



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/SIERRA
LEONE'S MANAGEMENT OF
ITS TRANSITION STRATEGY**

AUDIT REPORT NO. 7-636-06-001-P
December 22, 2005

DAKAR, SENEGAL



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

December 22, 2005

MEMORANDUM

TO: Mission Director, USAID/Sierra Leone, Jack Winn

FROM: Regional Inspector General/Dakar, Lee Jewell III /s/

SUBJECT: Audit of USAID/Sierra Leone's Management of Its Transition Strategy
(Report No. 7-636-06-001-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II.

This report contains two recommendations to which you agreed in your response to the draft report. Based on your plans in response to the audit findings, management decisions have been reached on both of the recommendations. However, the two recommendations will remain open until the planned actions are completed by the Mission. Please coordinate final actions on these recommendations with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC).

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

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SUMMARY OF RESULTS

The objectives of this audit were to determine if (1) USAID/Sierra Leone managed its transition strategy from Phase 1 to Phase 2 efficiently; and (2) USAID/Sierra Leone's transition strategy achieved its intended results. (See page 3.)

For audit objective 1, we concluded that USAID/Sierra Leone effectively managed the extension of its transition strategy from Phase 1 (fiscal year (FY) 2001-2003) to Phase 2 (FY 2004-2006), despite some delays in completing procurement instruments and a monitoring plan. The Mission followed the necessary USAID guidance which included assessing the design and results of the Phase 1 strategy to make recommendations for the follow-on program, developing a new strategy that incorporated the results of the assessments, and performing the required administrative procedures. (See pages 4-6.)

For audit objective 2, we concluded that USAID/Sierra Leone's transition strategy achieved its intended results based upon review and analysis of FY 2004 and FY 2005 results as of June 30, 2005, our observations of the impact of program activities on the targeted communities, and viewpoints from program recipients and community leaders. However, although Special Objective Team Leaders actively monitored partner activities, they did not systematically document and maintain on file key monitoring activities such as site visits and verification of implementing partners' data which could result in important program information not being available to current or future Mission management. Furthermore, the Special Objective Teams and Program Office did not review or cross-check the data reported in the FY 2005 Annual Report which resulted in two indicator results to be materially overstated. Additionally, there was a lack of documentation to support calculations and assumptions used to develop results included in the Annual Report. (See pages 6-10.)

This report includes two recommendations to assist USAID/Sierra Leone in its monitoring and reporting activities. We recommended that USAID/Sierra Leone (1) develop specific procedures to require that the Special Objective Teams document key contacts with implementing partners including visits to monitor activities and validate data; and (2) develop specific procedures to require the Special Objective Teams and Program Office to cross-check and verify reported data and to document assumptions, calculations, and verifications in the program files. (See pages 9 and 10.)

USAID/Sierra Leone agreed with all of the findings and recommendations and based on planned actions to be taken by the Mission, management decisions have been reached on the two recommendations. However, the two recommendations will remain open until final actions are taken by USAID/Sierra Leone and coordinated with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC). (See page 11.)

BACKGROUND

Sierra Leone is still recovering from the effects of a decade-long civil war that led to the loss of many lives and greatly disrupted the country's economic and social infrastructure. While the formal program to disarm, demobilize and reintegrate ex-combatants has ended, completing the more broadly defined reintegration process for the country is continuing. This process requires people from all sides in the conflict—whether they were combatants, displaced, or otherwise victimized—to constructively engage in rebuilding their lives and communities.

The United States has several important interests at stake in Sierra Leone. Having provided over \$300 million annually in support of the U.N. Peacekeeping Forces, it is in the U.S. interest to reinforce the gains achieved over the years to avert the need for future investment of this magnitude. In addition, the United States has a humanitarian interest in preventing a recurrence of the lawlessness and brutal violence that produced thousands of deaths, injuries, assorted war crimes, and hundreds of thousands of refugees. Furthermore, Sierra Leone's stability is also intertwined with that of neighboring countries where armed cross-border factions continue to be a destabilizing factor in the sub-region, and maintaining peace and security in Sierra Leone will contribute to regional security.

