USAID
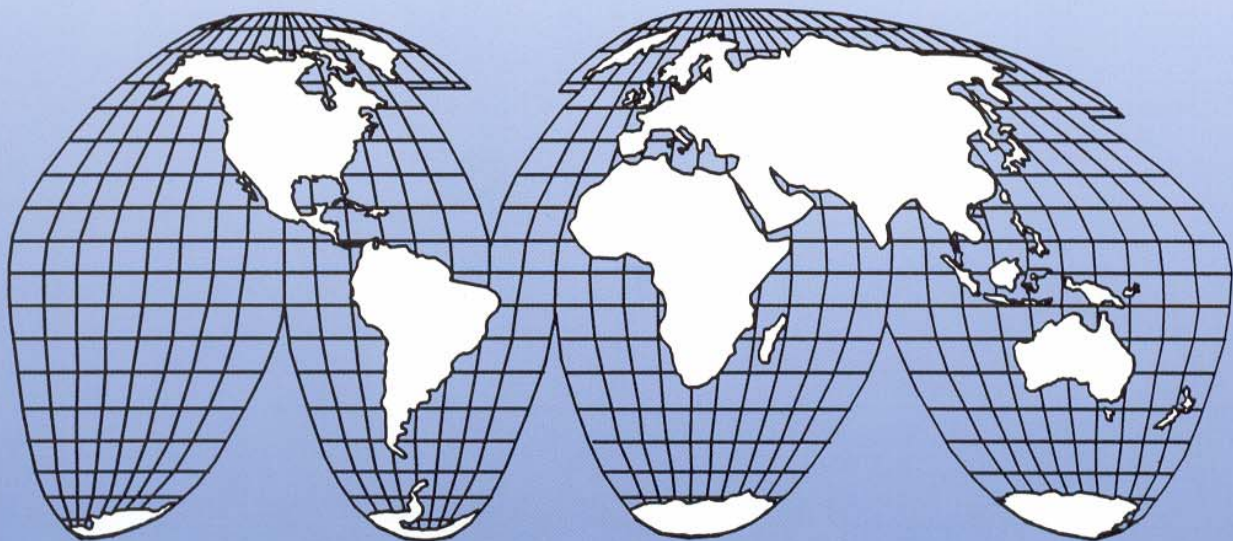
OFFICE OF INSPECTOR GENERAL

Audit of USAID/South Africa's Global Development Alliance Program

Audit Report No. 4-674-05-004-P

April 21, 2005

PRETORIA, SOUTH AFRICA

Office of Inspector General

April 21, 2005

MEMORANDUM

FOR: USAID/South Africa Acting Mission Director, Denise Rollins

FROM: Acting Regional Inspector General/Pretoria, James Gaughran /s/

SUBJECT: Audit of USAID/South Africa's Global Development Alliance Program
(Report No. 4-674-05-004-P)

This memorandum transmits our report on the subject audit.   In finalizing this report, we considered management comments on the draft report and have included those comments, in their entirety, as Appendix II in this report.

This report has four recommendations. In response to the draft report, USAID/South Africa concurred with the recommendations and took corrective actions on all the recommendations. Therefore, we consider that final action has been reached for all the recommendations upon final report issuance, and no further action is required by the Mission.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

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The Regional Inspector General/Pretoria conducted this audit as part of a worldwide effort to review USAID's management of Global Development Alliances (GDA). The objectives of the audit were to determine whether 1) USAID/South Africa considered using GDAs in planning its activities; 2) USAID/South Africa reported its GDAs accurately and completely; and 3) USAID/South Africa's GDAs achieved their intended results. (See page 6.)

USAID/South Africa did consider utilizing GDAs in planning its activities. Five of its eight strategic objective (SO) teams had either utilized, were planning to utilize, or had actively considered utilizing GDAs, while the remaining SO teams provided a rationale for not doing so. USAID/South Africa reported its GDA information completely, but not always accurately. Also, the Mission did not maintain documentation to support that its GDAs met the elements to qualify as GDAs or to support partner contributions reported to USAID/Washington. Finally, because USAID/South Africa did not always document intended results for its GDAs, it was not possible to determine if the GDAs had met their intended results. (See pages 6-15.)

