

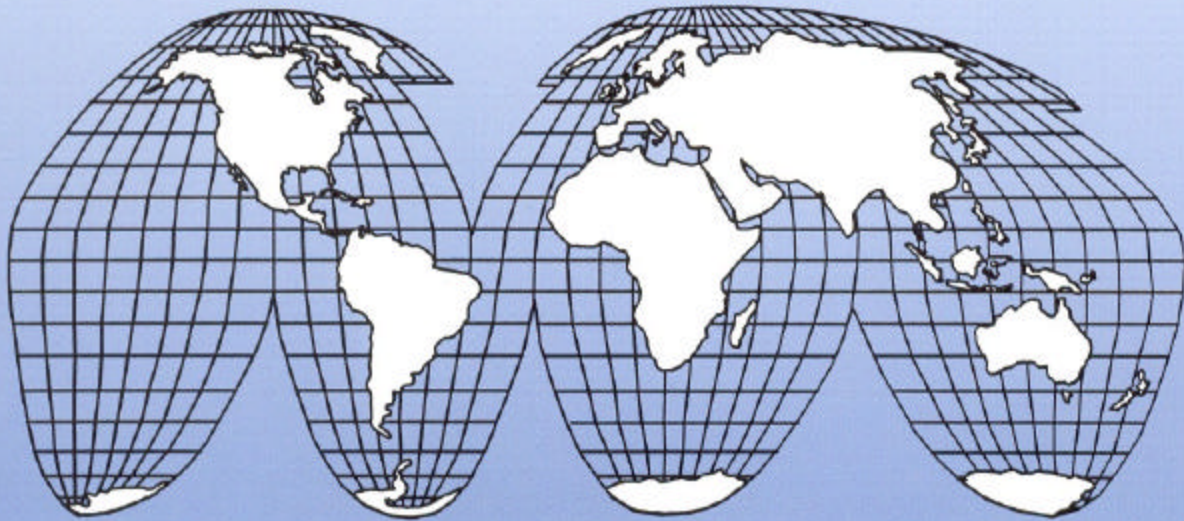
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Morocco's Management of Activities Under the Middle East Partnership Initiative

Audit Report Number 6-608-05-001-P

February 21, 2005



Cairo, Egypt



February 21, 2005

MEMORANDUM

FOR: Director, USAID/Morocco, Monica Stein-Olson

FROM: Acting Regional Inspector General/Cairo, Lloyd J. Miller /s/

SUBJECT: Audit of USAID/Morocco's Management of Activities Under the Middle East Partnership Initiative (6-608-05-001-P)

This memorandum transmits our final audit report on the subject audit. In finalizing the report, we considered your comments on our draft report included as Appendix II.

This report includes one recommendation to implement alternative approaches to verify the accuracy of performance results reported by the implementers. In your written comments, you concurred with the recommendation and proposed an appropriate action to address our concerns. Therefore, we consider that a management decision has been reached on the recommendation. When this action is completed, please coordinate final action on the recommendation with USAID's Office of Management Planning and Innovation (M/MPI).

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

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Summary of Results

The Regional Inspector General/Cairo audited USAID/Morocco's management of activities under the Middle East Partnership Initiative to (1) determine the status of the activities, and (2) determine if the activities were meeting their objectives. (See page 6)

As of September 30, 2004, USAID/Morocco was responsible for awarding and managing \$12.5 million programmed across 17 activities that linked to the broad goals outlined under the economic, political, and education reform initiatives of the Middle East Partnership Initiative. (See page 7)

We could not determine if these activities were meeting their objectives because:

- USAID/Morocco had no performance indicators to measure expected results for six of the activities. (See page 12)
- USAID/Morocco's strategic objectives were in beginning stages of implementation. (See page 13)
- USAID/Morocco had not validated the performance data reported by recipients. Therefore, we could not rely on the Mission's controls for monitoring and evaluating the accuracy of the data. (See page 14)

Although we were unable to determine whether the activities were meeting their objectives, we observed five activities where the recipients had progressed in accomplishing specific tasks outlined within the statements of work of the individual awards. (See page 12)

We recommended that USAID/Morocco implement alternative approaches to verify the accuracy of performance results reported by the implementers. (See page 15)

In responding to this report, USAID/Morocco agreed with the recommendation. Furthermore the Mission stated that it would procure the services of an expert in monitoring and evaluation who would select discrete and measurable indicators based on the proposals and work plans and work with Middle East Partnership Initiative implementers to report quarterly against these indicators. Therefore, we conclude that a management decision has been reached. Appendix II contains USAID/Morocco's comments in their entirety. (See page 19)