To address these challenges, USAID implemented a transitional strategy for the period of fiscal years (FY) 2001-2003 that had the overarching goal of national peace, security and stability. The FY 2001-2003 strategy was composed of two special objectives: Special Objective (SpO) 1 focused on advancing the reintegration process of war-torn populations in targeted areas, and SpO2 focused on strengthening democratic governance. The two SpOs have received \$15,211,080 and \$5,996,525 in funding, respectively during this first phase.

In 2003, USAID/Sierra Leone was approved to extend the transition strategy into a second phase to cover fiscal years 2004-2006, continuing to focus on the consolidation of peace, security and stability, with the same two SpOs as in the first phase. Under the Reintegration Objective (SpO1), USAID will continue to provide social, economic, and physical support to encourage resettlement and reintegration in war-torn communities. As reintegration advances and communities become more economically and socially viable, there is a corresponding need for these communities to develop a capacity to make political decisions and build the practices of a democratic society. This will be achieved through the continuation of USAID's Democracy Objective (SpO2) whose aim is to broaden participation of local communities and interest groups in key national and local issues, such as the utilization of Sierra Leone's diamond resources, the promotion of social services, and the limitation of corruption.

USAID assistance targets its geographic focus to the three eastern districts of Kono, Kailahun, and Koinadugu, which were the last areas of the country to disarm and the most affected by the war. The town of Tongo Fields and more recently, Freetown, were added as new key areas considered potential flashpoints of destabilization.

USAID/Sierra Leone's Transition Program is managed out of USAID/Guinea, with one U.S. Direct Hire assigned to Conakry to coordinate the program and oversee one U.S.

Personal Services Contractor and three Foreign Service National employees based in Freetown.

AUDIT OBJECTIVES

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

- (1) Did USAID/Sierra Leone manage the transition strategy from Phase 1 to Phase 2 efficiently?
- (2) Did USAID/Sierra Leone's transition strategy achieve its intended results?

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

AUDIT FINDINGS

Did USAID/Sierra Leone manage the transition strategy from Phase 1 to Phase 2 efficiently?

Despite some delays in completing procurement instruments and a monitoring plan, USAID/Sierra Leone effectively managed the extension of its transition strategy from Phase 1 (fiscal year (FY) 2001-2003) to Phase 2 (FY 2004-2006), following the necessary USAID guidance. This included assessing the design and results of the Phase 1 strategy to make recommendations for the follow-on program, developing a new strategy that incorporated the results of the assessments and performing the required administrative procedures.

According to the Africa Bureau's Guidance, *How to Transition from an Old to a New Strategy*, the first step in transitioning to a new strategy (or phase) is to analyze past performance. USAID/Sierra Leone began the extension process in the last year of Phase 1 by contracting with a team of two retired USAID Senior Foreign Service Officers to conduct a formal assessment of Phase 1 program activities. The assessment identified the strengths and weaknesses of the current program and made recommendations for a follow-on program. The assessment team was also tasked with making recommendations on how the Mission could incorporate a significant agricultural emphasis into the Phase 2 strategy. According to USAID/Sierra Leone, this assessment was a key source of information used to determine the focus and direction of the Phase 2 strategy.

Using the results of the Phase 1 assessment as a basis for designing and developing Phase 2, USAID/Sierra Leone considered and incorporated many of the recommendations made by the assessment team into the new strategy. However, the Mission also took into account their own lessons learned from Phase 1 activities as well as changes in the post-conflict environment of the country. As a result, and appropriately, not all of the recommendations made by the assessment team were incorporated into the Phase 2 strategy. For example, the assessment team recommended that a youth training and education program be continued under the Phase 2 strategy but the Mission decided not to continue the program due to demographic and social changes. Such training was originally provided as part of a humanitarian program which included the provision of food. However, as stability spread throughout the country, the population targeted for the training was returning to the areas from which they were displaced to look for and obtain work. While the Mission agreed that the program had made a positive impact, these societal changes would make it difficult to deliver the program as designed; thus, the Mission did not support the continuation of the program in its Phase 2 strategy.