This report includes four recommendations to assist USAID/South Africa to improve the accuracy of reported GDA information, improve documentary support for GDAs, including partner contributions, and develop more complete indicators or intended results for GDAs. (See pages 10, 11, 13, and 15.)

In response to the draft report, USAID/South Africa concurred with the recommendations and took corrective actions on all the recommendations. Therefore, we consider that final action has been reached for all recommendations upon final report issuance. (See page 19.)

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Background

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The Audit of USAID/Zambia's Global Development Alliances (Report No. 9-611-05-002-P) stated, "Over the last 30 years, financial resources dedicated to assisting the developing world have undergone a major transition. In 1970, 70 percent of the money that went to the developing world from the United States came from the Federal Government, and only 30 percent came from other sources. By 2000, when total U.S. resource flows to the developing world surpassed $70.5 billion, only 20 percent of such resources came from the Federal Government, with 80 percent furnished by other sources. As a result, sources such as non-governmental organizations, universities, foundations, and corporations now play a significant role in financing development activities.

In recognition of this major shift, USAID established the Global Development Alliance (GDA) business model in 2001. GDAs are understandings between USAID and other parties in the development community to jointly define a development problem and jointly contribute to its solution. According to USAID's guidelines, GDAs require a minimum one-to-one matching of partner contributions to USAID resources. In addition, the partners' contributions must

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include non-public resources equal to at least 25 percent of the USAID contribution. GDAs are sometimes referred to as 'public-private alliances.'

While working closely with development partners is certainly not new to USAID, since 2001 public-private alliances have been emphasized as a business model to increase USAID's effectiveness in delivering foreign assistance. To this end, USAID established the GDA Secretariat in 2001. The Secretariat is a small temporary staff office that reports directly to the Administrator. It is tasked with providing training to USAID staff, performing outreach to prospective and current alliance partners, and facilitating the effective use of alliances in USAID programs. In fiscal year 2003, USAID reported that it had initiated or substantially expanded an estimated 140 alliances with USAID funding of approximately $273 million—leveraging an estimated $1.2 billion in partner contributions. These alliances covered a variety of USAID initiatives ranging from economic growth to humanitarian assistance." During this same period, USAID/South Africa reported six GDAs with USAID funding in its 2004 Annual Report. However, two of those GDAs were not reviewed during this audit because they were outside the scope of the audit.

Audit Objectives

This audit was conducted at USAID/South Africa as part of a worldwide effort to review USAID's management of Global Development Alliances. The audit was conducted to answer the following objectives:

- Did USAID/South Africa consider utilizing Global Development Alliances in planning its activities?

- Did USAID/South Africa report its Global Development Alliances accurately and completely?

- Did USAID/South Africa Global Development Alliances achieve their intended results?

Appendix I contains a discussion of the audit's scope and methodology.

Audit Findings

Did USAID/South Africa consider utilizing Global Development Alliances in planning its activities?

USAID/South Africa considered utilizing Global Development Alliances (GDA) in planning its activities.

Various forms of USAID guidance encourage the use of GDAs in planning activities. Both USAID's Automated Directive System (ADS) Chapter 201

(Planning) and *Tools for Alliance Builders*[1] state that operating units should actively consider building public-private alliances directly into strategic plans, selected SOs, or intermediate results. Additional GDA Secretariat guidance states that if alliance building is not incorporated into a particular sector, the mission should be able to provide a rationale for not doing so.

Photo shows 4 of 20 computers upgraded by the Telkom Foundation and Microsoft Ltd. under an alliance with USAID/South Africa. These computers with internet connectivity were provided to Letsibogo Girls High School in Soweto, Gauteng Province, South Africa. Picture taken by RIG/Pretoria auditor in January 2005.