Background

In November 2003, the U.S. President outlined a new policy approach for freedom in the Middle East. The Middle East Partnership Initiative is the primary diplomatic policy and development programmatic tool to support this policy. The Near Eastern Affairs Bureau, under the Department of State, designed this initiative to support economic, political, and educational reform efforts in the

Middle East and champion opportunity for all people of the region, especially women and youth. To accomplish this, the Department of State scrutinized the ongoing efforts and existing programs in the region and enhanced the areas with additional funding. Also, the Department of State, in May 2004, issued a program announcement seeking new and innovative proposals to promote and support positive change in the Middle East and North Africa. In addition, the Administration committed \$129 million to MEPI (\$29 million in fiscal year 2002 and \$100 million in fiscal year 2003). This funding is in addition to other assistance provided annually to the Middle East and North Africa.

In 2003, the Department of State and USAID jointly reviewed the strategic direction of USAID/Morocco's activities under the Economic Support Fund and its specific programs to bring them in line with the goals and objectives of MEPI. The review resulted in significant changes in the level of funding of Economic Support Funds requested in USAID/Morocco's congressional budget justification for fiscal year 2005. During fiscal years 2003 and 2004, USAID awarded and implemented activities for MEPI approved by the Department of State.

MEPI impacted USAID/Morocco in several ways. First, as mentioned above, USAID/Morocco aligned its overall strategic direction to contribute towards MEPI objectives outlined by the Department of State. USAID/Morocco designed a new strategic plan covering fiscal years 2004 through 2008. It focused on building sustainable economic growth activities in three areas:

- increasing economic opportunities for all Moroccans through free trade and investment;
- preparing the relevant workforce for the new Moroccan economy; and
- enhancing the responsiveness of the Moroccan government to the priorities of its citizens.

Second, USAID/Morocco was responsible for the award and implementation of 17 activities for MEPI that totaled \$12,459,000 allocated from fiscal year 2002 and fiscal year 2003 appropriations. Third, in addition to the USAID/Morocco managed activities, the Mission also provided field support and assistance for regional projects awarded by USAID bureaus in Washington D.C.

Audit Objectives

We conducted this audit as part of the Office of Inspector General's fiscal year 2005 audit plan to answer the following questions:

- What is the status of USAID/Morocco's Middle East Partnership Initiative activities?
- Are USAID/Morocco's Middle East Partnership Initiative activities meeting their objectives?

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

Audit Findings

In the below section, we describe the status of USAID/Morocco's Middle East Partnership Initiative (MEPI) activities. In regard to the second audit objective, we could not determine if USAID/Morocco's MEPI activities were meeting their objectives for the following reasons:

- Six of 17 activities did not have defined performance indicators to measure expected results.
- Three of the 17 activities, representing 34 percent of the total funding, were not awarded or started as of September 30, 2004.

The remaining 8 of the 17 activities supported interim objectives that were in early stages of performance and, therefore, were premature to assess results.

- USAID/Morocco had not validated performance data reported by recipients. Therefore, we could not rely on the Mission's controls for monitoring and evaluating the accuracy of the data.

What is the status of USAID/Morocco's MEPI activities?

As of September 30, 2004, USAID/Morocco was responsible for 17 funded activities, which linked to the broad goals outlined under the economic, political, and education reform initiatives of MEPI. USAID/Morocco programmed the funding to:

- accomplish specific objectives within the framework of individual awards;
- initialize activities in support of the USAID/Morocco's new strategic objectives for economic growth, education, and democracy and governance; and
- support existing activities under the USAID/Morocco's strategic objectives.

The following table summarizes the funding and activity levels under USAID/Morocco's responsibility.

Table 1: USAID/Morocco MEPI Activities as of September 30, 2004 (Data not audited)			
Strategic Objective	Number of Activities	Allocated	Obligated
Economic Growth	8	\$6,233,000	\$4,233,000
Democracy and Governance	6	\$3,286,000	\$1,836,000
Education	3	\$2,940,000	\$940,000
Total	17	\$12,459,000	\$7,009,000

Economic Growth

Under USAID/Morocco's strategic objective for economic growth, USAID/Morocco received \$6,233,000 for eight MEPI activities to facilitate successful negotiation and implementation of the Free Trade Agreement¹ with the United States. USAID and the Department of State designed projects to help Morocco respond to the challenges and opportunities of the Free Trade Agreement. This included creating jobs and investment opportunities in high value-added products, agribusiness, rural tourism, and other sectors to help address specific challenges in the agriculture sector, and to take full advantage of the new business opportunities offered by the Free Trade Agreement. Activities were designed to directly link to the strategic objective for economic growth.