In addition to the external Phase 1 assessment, USAID/Sierra Leone also conducted various internal reviews and activities to guide the direction of the Phase 2 strategy. For example, Mission staff stated that they held several planning and review sessions, as well as a strategy planning retreat. During the planning retreat, the Mission critically reviewed the design and results of the Phase 1 programs, assessed the factors shaping future program direction, considered USAID-wide future plans as presented in the

Congressional Budget Justification, and brainstormed additional program possibilities. The Mission further prepared a timeline, as recommended in the Africa Bureau's guidance, in order to aid Mission staff on the planning of the strategy extension. The Mission also consulted with U.S. Embassy Freetown officials to provide feedback on the USAID/Sierra Leone program. This facilitated the linkage of the strategy into the Embassy's Mission Performance Plan. Furthermore, USAID/Sierra Leone communicated and coordinated with other donors in the international community to prevent the overlapping and conflicting of programs.

USAID/Sierra Leone also complied with USAID guidance in preparing various strategy documents and performing administrative procedures. The Mission drafted the Phase 2 transition strategy document, and submitted a request for approval of the extension of the transition strategy to USAID/Washington in accordance with Automated Directives System (ADS) 201.3.11.3. After a presentation of the strategy by the Mission Director and Program Officer in Washington and several communications addressing USAID/Washington's issues and concerns, the Assistant Administrator of the Africa Bureau approved the extension of USAID/Sierra Leone's Transition Strategy on September 3, 2003.

Following the approval of the transition strategy extension, USAID/Sierra Leone worked with the Acquisitions and Assistance Office at USAID/Guinea to develop solicitations for the program activities to be conducted under the Phase 2 extension. The timeline prepared during the planning process of the extension indicated that the Phase 2 activities would begin towards the end of calendar year 2004, and three cooperative agreements were signed between October 2004 and January 2005. However, due to a longer-than-expected negotiation phase during the procurement process and the ramp-up time needed for the new Country Program Manager to get up to speed with the programs, the last cooperative agreement was not signed until March 2005.

USAID/Sierra Leone expected that the implementing partners would be involved in the development of the Performance Monitoring Plan (PMP) for Phase 2, but the later-than-expected signings of the final cooperative agreement also delayed the development of the PMP. Mission staff held in-house workshops in Conakry at USAID/Guinea and in Freetown in January and February 2005 to begin developing the PMP by reviewing the partners' proposals and drafting program indicators. A PMP Workshop and follow-up processes with implementing partners commenced in April 2005 where the Mission shared the proposed indicators with the implementing partners and worked with them to improve the indicators. The PMP, however, was not finalized at the time of our audit in mid-September 2005, as some implementing partners were still gathering and developing baseline data from the indicators. The partners were prepared to report on the new indicators, though, in their September 2005 quarterly reports. Additionally, USAID/Sierra Leone has scheduled Data Quality Assessments on the baseline data in October 2005.

The audit team also noted that as program activities in Phase 1 came to a close, the Mission was proactive in initiating the close-out process of the funding instruments, as required by the Federal Acquisitions Regulations (FAR) 4.804 and ADS 202.3.10. As standard procedure, the Acquisitions and Assistance Office begins the closeout process within 3 months after the completion of a project. At the time of audit, 13 instruments were in the close-out phase and within the required timeframe to be closed out. It was determined that all those instruments required settlement of indirect cost rates. Per FAR

4.804, closeout of such instruments shall occur within 36 months of the month in which the contacting officer receives evidence of physical completion.

Based on all of the above, the audit team concluded that USAID/Sierra Leone managed the transition strategy from Phase 1 to Phase 2 efficiently and in compliance with relevant USAID guidance and regulations.

Did USAID/Sierra Leone’s transition strategy achieve its intended results?