USAID/South Africa had eight SO teams, and five of them had either utilized, were planning to utilize, or had actively considered utilizing GDAs. The other teams provided a rationale for not doing so in conformance with USAID guidance. For example:

1. The education SO team developed an alliance with three major South African private firms and the South African Department of Education in fiscal year 2003.

2. The democracy SO team initiated an alliance in fiscal year 2002 for reducing crime with a private group of South African businesses and the South African Department of Justice called Business Against Crime.

3. One of the two economic SO teams implemented one alliance in fiscal year 2003 and another in fiscal year 2004. The other economic SO team was considering utilizing a GDA.

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[1] The GDA Secretariat issued *Tools for Alliance Builders*, version four, on September 9, 2003. It is cross-referenced in ADS chapters 200-202.

4. The three health SO teams were not considering GDAs in their planning activities since they were focused on HIV/AIDS and were primarily funded by The President's Emergency Plan for AIDS Relief. However, the Mission was open to utilizing GDAs for future health programs.

5. The housing SO team had two GDAs—one associated with the Development Credit Authority and another which was regional in nature. However, both these alliances were excluded from the scope of the audit.

USAID/South Africa had last developed a five-year strategic plan in 2000 and that plan was extended in 2003 for another two years. As such, it did not address GDAs because the original plan was developed before USAID's GDA model was established in 2001.

Did USAID/South Africa report its Global Development Alliances accurately and completely?

USAID/South Africa's reporting of GDA activities was complete, but not always accurate. For example, the Mission did report required GDA information in its fiscal year 2004 Annual Report. However, the information included several reporting errors and was not adequately supported. Also, some GDA data reported by the Mission to the GDA Secretariat's database was substantially inaccurate. These issues are discussed in more detail below.

**GDA Information in the Mission's
2004 Annual Report Was Not Always
Correct or Adequately Supported**

Summary: USAID/South Africa did not always accurately report or support GDA-related data in its Annual Report for fiscal year 2004 as required by Federal guidance. This occurred because the Mission did not fully understand how GDA information was to be reported in or developed for the Annual Report. Because the Annual Report contained incorrect or unsupported data, it limited USAID's ability to use the Mission's Annual Report to evaluate the successes and challenges of the Mission's GDAs.

The Annual Report is one of USAID's primary mechanisms for tracking the results and impact of its GDAs. It is used to collect and analyze program and resource information for a variety of purposes, including the Congressional Budget Justification, the Performance and Accountability Report, and the Annual Budget Submission.

USAID/South Africa did not accurately report or support the various elements related to respective GDAs in its 2004 Annual Report. We found six reporting errors for four GDAs described in the 2004 Annual Report. The results of our audit of the Mission's reporting of GDAs are summarized below.

1. The Math, Science and Technology Alliance was mistakenly listed as a partnership agreement with Telkom Foundation, Microsoft Ltd. and Multichoice Africa Foundation. This was incorrect because there was no legally binding partnership agreement, but rather a Memorandum of Understanding (MOU) between the organizations.

2. The Business Against Crime (BAC) alliance planned partner contribution for fiscal years 2002 and 2003 was incorrectly reported as $4.1 million, based on an incorrect exchange rate calculation. The agreement with BAC required 25 percent of the then-planned USAID contribution of $5.5 million, or $1.4 million, which was the correct amount.

3. For the Development of Intellectual Property alliance and the HIV/AIDS consortium alliance, some studies were reported twice for the alliance indicators, resulting in an overstatement of progress under the economic SO. Also, the Annual Report identified quarterly reports as the medium to capture alliance data from the prime economics SO contractor; however no quarterly reports discussing partner contributions and progress were collected to support partner progress. These quarterly reports included only a brief write-up of progress, and no partner data was included. Since the Mission had no documentation for the non-public contributions, it did not have adequate support that this alliance met the GDA requirements. Additionally, the alliance was funded in fiscal year 2004, not fiscal year 2003 as reported.