To stimulate new business opportunities, USAID/Morocco awarded a \$2,850,000 cooperative agreement to prepare export-ready small and medium enterprises in Morocco to take advantage of the Free Trade Agreement. This activity directly supported USAID/Morocco's intermediate results objective, "New Business Opportunities Expanded." Furthermore, this activity supported a key MEPI goal to help enterprises take advantage of increased trade opportunities and efforts that help vulnerable economic sectors and businesses adapt to the new commercial environment.

¹ U.S. Trade Representative and Minister-Delegate of Foreign Affairs and Cooperation signed the U.S.-Morocco Free Trade Agreement on June 15, 2004.



Photograph taken by Regional Inspector General/Cairo office on October 19, 2004, of the Director General of International Executive Service Corps with USAID/Morocco representative and Office of Inspector General Auditors displaying Moroccan export ready products

Furthermore, USAID/Morocco awarded a \$1,033,000 contract to support the development and marketing of new rural tourism products. This activity pre-dated MEPI in that the Mission had a tourism project funded under the U.S. North Africa Economic Partnership. USAID/Morocco focused the fiscal year 2002 funds on private sector and non-traditional destinations, including rural, cultural and natural attraction tour products. This activity directly supported the Mission's intermediate results under its economic growth objectives.

In addition, USAID/Morocco programmed \$1,000,000 to initiate increased activities under its new strategic objective, "Increased Productivity in Irrigated Agriculture & Agribusiness." This activity aimed to increase rural incomes by providing technical assistance to the public and private sectors and to move the agriculture sector towards the cultivation of higher value-added crops. USAID/Morocco was in the pre-award phase of this activity as of September 30, 2004. USAID/Morocco had no results to report to date.

Democracy and Governance

USAID/Morocco allocated \$3,286,000 for MEPI to support the Mission's strategic objective for democracy and governance programmed across six activities. USAID and the Department of State approved the new USAID/Morocco Democracy and Governance program, "Improved Government Responsiveness to Citizens," financed by Economic Support Funds beginning in fiscal year 2005. To avoid a gap in the Mission's democracy programs for fiscal year 2004, USAID provided funding for this program with funds for MEPI. As of September 30, 2004, USAID/Morocco was in the planning phase of developing a results framework for this new strategic objective.

Of the total \$3,286,000 allocated for MEPI activities, USAID/Morocco programmed \$1,200,000 to begin implementation of the initial activities under its new strategic objective. USAID/Morocco completed the award of this activity in September 2004. Therefore, the Mission had no results to report to date.

Furthermore, USAID/Morocco awarded three activities totaling \$1,115,000 to directly support MEPI's political reform objectives, activities which focused on election assistance and political party strengthening, development of parliamentary skills, and legal and judicial reform. These activities did not have any direct link to the Mission's special objective under its prior democracy and governance initiatives.

Lastly, USAID/Morocco increased funding on two existing projects under the Mission's prior 2000-2004 strategic plan, which promoted women's rights advocacy in Morocco and contributed to building collaborative communities.

Education

USAID/Morocco allocated \$2,940,000 for MEPI to support the Mission's strategic objective for education programmed across three activities.

Of the \$2,940,000, USAID/Morocco programmed \$2,000,000 to support the new education strategy presented in the Mission's 2004-2008 country strategic plan. As of September 30, 2004, USAID/Morocco was in the pre-award stages of this activity. Therefore, the Mission had no results to report to date.

USAID/Morocco programmed the remaining \$940,000 during fiscal years 2003 and 2004 across two activities supporting education for women.

Under USAID/Morocco's existing girl's scholarship program, USAID/Morocco used \$540,000 to expand existing scopes of work. A local non-government organization, previously received funding to provide rural dormitories and education scholarships to girls in middle school. With the additional funding, this organization provided 100 additional girls, living in rural areas, the opportunity to attend middle school. Also, USAID/Morocco reported in its Annual Report that the highly successful "Scholarships for Success" program expanded considerably in fiscal year 2003. This non-governmental organization increased the number of homes from 14 to 19 with plans to open an additional 4 during fiscal year 2005. USAID/Morocco planned to fund this project through 2007 in support of MEPI. The non-governmental organization's achievements through the end of fiscal year 2003 directly contributed to the Mission's results reported under the Strategic Objective "Increased Attainment of Basic Education among Girls in Selected Rural Provinces".