Based on our review of reported results and of program activities, USAID/Sierra Leone’s transition strategy achieved its intended results with some exceptions related to monitoring and reporting activities. Although only 13 of 21 indicators achieved 90 percent or more of the planned results, we did not measure the Mission’s achievements solely on these results. We also considered our first-hand observation of the programs as well as the views of program recipients and community leaders which made it clear that the goals and intent of the program were being met.

Our comparison of FY 2004 actual to planned results for 13 of 21 Phase 1 indicators showed achievement levels of 90 percent or more. Specifically, achievement levels for five of the six Strategic Objective level indicators were greater than 100 percent, with the achievement level for the sixth indicator at 97 percent. For example, the achievement level for the indicator measuring the number of communities peacefully co-existing was 111 percent. Similarly, the amount of revenues allocated to diamond-producing communities from the Diamond Area Community Development Fund was much greater than expected, with an achievement level for this indicator of 121 percent.

Achievement levels for five of the indicators fell in the 80 to 90 percent range – still fairly remarkable given the post-conflict environment in which the program operated in FY 2004. For example one indicator measured the number of artisanal diamond mining licenses issued by the government, an effort to develop a legal diamond trading industry and reduce conflict diamond trading. The planned result for this indicator was 2,700 licenses but the actual results of 2,318 licenses fell short, representing an 86 percent achievement level. According to the SpO Team Leader, the shortfall in the number of licenses issued occurred because of the migration of some miners from the Kono and Tongo Fields diamond mines areas to new areas where the government had not yet established oversight that included the license requirement. Another indicator that fell short of the target with an 81 percent achievement rate was the amount of radio airtime devoted to civic education and public information. The SpO Team Leader explained that there were sufficient materials to meet the target but electrical power outages and problems with backup generators reduced the total amount of radio airtime in the country.

The results for three indicators fell well below targets with two having achievement levels of 67 and 61 percent, and another having a 38 percent achievement level. According to SpO Team Leaders, lower results were due to unexpected factors and the changing post-conflict environment. For example the achievement level for the indicator measuring the number of persons provided nation building skills training was only 38 percent of the target in FY 2004. The SpO Team Leader stated that one factor

contributing to the less-than-expected results was the difficulty in finding participants to enroll in the training. Once the country began to stabilize, persons who were displaced during the war began to move back to their former communities and away from the areas targeted by the program. Also, as stability continued, many people were not willing or able to commit to attending training sessions three times a week for a 6-month period. Many opted instead to seek out employment or other means of livelihood. Another indicator measured the participation of ex-combatants and war-affected youth in civic works, and for FY 2004, the achievement level was 61 percent. However, the SpO Team Leader said that the actual results may not be fully representative of the program's results, as ex-combatants were hesitant to disclose their identity and affiliation with any of the armed or rebel forces.

While the preceding discussions refer to achievements made for FY 2004 under Phase 1, we also concluded that the Mission is achieving its intended results under Phase 2. Overall the implementing partners were meeting their work objectives based on reviews and comparison of the implementing partners' annual work plans and most recent quarterly progress reports (as of June 30, 2005) as well as our site visits to directly observe various activities implemented by the partners.

As indicated previously, although results for only 13 out of 21 of the indicators for FY 2004 were above the 90 percent achievement level, we consider that the intent of the strategy and the program's goals were being met. During our site visits, we observed activities first-hand and talked with program recipients and community leaders involved in both FY 2004 and FY 2005 activities. It was evident that the program activities of USAID/Sierra Leone's Transition Strategy had made an impact and benefited the communities in its targeted areas. For instance, the village chief of Pendembu, in the Eastern District of Kailahun, stated during a site visit that considering Sierra Leone's recent history, the transition program activities have achieved remarkable results. He specifically noted the fact that now ex-combatants, refugees, and non-combatants are back in their communities, working side by side for a common goal, and sharing businesses – something he never expected to see. He further stated that as a result of training sessions he attended on Nation Building and Leadership under the SpO1 Reintegration Program, he had incorporated women and youth in the chiefdom's decision-making process and women now hold responsible positions in the chiefdom's governing body.