4. Although the Wellcome Foundation and Kellogg Trust were listed as partners for the HIV/AIDS consortium, there were no independent, verifiable documents to support them as non-public partners. Additionally, the Mission was not able to provide documentation to confirm that these private institutions were alliance members; the activity should exhibit joint planning, joint problem definition, and shared risks and responsibilities.

5. Partnership leverage computations were inconsistently reported in the Annual Report. GDA guidance presented USAID funding as the first figure (e.g., 1:2, meaning that for every dollar USAID is funding, the partners are funding two dollars). The leveraging as reported for the Development of Intellectual Property alliance was estimated at 2:1. However, in this case, the partners' contributions were presented first, which could lead to misinterpreting the ratio to indicate that USAID would contribute two dollars for every dollar contributed by the partners, rather than vice versa. The leveraging for the HIV/AIDS alliance was also presented incorrectly at 4:1, instead 1:4. The Annual Report should have consistently used the suggested format in the GDA *Tools for Alliance Builders*.

6. For the HIV/AIDS alliance, the reported data source was incorrect. The Annual Report stated, "The information on the IIPI/SARIMA…data on the HIV/AIDS consortium is contained in the FY 2003 quarterly report of the prime Economic SO contractor." However, the quarterly reports contained no partner data.

The *Standards for Internal Control in the Federal Government* issued by the Government Accountability Office in 1999, states that all transactions need to be completely and accurately recorded. However, the Mission was unsure of the basis for reporting information related to GDAs reported by the SO teams before issuing its 2004 Annual Report. Consequently, the SO teams did not have procedures in place to ensure that documentation was retained to ensure that alliance partners, their contributions, and their relationships were accurately reported in the 2004 Annual Report.

Without accurate GDA information in USAID/South Africa's 2004 Annual Report, USAID did not have the information needed to fully evaluate the successes and challenges of using USAID/South Africa-managed GDAs. Without adequate supporting documentation, USAID/Washington did not have the required reasonable assurance that the partner contributions reported to Congress under its GDA business model were reliable and accurate.

To help ensure that GDA information reported by USAID/South Africa in its Annual Reports is accurate and supported by required documentation, we are making the following recommendation.

> **Recommendation No. 1: We recommend that USAID/South Africa establish procedures requiring that Global Development Alliance information in its Annual Reports is correctly reported and in accordance with Global Development Alliance Secretariat guidelines.**

**Errors in Reporting to GDA
Database Need to Be Corrected**

Summary: According to Federal guidance, agencies should provide reasonable assurance of reliability in financial and other reports. However, USAID/South Africa misstated USAID total funding on one alliance, which overstated partner leveraging, and incorrectly reported partner contributions as cash, instead of reporting them as in-kind. This occurred because the GDA model was new and Mission staff was not yet familiar with the procedures. Without accurate amounts reported, USAID/Washington did not have reasonable assurance that amounts of USAID funds and partner leveraging reported to Congress under its GDA business model were accurate and reliable.

According to Standards for Internal Control in the Federal Government, Internal Control should provide reasonable assurance the financial reporting and other report are reliable. To accomplish this, the GDA Secretariat maintains a database as a source for USAID's GDA reporting in its annual Performance and

Accountability Report, which receives wide distribution outside of USAID. Among other things, this database contains the amount of USAID funding, names of implementing and alliance partners, alliance partner contributions, and the implementation status of each alliance. USAID/South Africa's Program Planning and Development Office submitted this information using an Excel spreadsheet template provided by the Secretariat.

We performed detailed testing to verify the accuracy of the alliance information for four alliances reported as GDAs for fiscal year 2003. Our tests indicated two instances in which the USAID/South Africa information on the GDA Reporting Template for the database was incorrect.

1. USAID funding for the Business Against Crime (BAC) alliance was reported as the amount obligated at that time ($1,253,550) for the cooperative agreement, not the full amount of USAID planned funding of $5.5 million as required by USAID guidance. This caused the leveraging of USAID funds to be overstated.

