OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MOROCCO'S RESULTS ACHIEVED UNDER THE COUNTRY STRATEGIC PLAN WITH ACTIVITIES ENDING IN FY 2004

AUDIT REPORT NO. 7-608-05-006-P
JULY 28, 2005

DAKAR, SENEGAL

July 28, 2005

MEMORANDUM

FOR: USAID/Morocco Director, Monica Stein-Olsen

FROM: RIG/Dakar, Lee Jewell III /s/

SUBJECT: Audit of USAID/Morocco's Results Achieved under the Country Strategic Plan with Activities Ending in FY 2004
(Report No. 7-608-05-006-P)

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

The report contains two recommendations for corrective action. Based on your comments to our draft report, we consider that a management decision has been reached for Recommendation No. 1. For this recommendation, please notify the Bureau for Management's Office of Management Planning and Innovation when final action is completed.

Based on our evaluation of your comments and all supporting documentation provided, we consider that final action has occurred on Recommendation No. 2. This recommendation is considered closed upon the issuance of this report.

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

CONTENTS

SUMMARY OF RESULTS

The Regional Inspector General/Dakar audited the reported results of USAID/Morocco's management of activities under the 1999 Country Strategic Plan to determine if activities met their intended objectives. (See page 2.)

We were able to determine that, in general, these activities were programmed and aligned toward achieving their objectives and contributed to the Mission's overall vision. Our review of results reported for selected indicators for four of the strategic objectives showed that, for the most part, the results reported in the FY2005 Annual Report were accurate and expected results were achieved. (See page 3.)

Although we were able to determine that, overall, activities had contributed to the Mission's goals, we did identify weaknesses that, when addressed, can further improve USAID/Morocco's management and control of activities associated with the current and future country strategies. (See page 4.)

While in most cases the Mission was able to effectively monitor and control activities associated with the strategy, not having updated Mission Orders related to data quality and the management of performance data hampered the overall coordination between the Program Office and the strategic objective teams. (See page 5.)

Furthermore, the Mission has been operating in a challenging and diverse environment with less than optimal staffing levels for several years. This is particularly true in the Mission's Program Office, with the result that program objectives for this function were more vulnerable to not being achieved or to experiencing irregularities. (See page 6.)

In view of these findings, we recommend that the Mission update its portfolio of programmatic Mission Orders and address staffing-related challenges in its Program Office by seeking permanent staffing solutions to meet authorized staff levels. (See pages 6 and 8.)

In their response to our draft report, USAID/Morocco agreed with both recommendations. Based on our evaluation, a management decision has been reached for Recommendation No. 1 and final action has occurred on Recommendation No. 2. (See page 9).

Management comments are included in their entirety in Appendix II.

BACKGROUND

Strategic Plans developed by USAID missions represent a commitment to accomplishing a set of Strategic Objectives (SO) and Intermediate Results (IR). These Strategic Plans provide a strategic vision and link the mission program to USAID policy and program priorities in particular and to U.S. foreign policy in general.

USAID/Morocco's Country Strategic Plan (CSP) of April 1999 outlines assistance for the years 1999 to 2005, building upon past experience in four pivotal sectors: private enterprise development/economic growth, water resource management, reproductive and child health care, and basic education.

As of September 30, 2004, under the CSP of 1999, USAID Morocco was responsible for awarding and managing over $96 million in approved funding throughout the life of the strategic plan across activities associated with the four strategic objectives, along with crosscutting activities under the Democracy and Governance program. Approved funding for respective SOs was as follows.