In addition, members of the mining cooperative formed through the Integrated Diamond Management Program noted achievements that have occurred as part of the Democracy and Governance Program. Among other things, the representatives stated that the cooperatives have entrenched peace-building in Sierra Leone. Each cooperative is comprised of between 60 to 70 members who are ex-combatants from different sides of the conflict, but now have come together to form these groups. According to the members we spoke with, they believe the formation of these cooperatives has strengthened the peace and peace-building process. The members also noted the program has provided financial benefits in opening up legitimate markets as well as educational benefits through training programs to identify and establish the value of stones in the mines. Finally, they noted that the program has helped many participants move past the trauma of the conflict by offering opportunities for establishing a livelihood.

Therefore, based on the impact and results we observed in the field, as well as the

reported results, we conclude that USAID/Sierra Leone's transition strategy achieved its intended results. However, monitoring and reporting are important components of managing programs to ensure results are achieved. Noted exceptions were found in these two areas and discussed below.

Better Documentation of Monitoring Activities Needed

Summary: Although both Team Leaders for the Special Objectives were actively monitoring partner activities, we found they did not systematically document or maintain other evidence of their monitoring activities. This occurred because there were no procedures specifically requiring documentation of such actions. 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. This lack of documentation of partner contact could result in key information not being available to current or future Mission management.

Both SpO Team Leaders stated that they were very proactive in monitoring their program activities. They indicated they had ongoing and frequent contact with the implementing partners and made regular visits to the partners' offices and the sites where program activities were being implemented. The Team Leaders also mentioned that they visited partner offices twice a year to validate the data in the partners' progress reports. Staff from the key implementing partners independently corroborated this, indicating that the two Team Leaders were very involved in all aspects of the program activities. However, we found that the Team Leaders did not always document these communications and interactions. For example, site visits were rarely documented and we found no documentary evidence that the Team Leaders validated partner data during visits to the partner offices.

According to the Team Leaders, the lack of documentation occurred for several reasons. First, the Team Leaders did not realize the extent to which partner contacts should be documented as there were no procedures in place to specifically require SpO teams to document and maintain records of their monitoring activities of the partners. Secondly, the Team Leaders attributed the lack of documentation to staff time constraints. Currently USAID/Sierra Leone is comprised of only four staff members and given their workload and the frequency of required travel to USAID/Guinea, lower priority was placed on administrative activities such as documenting meetings. However, an additional position for the Mission has been authorized and the staff expects their workload to lessen once the position is filled.

USAID's Automated Directives System (ADS) section E303.5.13 states that site visits are an important part of effective award management and recommends that reports of the visits be maintained in official files. Additionally, 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. We believe that site visits

and validation of data are important events in the overall monitoring process and should be documented. Furthermore, without formally documenting visits and other key encounters with implementing partners, important program information may not be available to Mission management, and could ultimately be lost if any of the staff were to leave USAID.

To address this weakness, we make the following recommendation.

Recommendation No. 1: We recommend that USAID/Sierra Leone develop specific procedures to require that the Special Objective Teams document key contacts with implementing partners including visits to monitor activities and validate data.

Verification of Annual Report Data Should Be Conducted and Documented

Summary: A review to verify the accuracy of seven indicators reported in the FY 2005 Annual Report revealed that two of the results were materially overstated. Additionally, there was a lack of documentation to support calculation and assumptions used to develop results included in the Annual Report. These errors occurred because USAID/Sierra Leone had not developed procedures to ensure that data is reviewed or cross-checked as part of the reporting process or to document such reviews as described in USAID Guidance. As a result, the Mission reported inaccurate data to Washington—a vulnerability that continues to exist.