Photograph taken by Regional Inspector General/Cairo office on October 20, 2004, of a dormitory room funded through local Scholarship for Success Program – Tnime Chtouka, Morocco.

In addition, a U.S.-based non-profit organization had an existing grant with USAID for educating mothers on hygiene skills necessary to reduce the risk of exposure to trachoma, an eye disease. USAID awarded this organization an additional \$400,000 grant to educate women in the province of Al-Haouz over a period of 18 months. The organization designed the project to enable women to read, write, count, and provide health, social, and economic training. This activity directly aligned with MEPI's overarching objectives to promote and support positive change in economic, political, education programs and the empowerment of women in the Middle East and North Africa. However, the activity had no direct relationship to the Mission's education strategic objectives.



Photograph taken by Regional Inspector General/Cairo office on October 22, 2004, of a beneficiary of the Women's Literacy Program – Marrakech, Morocco

Are USAID/Morocco's MEPI activities meeting their objectives?

Although we were unable to determine whether USAID/Morocco's MEPI activities were meeting their objectives, we observed five MEPI activities where the recipients had made progress in accomplishing specific tasks outlined within the statements of work of the individual awards. Furthermore, the recipient designed work plans with specific tasks supporting the expected outputs of the award. The accomplishments included:

- Providing financial support for 100 girls for three years to complete middle school. Scholarships provided for living quarters, school supplies, computers and computer training.
- Providing financial support to expand the promotion of women's human rights in rural areas and small cities in Morocco.
- Fostering joint venture and investment relationships between U.S. and Moroccan companies.
- Providing literacy training and basic business skills training to women in Morocco.
- Planning and developing new tourism products (tour packages) in the rural regions of Morocco.

Even though we were able to assess if specific tasks within an activity were accomplished on a case-by-case basis, this was not sufficient to determine if the MEPI activities were meeting the overall objectives they were intended to accomplish as outlined within the strategic objective the activity supported, or the broad goals stated within the agreement documents. To make this determination, the following events need to occur:

Need to Establish Performance Indicators

Six of 17 activities did not have defined performance indicators to measure expected results. As a result, USAID/Morocco implemented six activities where the impact of the activity could not be assessed. According to USAID Automated Directive System 203.1, operating units should assess the impact of an activity. However, the necessary attributes to measure results were not defined within the six MEPI activities because, according to USAID officials, the Department of State did not manage by objectives and, therefore, did not have performance indicators to measure the activity results against expected results. Because the Department of State assigned the award and implementation of these specific activities to USAID/Morocco, we are not recommending corrective action.

USAID/Morocco was responsible for awarding and implementing six activities which did not directly link to the Mission's strategic objectives. The Department

of State assigned the award and implementation of these specific activities to USAID/Morocco. According to U.S. Embassy representatives in Rabat, Morocco, the Department of State did not define performance indicators for measuring achievement of MEPI's broad objectives. Under USAID's policy directives, operating units should have defined what the activity was intended to accomplish, how the various inputs should work together to achieve the desired results, and how the results would be measured. However, the Department of State did not operate under this same process. Therefore, in six instances where the activities were not integrated within the strategic plan, there were no means provided to measure results.

For example, under a rural development project, the Department of State identified funding to implement a tree planting activity, donating fruit-bearing trees to rural families and associations in areas potentially affected by the Free Trade Agreement. The Department of State allocated \$300,000 for this project and assigned the award and administration of this activity to USAID/Morocco. According to the award agreement, the long-term goal of this project was to help up to 40 selected rural communities increase their incomes and access to new agricultural markets. However, USAID did not identify indicators to measure the achievement of this long term goal. The recipient completed the project, and the trees were planted. However, USAID/Morocco will not continue to monitor or assess the impact of this project.

Need for Activities to Be Further Along

USAID's Automated Directive System 203.3.2 addresses how management units are to measure strategic objective results. It says that results data may not be available for performance management purposes early in the life of a strategic objective. This was the situation in USAID/Morocco as the Mission's strategic objectives under economic growth, democracy and governance, and education were in beginning stages of implementation. Therefore, we could not determine the impact of MEPI activities incorporated as part of the Mission's country strategic objectives.