SO Title	Approved level (9/30/2004) in millions
SO5 – Private Enterprise/Economic Growth	$ 35.4
SO6 – Water Resource Management	$ 25.2
Special Objective (SpO) 7 – Health	$ 16.6
SpO8 – Education	$ 13.6
SpO9 – Democracy and Governance	$ 5.6
Total	**$ 96.4**

During the implementing period of its CSP for 1999 – 2005, USAID/Morocco faced many challenges, including the request to close out the plan early. In July 2003, a carry-on CSP covering fiscal years 2004 – 2008 was projected and approved at $30 million. However, in January 2004 this figure was drastically increased to over $100 million. Before this increase, the Mission had implemented a reduction of force based on initial funding-level assumptions, reducing staffing levels from 54 to 26. With the increase in funding, however, the Mission has requested and has been authorized a staffing level of 39 positions to carry out the expanded program requirements and is in negotiations with the Embassy to bring staffing levels up to the authorized level. But until there is an agreement on the on-board staffing levels, the Mission will be required to carry out all programmatic requirements at its current reduced staffing levels.

AUDIT OBJECTIVE

In accordance with its fiscal year (FY) 2005 audit plan, the Regional Inspector General/Dakar performed this audit to answer the following audit objective:

- Did USAID/Morocco's strategic objective programs achieve their intended results?

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

AUDIT FINDINGS

Our selected testing of program activities indicates that intended results were achieved. Moreover, our review of results reported for selected indicators in the Country Strategic Plan for 1999 to 2005 shows that, for the most part, the Mission made progress in achieving expected results and that the results reported were accurate. Nevertheless, we did note weaknesses in the management of the program activities, especially related to monitoring and evaluation. Unless corrected, these weaknesses leave the Mission in a vulnerable position as it moves forward with the next Country Strategic Plan.

We selected 17 results reported in the FY 2005 Annual Report (and 3 from the FY 2004 Annual Report) to trace back to source documentation maintained by the respective SO teams. In addition, we checked the reported results against documents maintained by the contractors. For the most part, supporting documentation was provided and no material errors were noted in the results tested. This is noteworthy given that the Mission was not operating with optimal staffing levels during this period.

The Health SO reported achievement of various results in the FY 2004 Annual Report, three of which we verified to the source documentation. There were no significant discrepancies between the reported results and the source documentation. For example, for couple years of protection (CYP), a measure of the estimated protection from unintended pregnancy provided by family planning services during a one-year period, we found that the planned targets were met in the selected regions and that there were no significant differences in reported data at the regional and provincial levels.

Under the Economic Growth and Water Resource Management SOs, significant achievements were also reported. For example, the Economic Growth team reported that the time required to complete a case in a pilot commercial court decreased from 227 days in 2001 to 113 days in 2004, and the Water Resource Management SO team reported the establishment of telemetry facilities for both drinking water and agricultural purposes. Our site visits and testing confirmed the accomplishment of these results, and we did not note any significant differences between reported results and the supporting documentation.

In the FY2005 Annual Report, the Education SO reported achievement of results through various indicator table and narrative results, six of which we verified to the source documentation for accuracy. While there were minor discrepancies between the reported information and source documentation, we did not consider them to be material. For example, the Annual Report stated that a total of 374 girls had enrolled in the Scholarship for Success program during FY 2004. When we compared these reported results to the source documents maintained by the implementing partner, we noted that 354 girls had enrolled as of September 30, 2004, end of the reported FY. We deemed the reported discrepancy of 20 (5 percent) to be insignificant in this case.
In addition, the Annual Report showed that a total of 19 training modules had been developed by USAID and adopted by the Ministry of National Education (MNE). We were able to verify through a third-party consultant report that these modules had been

developed and adopted. We were also able to review some of the training modules at the Mission.

USAID/Morocco made efforts to monitor its program activities even though staffing challenges prevailed during the final years of the Country Strategic Plan. Our discussions with various implementing partners and recipients, along with our review of the project files, showed evidence of correspondence and ongoing communication between the cognizant technical officers (CTOs) and the partners. This communication included emails and memos related to submission and review of annual implementation plans and quarterly progress reports, and records of site visits. Moreover, keeping abreast of some Economic Growth activities was also facilitated by the co-location of two contractors within the USAID compound.