When determining the accuracy of the data reported in the Mission's FY 2005 Annual Report, we found that the results for two of the seven reported indicators were materially overstated. This overstatement occurred due to an error made by the SO Team Leader who mistakenly extracted cumulative life-of-project results from two partner reports rather than results for the one fiscal year. This resulted in a significant inflation of the results achieved as shown in the Annual Report. For example, for the indicator measuring the number of participants provided with nation building skills training, the Annual Report shows an actual result of 302, 101 percent of its target of 300. However when using the correct figure for the fiscal year, the actual achievement level is 38 percent. Another weakness found was that the SpO Team Leader did not maintain documentation to support the methodology used to develop results or the calculations of data reported in the FY 2005 Annual Report. For example, when we asked the SpO1 Team Leader for supporting documentation to verify the results reported in the FY 2005 Annual Report, it took more than a day for him to go through the partner progress reports and re-create the reported data. Although, the Team Leader maintained the partners' reports, he did not document and maintain the calculations and methodology used to develop the data reported.

These errors occurred because USAID/Sierra Leone had not developed procedures to ensure that data was reviewed or cross-checked as part of the reporting process, and that calculations and assumptions were documented. The SpO Team Leaders indicated

they did not realize the extent to which reported data and calculations should be documented.

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. USAID's Center of Development Information and Evaluation *Performance Monitoring and Evaluation Tips* (TIPS) Number 12, also emphasizes the importance of documentation, stating that proper documentation is a process that facilitates the maintenance of quality performance indicators and data, and should provide an opportunity for independent checks concerning the quality of the performance-measurement system. According to TIPS Number 12, documentation includes recording important considerations and assumptions related to performance indicators, as well as the detailed specifications for each indicator and its measurement, and stresses the importance of proper documentation due to considerable staff turnover within USAID.

The lack of procedures for reviewing or cross-checking data included in the Annual Report and documenting and maintaining the methodology used to calculate results and other data included in the Annual Report resulted in USAID/Sierra Leone reporting inaccurate data to USAID/Washington, and increases its vulnerability to reporting inaccurate and misattributed data in the future. Additionally, without formally documenting key elements and factors used to develop reported results, important program information may not be available to Mission management and ultimately can be lost if team staff leave USAID.

Therefore, to address these weaknesses, we make the following recommendation:

Recommendation No. 2: We recommend that USAID/Sierra Leone develop specific procedures to require the Special Objective Teams and Program Office to cross-check and verify reported data and to document assumptions, calculations, and verifications in the program files.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Sierra Leone agreed with all of the findings and recommendations in the draft audit report, and indicated that appropriate actions would be taken to address the two recommendations. Therefore, management decisions have been reached for both recommendations. However, because the planned actions have not been completed by the issuance date of this report, the two recommendations remain open until final actions are taken by USAID/Sierra Leone and coordinated with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC) The Mission anticipates final actions to be completed by the end of January 2006.

Recommendation No. 1 states that USAID/Sierra Leone develop specific procedures to require that the Special Objective Teams document key contacts with implementing partners including visits to monitor activities and validate data. The Mission agreed with this recommendation and is developing procedures to be issued in a Mission Order on Performance Management. Activity Managers and Cognizant Technical Officers (CTOs) will use the procedures to document communications and interactions with partners which include site visits and validation of partner data. The Mission Order is to be finalized and approved by January 30, 2006.

Recommendation No. 2 states that USAID/Sierra Leone develop specific procedures to require the Special Objective Teams and Program Office to cross-check and verify reported data and to document assumptions, calculations, and verifications in the program files. The Mission agreed with this recommendation and is developing procedures to be formalized in a Performance Monitoring Mission Order to ensure that data is reviewed or cross-checked. These procedures include assigning responsibility to the Monitoring and Evaluation Specialist for assuring data accuracy and verifying assumptions with the CTOs, and documenting sources of data reported in the Annual Report. The Mission Order is to be finalized and approved by the end of January 2006.

Management's comments are included in their entirety in Appendix II.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards to answer the following two audit objectives:

- (1) Did USAID/Sierra Leone manage the transition strategy from Phase 1 to Phase 2 efficiently?
- (2) Did USAID/Sierra Leone's transition strategy achieve its intended result?