USAID/Morocco integrated 11 of the 17 activities within its country strategic plan comprised of three strategic objectives approved in January 2004. As of September 30, 2004, USAID/Morocco had not awarded or started three activities totaling \$4.2 million because USAID/Morocco programmed these funds to assist in implementing new strategic objectives starting in fiscal year 2005. Of the \$4.2 million, USAID/Morocco planned to use \$1 million in its integrated agribusiness and agriculture project, \$1.2 million for the new democracy and governance program, and \$2.0 million for the Mission's revised education program. As of September 30, 2004, these activities were at various stages in the pre-award phase. Therefore, it was premature to make a determination on the results of this funding.

USAID/Morocco had implemented the remaining 8 of the 11 activities as of September 30, 2004. These eight activities were supporting interim objectives that were all in early stages of implementation. Therefore, we could not make an assessment if activities were achieving their strategic objectives.

Need to Improve Monitoring and Data Quality

The validity of the performance data submitted by the implementers is dependent on the mission's controls for monitoring and evaluating the accuracy of the data. According to USAID's Automated Directive System 202.3.6, monitoring the quality and timeliness of outputs produced by implementers is a major task of cognizant technical officers and strategic objective teams. However, USAID/Morocco did not monitor the implementer's outputs for the USAID funded activities under MEPI. USAID/Morocco said that staffing shortfalls have contributed to its inability to monitor the quality and timeliness of the outputs.

Based on the review of 12 of the 17 Cognizant Technical Officer files for MEPI activities under USAID/Morocco's responsibility, the Mission did not document when the Cognizant Technical Officers conducted site visits. Furthermore, activity files did not document the extent of the Mission's review of the quality of the data reported by the implementers in their quarterly performance reports.

According to USAID/Morocco, its reduced staffing levels have not been adequate to manage the increased funding coupled with the increase in management units brought on by MEPI. The staffing shortages have directly impacted USAID/Morocco's ability to monitor and evaluate the quality of the data reported by MEPI implementers, increasing the risk of reliance on incorrect information. Furthermore, the reduced staffing levels have prevented Cognizant Technical Officers from monitoring the quality and timeliness of outputs produced by implementing partners, as required in USAID's Automated Directives System 202.

The Office Inspector General conducted a risk assessment to assess the vulnerabilities of the programs and activities of USAID/Morocco after a reduction-in-force. In the October 6, 2004, report (Report No. 7-608-05-001-S), the Office of Inspector General judged the risk exposure for the Mission's program office as high, concluding that the program objectives for this function were more vulnerable to not being achieved or to experiencing irregularities.

During discussions with USAID/Morocco, the Director addressed the need to seek other alternatives to evaluate and monitor USAID/Morocco managed activities. One approach discussed was the possibility of contracting for the services until staffing shortages are remedied.

We agree that the Mission needs to take appropriate action to ensure that monitoring and evaluation of USAID/Morocco's programs are conducted in a timely fashion. Therefore, we recommend the following:

Recommendation No. 1: We recommend that USAID/Morocco implement alternative approaches to evaluate and monitor USAID/Morocco Middle East Partnership Initiative managed activities to verify that performance results reported by the implementers are accurate.

Other Matters

During the course of the audit, we identified other issues impacting USAID/Morocco's effectiveness in managing MEPI activities in addition to its overall development program. These issues, however, cannot be resolved at the Mission management's level but nevertheless warrant discussion for action at the appropriate levels.

- According to USAID/Morocco representatives, it has experienced instances when the Department of State and USAID made award decisions without the involvement or agreement from USAID/Morocco's government partners and the private sector.
- The lack of a centralized real-time tracking mechanism for MEPI activities has resulted in USAID/Morocco spending an inordinate amount of time attempting to reconcile reports and gather the most updated information for purposes of responding to MEPI, Embassy, and Washington requests.
- According to USAID/Morocco representatives, USAID/Washington and the Department of State have not always notified USAID/Morocco when they awarded regional activities taking place within Morocco. In these cases, USAID/Morocco was not aware if it was responsible for aspects of the programs or if the programs possibly overlapped or conflicted with its existing projects.
- USAID/Morocco has experienced problems with implementers who are awarded activities through USAID/Washington or the Department of State. The problems arose when the implementers did not have a counterpart within the Government of Morocco Ministry to provide the necessary support to start up business operations. As a result, the implementers have contacted USAID/Morocco for assistance. However, because these activities do not fall under the USAID/Morocco's bi-lateral agreement with the Government of Morocco, the Mission has had difficulty providing assistance.