Rigorous and careful monitoring of one of the Economic Growth activities was evidenced by USAID/Morocco when it directed a change in the contractor's Chief of Party due to the Mission's dissatisfaction with his performance. Another example of careful monitoring was evidenced by the actions of the Economic Growth team, which was responsible for managing various projects from the previous CSP while developing strategy and implementation plans for the 2005 CSP. Similarly, the two-person Education SO team finalized continuing activities while preparing for the $40.5 million program for the new CSP.

During our field trip to the Agadir Region, the USAID/Morocco Health team was praised for their diligence and involvement in steering activities associated with the USAID Progress Project. Our discussions with regional government health officials and review of program files revealed that the CTO was involved heavily in all aspects of monitoring, including the definition of indicators in the performance monitoring plan (PMP), training on data collection methods and accomplishment of data-quality assessments.

However, although results were achieved, we noted several weaknesses in the management of the program activities. These weaknesses, originally identified in an Office of Inspector General risk assessment conducted in 2004, were largely attributable to (1) outdated Mission Orders and (2) inadequate staffing levels in the Program Office.

Among our observations were the following:

- Evidence that CTOs were not always proactively involved in steering contract activities to ensure that desirable results were ultimately achieved.

- Performance Monitoring Plans (PMPs) that were not always updated to reflect changes to indicators and targets or to incorporate results achieved over time.

- Several Mission orders related to programmatic requirements that continued to be out of date.

Furthermore, we noted that while Data Quality Assessments (DQAs) were accomplished on some of the indicators, this information was not included, as required, in the FY 2005 Annual Report.

CTOs expressed a desire to be more proactive in conducting site visits to contractor offices and project sites but were often unable to do so because of their heavy workload and lack of adequate and clear guidance with respect to monitoring and evaluation.

The weaknesses associated with the lack of current Mission Orders and inadequate staffing levels in the Program Office are further detailed below.

**Mission Orders Need
To Be Updated**

Summary: Although USAID/Morocco issued several programmatic Mission Orders relating to data quality, monitoring and evaluation and documentation, the orders were out of date and needed to be updated to reflect the latest requirements and terminology. Mission Orders are developed to clarify policies or to assign local responsibility for the Agency's Automated Directives System promulgated requirements in implementing and monitoring its programs and activities. Attempts to update the Mission Orders have been hindered by other, more urgent Program Office and Mission operational requirements. Lack of updated programmatic Mission Orders may impede implementation and monitoring of programs and activities.

In FY 2004, the Office of Inspector General located in Dakar conducted a risk assessment to assess the vulnerabilities of the programs and activities of USAID/Morocco after the Mission implemented a reduction-in-force. The October 6, 2004 report revealed that key programmatic Mission Orders (M.O.s) 304, 501 and 502, among others, needed to be updated to reflect updated ADS requirements and terminology. For example, the local Mission Order 501- Quality Control of R4 Data was last updated in August 1997 while the source Automated Directives System (ADS) section was last updated by the Agency in March 2004. The M.O. refers to the R4 report, which had been superseded by the Annual Report several years ago. Furthermore, the Orders do not include instructions or specific procedures to be followed to comply with the intent of the order or the various ADS requirements. During our field work, we also noted that these programmatic M.O.s were still out of date.

According to the Mission's Program Office, there have been various attempts to update the subject M.O.s, but there hasn't been adequate support from the various strategic objective teams and Management primarily due to excessive workloads and other pressing and urgent priorities. The Program Office did take the initiative to draft an updated M.O. 304 - Activity Monitoring and Evaluation, which provides guidance and assigns local responsibility for monitoring activity implementation. However, the M.O. was still awaiting finalization at the end of our fieldwork.

ADS 202.3.4.4 and 202.3.4.5 emphasize the importance of clarifying roles and authorities. According to ADS 202.3.4.5, assigning clear roles and responsibilities to individuals is necessary for effective teamwork and ultimate success of the program and

activities. Furthermore, ADS 202.3.4.4 encourages the use of M.O.s in assigning specific authorities.