2. The non-public partners' contributions for the Math, Science and Technology alliance were reported as cash when they should have been reported as in-kind contributions, e.g. upgrades to computers, software and internet connection.

Since this was a new model for reporting, Mission staff was not yet familiar with the full requirements for reporting GDAs to the database. For example, some Mission staff members were originally confused as to what was to be reported for USAID funding – obligation, expenditures, or total planned.

USAID's total GDA results reported to USAID/Washington and Congress is primarily generated at the mission level. Unreliable mission data could result in unreliable reported results at the aggregate level. Inaccurate figures for the amount of USAID funding and the amount of leveraging could significantly overstate or understate partner leveraging.

To help ensure that GDA information reported by USAID/South Africa in the Global Development Alliance database is accurate, we are making the following recommendation.

> **Recommendation No. 2: We recommend that USAID/South Africa correct the reported amounts in the Global Development Alliance database via the reporting template for total planned USAID funding for the Business Against Crime (BAC) alliance, and the classification of leveraged contributions for the Math, Science and Technology alliance.**

**Documentation to Support Partner
Contributions Was Not Readily Available**

Summary: According to Federal guidance, Missions must maintain supporting documentation for significant information. USAID/South Africa did not maintain adequate supporting documentation for two GDAs reported to the Secretariat. This occurred because Mission staff did not know what type of supporting documentation was needed for GDAs. Without adequate supporting documentation, USAID/Washington did not have reasonable assurance that the partner contributions reported to Congress and the public under its GDA business model were reliable and accurate. Additionally, the lack of adequate supporting documentation also increased the risk that the Mission could not support that the reported GDAs possessed the required elements to be considered official GDAs.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination. To be reported as a GDA, an alliance must meet the following requirements: 1) it must be a public-private alliance in which total USAID resources committed over the life of the alliance is leveraged at least on a 1:1 basis; 2) beginning in fiscal year 2003, partner contributions must include private sector funds equal to at least 25 percent of the value of the expected USAID resources; and 3) the activity should exhibit joint planning, joint problem definition, and shared risks and responsibilities.

Two of the four USAID/South Africa alliances had no planning documents, such as MOUs or Letters of Intent, supporting the three required GDA elements. For example, USAID/South Africa had not formed or maintained documentation to support that the two alliances had met the 25 percent matching requirement from private sources. Eventually, the Mission excluded one of the alliances from GDA reporting in its 2005 Annual Report, indicating that the alliance did not fit the GDA model. The second alliance was formed in the Africa Bureau and transferred to the Mission for management, and the Mission continued to report it as a GDA. However, this alliance had no signed document listing the partners' definitive contributions (including the required 25 percent matching).

This lack of documentation occurred because Mission personnel did not know what type of support was needed for reported GDAs. Since a substantial portion of USAID's total GDA results is generated at the mission level, unreliable mission data resulting from a lack of supporting documentation could result in unreliable results at the aggregate level being reported to USAID/Washington and Congress. Inaccurate figures for the number of GDAs, leveraging, and type of partner contributions could significantly overstate or understate what has actually been accomplished.

To help ensure that GDA information reported by USAID/South Africa is supported by required documentation, we are making the following recommendation.

> **Recommendation No. 3: We recommend that USAID/South Africa establish procedures to require documentation—at the time of reporting to USAID/Washington—for each of its reported Global Development Alliances, supporting (a) the existence of all three required alliance elements, and (b) the accuracy of leveraged contributions from alliance partners.**

Did selected USAID/South Africa Global Development Alliances achieve their intended results?

We were not able to determine whether two of the three GDAs funded in fiscal year 2003 had achieved their intended results because (a) one alliance had no intended results designed for it and (b) the indicators in the cooperative agreement of another alliance did not match the indicators used for reporting. These issues are discussed in more detail in the following section.

