Morocco implement a procedure to conduct intermittent end-use checks for equipment financed by USAID that is in the custody of its recipients for the Democracy and Governance activities.

The Mission has developed a procedure for end-use review for equipment financed by USAID. The subject procedure includes the alternative use of commodities if, for some reason, it is not needed for the intended use. Furthermore, the Mission is in the process of generalizing this procedure across the portfolio. The Mission will present information to its contractors and grantees,

including CTOs and activity managers, on end-use check procedures (attached are the procedure and the Power Point presentation)

In view of the above, the Mission believes that a management decision has been made and actions undertaken in order to fully close Recommendation No. 5 upon final report issuance.

Based on the information provided above, we hereby request IG/ W to close recommendations one and five upon issuance of the final report.

Operational Plan Standard Indicators for FY 2007

Indicator Title	Target for FY 2007	Actual for FY 2007 ¹⁰
1. Number of national legislators and national legislative staff attending U.S. Government-sponsored training on educational events	603	780
Number of women	108	170
Number of men	495	610
2. Number of civil society organizations receiving U.S. Government-assisted training in advocacy	80	216
3. Number of national executive oversight actions taken by legislature receiving U.S. Government assistance	10,158	10,215
4. Number of public forums resulting from U.S. Government assistance in which national legislators and members of the public interact	5	17
5. Number of draft laws subject to final vote in new or transitional legislatures receiving U.S. Government assistance	101	103
6. Number of U.S. Government-assisted civil society organizations that participate in legislative proceedings and/or engage in advocacy with national legislature and its committees	110	199
7. Number of subnational governments receiving U.S. Government assistance to increase their annual own-source revenues	3	3
8. Number of laws or amendments promoting decentralization drafted with U.S. Government assistance	1	1
9. Number of subnational government entities receiving U.S. Government assistance to improve their performance	17	18
10. Number of local mechanisms supported with U.S. Government assistance for citizens to engage their subnational government	13	13

¹⁰ We concluded that the mission met its targets if it achieved at least 80 percent of its planned results.

11. Number of local nongovernmental and public sector associations supported with U.S. Government assistance	97	130
12. Number of individuals who received U.S. Government-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization	400	709
13. Number of government officials receiving U.S. Government-supported anticorruption training	100	148
14. Number of domestic election observers trained with U.S. Government assistance	570	3,200
Number of women	130	640
Number of men	440	2,560
15. Number of people reached by U.S. Government-assisted voter education	15,000,000	10,550,000

**Performance Management Plan Indicators for
FY 2006 and FY 2007¹¹**

Performance Indicator	Target for FY 2006	Actual for FY 2006	Target for FY 2007	Actual for FY 2007
1. Index of civil society organization perception of parliamentary interactions	4.9	4.5	5.6	7
2. Number of examples where local government decisionmaking is influenced by civil society	15	19	20	21
3. Number of committee initiatives designed to conduct oversight on government on budgetary and financial issues	6	5	8	6
4. Number of substantive voted amendments in the four target committees	60	72	72	106
5. Number of bills proposed by Members of Parliament	31	19	28	21
6. The quality of bills proposed by Members of Parliament	4.07	4.09	4.6	4.2
7. Improvements in the structure and form of committee reports	3.9	3.8	4.1	4.3
8. Civil society organization advocacy capacity index	6	7.3	8	9.3
9. Number of parliamentary staff with specialized budgetary responsibilities	30	34	32	44
10. Number of recorded requests by the finance committees in both chambers for specialized information pertaining to the budget	303	334	340	360
11. Number of committee amendments drafted included in the final budget	12	33	35	58
12. Number of parliamentary advocacy initiatives by targeted civil society organizations	10	14	12	23
13. Number of target civil society organizations that have received formal training on parliamentary advocacy	40	64	100	268
14. Index of political party capacity to effectively frame and communicate policy positions	n/a	n/a	4	4
15. Free and fair elections held in Morocco	n/a	n/a	Yes	Yes
16. Percentage of voting-age citizens who vote in a free and fair election	n/a	n/a	25%	37%

¹¹ We concluded that the mission met its targets if it achieved at least 80 percent of its planned results.

17. Progress on the civil society organization advocacy and monitoring index	n/a	n/a	50	Was not available at 9/30/07
18. Number of target local governments making progress toward adopting new codes of conduct	1	1	2	2
19. Percentage of Inspectors General of Administrative Territories using advanced auditing methods and investigative techniques	10%	20%	50%	61%
20. Number of target local governments where financial audits have been conducted	n/a	n/a	3	Indicator has been dropped
21. Progress of local governments in developing, implementing and/or monitoring local development plans that reflect stakeholder priorities	5	4	7	7
22. Percentage of targeted local governments where community leaders are participating in decisions related to slum upgrading	60%	30%	80%	57%
23. Percentage of local governments that regularly consult with gender-focused organizations and women community leaders	50%	40%	60%	66%
24. Percentage of local governments that adopt a gender-sensitive approach in their planning and budgeting processes	n/a	n/a	20%	70%
25. Percentage of local governments that have integrated planning, budgeting, and management systems	10%	0	50%	0
26. Number of target local governments that have made progress toward investment-grade credit reporting	1	1	2	3
27. Percentage of local governments that have expanded and/or improved community services to poor/disadvantaged areas	10%	14%	30%	38%

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