Without current local guidance in the form of Mission Orders based on updated Agency requirements that provide guidance and assign specific responsibility for programmatic requirements, the Mission may not be able to fully accomplish its role in implementing and monitoring programs, activities and projects. Therefore, we are making the following recommendation.

> *Recommendation No. 1: We recommend that USAID/Morocco review and update, as necessary, its current portfolio of programmatic Mission Orders to incorporate the latest Automated Directive Systems requirements and terminology and that it assign specific responsibility for requirements as applicable.*

Program Office Staffing-Related
Weaknesses Should Be Addressed

Summary: Weaknesses continue to exist in the Program Office such as not maintaining supporting documentation, and not being able to coordinate overall monitoring and evaluation requirements. These weaknesses impact overall design, assessment and implementation of programs and activities. The Program Office has critical functionality in ensuring that programs are designed and implemented to meet overall country strategic objectives in accordance with the Agency's Automated Directives System. As a result of these weaknesses, due mainly to staffing shortages, the Program Office can not fully accomplish its intended role.

The 2004 Office of Inspector General risk assessment revealed that the Program Office staffing was drastically reduced from a staff of three key employees to a single Program Officer. As a result, the various roles associated with the Program Office were not being performed. The major duties and responsibilities of the Program Officer includes:

1. leading the development of the Country Strategic Plan;

2. participating in the programming and design of activities;

3. coordinating the annual Activity Implementation Reviews (AIRs);

4. managing the development and submission of the Annual Report;

5. developing and maintaining budgeting and pipeline analysis; and

6. ensuring that SO teams maintain a well-organized database for indicators in support of their respective Performance Monitoring Plans (PMPs).

While the Mission has been authorized a staff level of 39 for fiscal year (FY) 2006-2007, it was operating with only 31 staff. The remaining eight unfilled positions are projected to

include three program-funded staff to manage activities related to the Middle East Partnership Initiative (MEPI) and five critical positions to support the substantially higher program levels (a threefold increase) that have resulted from unexpected modification and eventual approval of the 2004 Country Strategic Plan, which added two strategic objectives in education and democracy governance. The Mission has been unsuccessful in obtaining Embassy clearance to increase staff. This continues to impede further recruitment by the Mission to reach its authorized staff level.

Our field work revealed that, in general, weaknesses identified in the 2004 OIG Risk Assessment had not been addressed and continue to be a vulnerability to the Mission. These weaknesses were related to assessing and reporting results associated with program activities.

We found that supporting documentation for the Data Quality Assessments (DQAs) conducted in 2002 was not maintained by the Mission; therefore, we could not be sure of the extent of procedures conducted by the Mission staff in conducting the required DQAs. Moreover, the required DQA information was not included in the FY 2005 Annual Report indicator tables as required.

Furthermore, due to staffing constraints, the Program Office is not able to provide full guidance during various stages of program implementation. For example, during the design stage, the Program Office is not able to fully address the requirements of the strategic objective teams, i.e., preparation of program requirements and performance monitoring plans. The teams are, in effect forced to develop their own overall implementation plans without the benefit of a strong focus point where coordination would provide synergy for accomplishing the objectives of the overall country strategy. This fragmented approach has led to inconsistent application of Agency and local programmatic requirements. For example, while initial PMPs were developed as required, only some of the teams regularly updated these PMPs as required by ADS 203.3.4.7. In another case, one of the SO teams did not set annual targets for indicators and reported on results only. While this approach demonstrated progress, it made it difficult to assess reported results and therefore hampered meeting overall monitoring and reporting requirements.