**Intended Results Need To Be
Developed and Monitored**

Summary: USAID/South Africa did not develop defined objectives (intended results) and how performance would be measured for all of its reported GDA alliances as required by USAID guidance. This occurred because USAID/South Africa staff was not fully aware of the formal documentation requirements supporting the necessary elements (i.e. 1:1 matching, 25% private sector matching of USAID funding; and shared risks and rewards) of a GDA alliance when entering into alliances with partners. As a result, GDA progress toward goals and objectives (intended results) could not be adequately measured or reported.

A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning from the GDA Secretariat website states that "monitoring and evaluation criteria should be established with alliance partners at the appropriate time. Identifying this expectation up front is an important part of the alliance building process." The GDA Secretariat's *Tools for Alliance Builders* goes on to say that alliances are formalized through documents such as a negotiated Memorandum of Understanding or a grant or a cooperative agreement. Input-level monitoring has a particular importance because alliances rely on resources leveraged from multiple partners, and in many cases, these resources will not be documented in a legally binding obligating agreement, as they are for USAID funding for traditional projects. It is important, therefore, to build in a system to track the level of resources committed and disbursed by each resource partner, whether these are dollars or in-kind support. This information is needed to provide assurance that each individual partner is meeting its

commitment. Furthermore, ADS Chapter 203.3 states that operating units should use performance information to assess progress in achieving results and in making management decisions, while Chapter 200.2 states that SO teams are responsible for managing the achievement of strategic and special objectives.

Based on a review of Mission and partner documents, we were unable to determine whether two of three GDAs funded in 2003 had met their intended results. One reported alliance had no documents stating what the measurable intended results were or what procedures were planned for tracking actual results. The second alliance had a cooperative agreement listing lower-level indicators, but the results of those indicators were not reported because baselines to measure against were never developed.

This photo shows a television set, tuned to an educational channel, furnished by Multichoice Africa Foundation, at Letsibogo Girls' High School in Soweto, Gauteng Province, South Africa. Taken by RIG/Pretoria auditor in January 2005.

Specifically, we determined the following.

1. The reported results of the Development of Intellectual Property alliance were included in the number of quality studies performed, which contributed to an Intermediate Result of one economics SO. However, this reported GDA alliance had not developed a target for intended results or a method of reporting those results. Therefore, we were unable to determine whether the alliance did, in fact, achieve its goals.

2. The trilateral alliance between USAID, Business Against Crime, and the Republic of South Africa Department of Justice was based on a co-operative agreement with Business Against Crime, which listed indicators of:

- improved management of justice sector institutions,
- improved case processing and court efficiency,
- prevention of crime and violence, and
- better prosecutor-led criminal investigations.

However, none of those indicators had established baselines, nor was progress towards them reported in the Mission's 2004 Annual Report. Instead, a different indicator—the number of cases unprocessed in the South African courts for the period—was used for reporting progress.

USAID/South Africa did not establish intended results or monitoring methods as required because Mission staff was not fully aware of the documentation requirements of establishing GDAs. Additionally, USAID guidance for GDA alliances had not yet been fully developed; therefore, the Mission had not received updated guidance at that time on how, and to what level, the alliances needed to be documented and monitored. However, the Tools September 9, 2003, stated "The goal and objectives for your alliances should be, by now, established with alliance partners up front. Set realistic, time-certain and measurable criteria by which to gauge and later evaluate the progress of your alliance, charting the course of the alliance by visible results. Monitoring and evaluation criteria and benchmarks should be established with the alliance partners.." Such guidance was augmented in September 2004 with a new version of *Tools for Alliance Builders*.

Without establishing and documenting intended results, as well as methods for monitoring such results, progress toward their achievement cannot be adequately measured or reported. Accordingly, we are making the following recommendation to help enable the Mission to establish and monitor intended results of GDAs.