**Evaluation of
Management
Comments**

In its response to the draft report, USAID/Morocco agreed that more monitoring and evaluation of MEPI activities would result in better management by objectives. USAID/Morocco commented that to meet the recommendation, it would procure the services of an expert in monitoring and evaluation who would select discrete and measurable indicators based on the proposals and work plans and work with MEPI implementers to report quarterly against these indicators. Furthermore, the consultant could perform the data quality assessment based on risk factors to test selected reporting data for accuracy.

Based on the action the Mission took to address the recommendation, we concluded that management decision had been made. When this action is completed, please coordinate final action on the recommendation with USAID's Office of Management Planning and Innovation (M/MPI).

Scope and Methodology**Scope**

The Regional Inspector General/Cairo conducted this audit in accordance with generally accepted government auditing standards. We performed the audit at USAID/Morocco in Rabat, Morocco and conducted the fieldwork between October 12 and October 28, 2004. We conducted site visits to various points in Central Morocco to observe activities supporting the Middle East Partnership Initiative (MEPI).

The scope of this audit included an assessment of management controls of USAID/Morocco to plan, manage, and monitor the MEPI activities. Specifically, we examined the following significant management controls for: (1) integrating MEPI activities into the Mission's country strategic plan; (2) establishing the objectives for each of the MEPI awarded activities; (3) designing the activity work plans, (4) reviewing performance indicators where they existed, and (5) monitoring the recipients' performance.

The Office of Inspector General had not performed prior audits of these activities. At the time of our fieldwork, USAID/Morocco was responsible for the management of 17 activities. Our audit covered the period from September 2002 through September 2004, during which fiscal years 2002 and 2003 USAID funding was committed for MEPI activities in Morocco. The scope of our audit included \$12,459,000 of USAID Economic Support funds which USAID/Morocco programmed for MEPI under its three strategic objectives. Specifically, USAID/Morocco programmed \$6.2 million to support the economic growth, \$3.3 million to support the democracy and governance, and \$2.9 million to support the education objectives.

Methodology

We interviewed USAID/Morocco representatives from each of the strategic objective teams and the program office. The purpose of these interviews was to gain an understanding of how the teams identified the specific requirements to incorporate into activities supporting MEPI and how the Mission integrated these activities as part of its overall strategic plan.

We judgmentally selected 12 of the 17 activity files to review the USAID/Morocco managed activities. For each of the activities we: 1) reviewed the objectives outlined in the agreements and made an assessment if the objectives, as described, linked to the Mission's strategic objectives; and 2) reviewed the work plans and made an assessment if the work plans, as defined, would accomplish the stated objectives. We judgmentally selected activities within each of the strategic objectives to conduct further testing. Our judgmental selection was based on a decision to select activities from each of the three

strategic objectives representing 50 percent of the total value of the funds supporting MEPI activities. Based on these criteria, we selected 8 of the 12 activities and reviewed the performance reports to assess the implementers' report on their progress. We also reviewed the correspondence to determine the extent of the Cognizant Technical Officer's involvement in monitoring and managing the activity.

We did not set a materiality threshold to answer the second audit objective as the nature of the audit did not lend itself to the establishment of such a threshold.

**Management
Comments**

DATE: February 17, 2005

MEMORANDUM

TO: Regional Inspector General/Cairo, David H. Pritchard

FROM: Monica Stein-Olson, Mission Director, USAID/Morocco /s/

SUBJECT: Response to RIG/Cairo's Draft Report on Audit of USAID/Morocco's Management of activities Under the Middle East Partnership Initiative (6-608-05-00X-P)

Recommendation No. 1:

We recommend that USAID/Morocco implement alternative approaches to conduct monitoring and evaluation of the Middle East Partnership Initiative activities to verify that performance results reported by the implementers are accurate.

USAID/Morocco agrees that more monitoring and evaluation of MEPI activities, including verification of a sample of performance results, will result in better management by objectives. We want to thank RIG/Cairo for recognizing that MEPI is a unique partnership with the Department of State and that the development and management of assistance programs is not designed to mirror USAID's development activities including planning, monitoring and evaluation. Further, since both RIG/Dakar and RIG/Cairo have highlighted and understand the limited staff at USAID/Morocco, and in the face of a rapidly growing program, we appreciate the recommendation calling for the use of alternative approaches.

To meet this recommendation USAID/Morocco agreed on a management decision to procure the services of an expert in monitoring and evaluation who will select discrete and measurable indicators based on the proposals and work plans and work with MEPI implementers to report quarterly against these indicators. Furthermore, the consultant can perform the data quality assessment based on risk factors to test selected reporting data for accuracy per Mission Orders 501 and 502.