During the assessment stage, the Program Office was not able to coordinate overall monitoring and evaluation requirements with the existing staffing level of one Program Officer. Therefore, the SO teams were required to develop their own informal procedures for monitoring and evaluating their respective programs and activities. This situation was evidenced by variances in documentation, number of site visits, and overall monitoring and evaluation efforts of the SO teams. In one case, the responsibility for preparing the required SO close-out report was unclear. The Program Office thought that the SO team was in the process of preparing the report and indicated so in the narrative section of the FY 2005 Annual Report. Yet the current SO team leader was not aware of this requirement. Furthermore, while there was adequate documentation available to support results included in the FY 2004 and 2005 Annual Reports, we did note numerous minor discrepancies between the source documents and the reported results. This indicates that an adequate review and check of reported results was not conducted by the Program Office. According to the Program Officer, due mainly to the lack of staffing resources, he had only limited involvement in the development and submission of these reports.

The Mission has tried to address its overall weaknesses in the Program Office by resorting to creative methods to procure additional staffing resources. For example, the Mission was in the process of hiring a monitoring and evaluation specialist using a blanket purchase order. However, under this arrangement, the procurement specialist will only be available on a limited basis. In addition, the Mission has plans to hire a US-based firm on an Indefinite Quantity Contract (IQC) (200 days/year) to enhance and develop the Mission's M&E strategy and to provide DQA support. But these efforts will only provide temporary relief to the Mission, and the Mission would be best served by hiring permanent, dedicated monitoring and evaluation specialists to ensure that the objectives of the new country strategy are met. Moreover, the short-term solutions to procure additional staffing resources are not necessarily efficient and cost effective. For example, last year the Mission spent over $350,000 on expenses associated with temporary duty staffing support.

According to ADS 203, assessment of programs and activities is a critical part of implementation. Assessment involves a systematic process of monitoring the results of activities; collecting and analyzing performance information to track progress toward planned results; using performance information to influence program decision-making and resource allocation; and communicating results achieved, or not attained, to advance organizational learning and success.

Assessment of programs and activities is a critical part of program implementation that requires permanent and ongoing attention. Without a designated and permanent monitoring and evaluations staff, the Mission cannot fully accomplish its role in implementing programs, activities and projects. Therefore, we are making the following recommendation.

> *Recommendation No. 2: We recommend that USAID/Morocco address staffing-related challenges in its Program Office by seeking permanent staffing solutions to meet authorized staff levels.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/Morocco prepared a written response to our draft report. In their response, they agreed with all findings and recommendations presented in this report. We evaluated the comments, action taken, and documents prepared by USAID/Morocco and consider that management decision has been reached for Recommendation No. 1 and final action has occurred on Recommendation No. 2.

Management's Comments are included in their entirety in Appendix II of this report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards to determine if USAID/Morocco's programs and activities ending in FY 2004 achieved their intended results. The audit was conducted at USAID/Morocco in Rabat from February 23 to March 11, 2005.

The scope of the audit included a selection of activities based on our risk assessment of programs and activities conducted under the previous country strategy of 1999, with activities ending in FY 2004. We selected key activities from each of the strategic objectives for detailed testing to gain assurance about the reported results and accomplishments. In evaluating risk, we considered the nature of the activities, amount of expenditures, reported results and whether similar activities were being carried forward under the new country strategy.

The audit evaluated the Mission's management controls to ensure that all aspects of monitoring were aligned toward ensuring that the intended results were achieved. The audit also included examinations of management controls, including review of regulations promulgated by the Automated Directive Systems (ADS) and Mission Orders. We reviewed controls over planning, monitoring and evaluation, and reporting of results.

Methodology

RIG/Dakar performed the audit with fieldwork taking place at USAID/Morocco. The audit entailed reviewing controls over monitoring, controlling and reporting of activities for the strategic objectives for FY 2004 to determine if the activities were performed as intended and in accordance with USAID guidelines and to determine if intended results were achieved.

The auditors met with appropriate Mission personnel, implementing partners and recipients to assess activities. In addition, site visits were conducted to activities pre-selected based on our risk assessment.