> **Recommendation No. 4: We recommend that USAID/South Africa establish procedures requiring appropriate documents are completed with each alliance partner, such as memoranda of understanding, letters of intent, or cooperative agreements, that include performance indicators and intended results.**

Evaluation of Management Comments

In response to the draft report, USAID/South Africa concurred with all four recommendations and issued a Mission Order which provides mission-specific procedures to ensure that it meets all the requirements of Recommendation Nos. 1, 3, and 4. Additionally, the Mission furnished supporting documentation for the corrective action taken on Recommendation No. 2. Therefore, we consider that final action has been reached for all the recommendations upon final report issuance, and no further action is required by the Mission.

Scope and Methodology

Scope

The Regional Inspector General Pretoria conducted this audit in accordance with generally accepted government auditing standards. Mission fieldwork was conducted at USAID/South Africa in Pretoria from November 30, 2004 through January 20, 2005 and at a Global Development Alliance (GDA) project in Soweto in South Africa's Gauteng province on January 13, 2005.

To answer audit objective one, the scope included GDAs initiated as well as GDAs in the planning stage in fiscal year 2003, and USAID/South Africa initiated funding in fiscal year 2003 for one alliance: Math, Science and Technology. To answer audit objective two, the audit universe included the four Mission-managed GDAs reported to USAID/Washington for fiscal year 2003 in the fiscal year 2004 Annual Report and on the GDA Reporting Template. To answer audit objective three, the scope included GDAs which had both fiscal year 2003 funding and reported fiscal year 2003 results. USAID/South Africa reported results in its FY 2004 Annual Report from four alliances, however only three GDA alliances had task orders or a cooperative agreement issued from fiscal year 2002 to 2003, and the fourth alliance reported by the Mission for that year did not actually have funding until fiscal year 2004.

In planning and performing the audit, we identified and assessed the effectiveness of management controls related to GDAs. Those controls were (1) maintaining readily available documentation related to the required elements of a GDA, (2) maintaining documentation for GDA-related amounts reported to the GDA Secretariat, (3) maintaining documentation for GDA-related data reported through the annual reporting system, (4) GDA-related controls in the Mission's fiscal year 2003 Performance Monitoring Plan, and (5) the Mission's annual self-assessment of internal controls through its annual Federal Managers Financial Integrity Act review. Relevant criteria included Automated Directives System Chapters 200 through 203, the GDA Secretariat's *Tools for Alliance Builders, A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances into USAID Strategic Planning,* and the Government Accountability Office's *Standards for Internal Control in the Federal Government.*

In cases where Mission files did not include appropriate supporting documentation, we requested and relied on additional documentation provided by Mission personnel and GDA partners. We did not independently verify the accuracy of alliance partner-reported contributions due to the lack of a contractual relationship with those resource partners. There were no prior audit findings affecting the areas reviewed in this audit.

In its fiscal year 2004 Annual Report, the Mission reported four GDAs representing USAID funding of approximately $3 million and reported leveraged

partner contributions of nearly $66 million. One Development Credit Authority (DCA) alliance and a regional alliance were excluded from the audit because the DCA would be covered under another upcoming audit and the regional was managed by another mission, and so were outside the scope of this audit. Three of the four audited GDA alliances were funded in fiscal years 2002-2003. USAID/South Africa's GDAs represented less then 5 percent of the total 140 alliances reported by USAID in fiscal year 2003, as well as less than 5 percent of total USAID GDA funding.

Methodology

To gain an understanding of the GDA program, we held discussions with officials from USAID/South Africa and reviewed relevant documents. We performed the following tasks:

- To answer audit objective one, we reviewed the Mission's fiscal year 2000-2005 country strategic plan, USAID/South Africa funding documents, and the fiscal year 2004 Annual Report.
- To answer audit objective two, we reviewed the Mission's 2003 GDA Secretariat Reporting Template and fiscal year 2004 Annual Report, interviewed prime contractor personnel, and reviewed supplementary documents from alliance partners.
- To answer audit objective three to determine if each activity was achieving its intended results, the auditors reviewed funding documents, partner's semi-annual and annual reports, and prime contractor quarterly progress memos.
- We reviewed Mission-maintained program files and selected documentation to determine compliance with USAID guidelines.
- A site visit to an alliance beneficiary school in Soweto related to the education strategic objective alliance was conducted, and we observed the equipment donated by partners and discussed the training with recipient teachers.
- In addition, for the three GDA alliances reporting results in fiscal year 2003, the auditors reviewed prime contractor memos, semi-annual reports and a recipient-contracted audit report, plus documentation obtained from partners supporting partner participation.