The audit was designed to determine if adequate internal controls were in place to ensure compliance with USAID policies and procedures. Specifically, internal controls for monitoring performance indicators, reporting data for baselines, and determining whether quality data were collected and reported in accordance with Agency's Automated Directives System (ADS) guidance were assessed.

In assessing data quality and verifying and validating the performance data to source documentation, we used a materiality threshold of 5 percent for transcription accuracy and 5 percent for computation accuracy.

Memorandum

To: Regional Inspector General, Dakar, Lee Jewel III

From: Monica Stein-Olson, Director /s/

CC: Cc: J. Nicholson, FM, USAID/Cairo, L. Palmer, A/Controller

Date: July 28, 2005

Re: Response to RIG/Dakar's Draft Report on Audit of USAID/Morocco's Results Achieved under the Country Strategic Plan with Activities Ending in FY 2004 - (7-608-05-XXX-P) June 3, 2005.

Recommendation No. 1: We recommend that USAID/Morocco review and update, as necessary, its current portfolio of programmatic Mission Orders to incorporate the latest Automated Directive Systems requirements and terminology and that it assign specific responsibility for requirements as applicable.

The Mission has identified six (6) program-related MOs[1] that will be updated within a **six month** period by a committee chaired by the Program Officer that will report back to the **Management Control and Review Committee (MCRC)**. The updates will include the necessary references to the ADS.

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[1] The identified MOs are the following: 304 (Project Monitoring and Evaluation), 305 (The Design and Approval of Projects), 307 (Project Implementation Reviews and Reports, 501 (Quality Control of R4 Data), 502 (Mission and Central R4 Data Repository) and 505 (Accountability for Host Country Contributions).

The second part of this recommendation calls for assignment of specific responsibility. The Program Officer is responsible for reviewing, finalizing and preparing updated programmatic Mission Orders for the Director's signature, a task now included in his work objectives. The Program Officer will chair the reviewing committee and be held accountable for achieving this task. The draft Mission Order # 304, which is being finalized (see Attachment A), assigns specific responsibilities as applicable to monitoring and evaluation. Updated mission orders will include specific responsibilities as necessary.

In view of the above, the Mission believes that management decision has been made and requests RIG/Dakar to resolve Recommendation No. 1 upon final report issuance.

Upon final issuance of the identified Mission Orders, the Mission will report to USAID/W that final action has been made and will associate its response with a copy of the updated Mission Orders to request closure of Recommendation No. 1.

Recommendation No. 2: We recommend that USAID/Morocco address staffing-related challenges in its Program Office by seeking permanent staffing solutions to meet authorized staff levels.

RIG/Dakar and RIG/Cairo have highlighted and understand the limited staff at USAID/Morocco. Facing a rapidly growing program, in response to underlying staffing issues, USAID/Morocco has received permission to fill two Program Office positions. One Program Specialist has recently been brought on board to coordinate, monitor and evaluate all MEPI activities. This position reports directly to the Mission Director (see Attachment B). The Mission is currently recruiting for a second Program Specialist to focus on Development Outreach and Communication efforts (see Attachment C).

In addition, the Mission procured the services of a monitoring and evaluation specialist under a task order, who helped SO teams finalize and/or improve the three Mission Performance Monitoring Plans (see Attachment D).

Furthermore, Mission is in the process of procuring the services of a US-based firm to perform monitoring and evaluation for USAID/ Morocco's program (through an IQC under MOBIS GSA contract) for a minimum level of effort of 200 days/year (see Attachment E which consists of the three MAARD cover pages).

The USAID/Cairo RCO anticipates this action will be completed by end July 2005.

Finally, a National Security Decision Directive (NSDD-38) Request is in process for one U.S. direct hire position (Assistant Director) and an International Development Intern (IDI) position in the Program Office (See State cable 121561 dated June 29, 2005 appended as Attachment F).

Based on the above, we hereby request RIG/Dakar to close this recommendation upon issuance of the final report.