We did not determine materiality thresholds for any of the three audit objectives.

**Management
Comments**

USAID | SOUTH AFRICA
FROM THE AMERICAN PEOPLE

UNITED STATES GOVERNMENT
ACTION M E M O R A N D U M

DATE	:	April 14, 2005
TO	:	Jay Rollins, Regional Inspector General/Pretoria
FROM	:	Denise Rollins, Acting Mission Director /s/
SUBJECT	:	Management comments – Audit of USAID/South Africa's Global Development Alliance Program (Report No. 4-674-05-004-P)

The mission has reviewed the subject draft audit report and agrees with all four audit recommendations.

The following is our response to each of the four recommendations and the actions taken to resolve them.

Recommendation #1: We recommend that USAID/South Africa establish procedures to ensure that required Global Development Alliance information in its Annual Reports is correctly reported and in accordance with Global Development Alliance Secretariat guidelines.

The mission has adopted Mission Order # 200.1 (attached), which provides mission-specific procedures to ensure that required Global Development Alliance (GDA) information in its Annual Reports is correctly reported in accordance with GDA Secretariat guidelines. The mission's action addresses the recommendation, and requests the finding be considered closed upon issuance of the final report.

Recommendation #2 : We recommend that USAID/South Africa correct the reported amounts in the Global Development Alliance database via the reporting template for total planned USAID funding for the Business Against Crime (BAC) alliance and the classification of leveraged contributions for the Math, Science and Technology alliance.

The mission has taken steps to correct the reported amounts in the GDA database via the reporting template for the total planned USAID funding for the Business Against Crime (BAC) alliance, and the classification of leveraged contributions for the Math, Science and Technology alliance. Attached is a copy of the updated GDA database, along with an email from the contractor who maintains the data base

for the GDA Secretariat verifying the corrections are completed.   Since the reported amounts for BAC and the classification for the Math, Science and Technology alliance are corrected, please consider this as the required final action. We request the recommendation be closed upon issuance of the final report.

Recommendation #3: We recommend that USAID/South Africa establish procedures to require documentation – at the time of reporting to USAID/Washington – for each of its reported Global Development Alliances, supporting (a) the existence of all three required alliance elements, and (b) the accuracy of leveraged contributions from alliance partners.

The mission has adopted Mission Order # 200.1 (attached), which provides mission-specific procedures to ensure that there be required documentation – at the time of reporting to USAID/Washington – for each of its reported GDAs supporting (a) the existence of all three required alliance elements, and (b) the accuracy of leveraged contributions for alliance partners. The mission's action addresses the recommendation, and the mission requests the finding be considered closed upon issuance of the final report.

Recommendation #4: We recommend that USAID/South Africa establish procedures requiring appropriate documents are completed with each alliance partner, such as memoranda of understanding, letters of intent, or cooperative agreements, that include performance indicators and intended results.

The mission agrees that each alliance will have appropriate documentation such as a letter of intent, MOU, or cooperative agreement and the agreements will include performance indicators and intended results. As such, we have included these requirements in our Mission Order No. 200.1 (attached). This will ensure that all future GDAs meet the necessary requirements for GDA documentation. The mission has taken final action to address the recommendation and requests the finding be considered closed upon issuance of the final report.

Drafted: Brian Conklin 4/14/05
Cleared:

/s/ Melissa Williams, PDO

/s/ Beverly Hadley, RLA