The audit was conducted at USAID/Sierra Leone in Freetown and at USAID/Guinea in Conakry from August 29 to September 16, 2005. As part of the audit, visits to implementing partners were made in Freetown as well as to other sites within Sierra Leone (the three Eastern districts of Kailahun, Kono, and Koinadugu, and the town of Tongo Fields).

In planning and performing the audit we assessed the effectiveness of internal control related to managing the extension of the transition strategy from Phase 1 to Phase 2, and managing the achievement of intended results, which include monitoring and reporting program activities. For audit objective 1, we identified pertinent internal control such as (1) maintaining documentation related to the extension of the transition strategy, and (2) following USAID guidance and other regulations. For audit objective 2, we identified pertinent internal control such as (1) maintenance of documentation of each SpO teams' contact with implementing partners, (2) the SpO teams' review of the implementing partners' quarterly progress reports, and (3) maintenance of documentation that is readily available to support reported results.

Additionally, we used USAID guidance—including the Automated Directives System, mission reports, and other regulations and internal policies and procedures—as the basis for assessing how well the Mission managed the extension of the transition strategy from Phase 1 to Phase 2, monitored and reported activities, assessed the indicators used, evaluated the impact of its activities against intended targets, and learned from the results. Finally, we reviewed the latest Federal Managers Financial Integrity Act certification submitted by the Mission for any material control weaknesses relating to the transition program.

The scope of audit objective 1 included the planning, development, and administrative processes in extending the transition strategy from Phase 1 to Phase 2. The scope of audit objective 2 included program activities in FY 2004 and FY 2005 up to the end of our audit.

Methodology

To answer audit objective 1, we reviewed key program documents such as the Mission's Annual Reports, Performance Monitoring Plans, Phase 1 and Phase 2 Strategy

documents, assessments, funding instruments, and documentation maintained by Mission staff. We also interviewed responsible personnel at the USAID Missions in Sierra Leone and Guinea concerning the development and design of the Phase 2 strategy and the processes taken to extend the transition strategy.

To answer audit objective 2, we reviewed funding instruments, implementing partner progress reports and annual work plans, the Mission's Annual Reports, Performance Monitoring Plans, and documentation maintained by Mission staff. We also interviewed responsible personnel at the USAID missions in Sierra Leone and Guinea and implementing partner staff concerning program activities, achievement of results, monitoring and reporting of activities, and data-accuracy issues. In addition, we conducted field visits to talk to program recipients and observe and assess activities.

For FY 2004 program activities, to determine the significance of our findings, in general, we considered targets to be met if indicators had achieved at least 90 percent of their planned results. In assessing the extent to which the program met its intended results for program activities for FY 2005 up to the end of our audit, we compared implementing progress reports with work plans. In addition to looking at the data, through our site visits, we took into consideration our observations of the impact of activities on targeted communities and viewpoints from program recipients and community leaders.

To verify the accuracy of performance results reported to USAID/Washington in the FY 2005 Annual Report (for activities conducted in FY 2004), we traced reported data back to source documentation provided by the implementing partner to the Mission, such as progress reports. We also traced the partners' data back to their supporting documentation for results of indicators reported in their progress reports to determine the accuracy of reported data. Our verification included examining source documents, including both manual and electronic records.

In assessing data quality and verifying and validating the performance data to source documentation, we used a materiality threshold of 1 percent for transcription accuracy and 5 percent for computation accuracy.

MANAGEMENT COMMENTS



MEMORANDUM

TO: Lee Jewell III
Regional Inspector General
Dakar, Senegal

FROM: Jack Winn, USAID/Sierra Leone, Mission Director /s/

SUBJECT: **USAID/Sierra Leone's Responses to IG Audit of its Transition Strategy**
(Audit Report No.7-636-06-001-P)

Ref: RIG/Dakar Memo Dated 11/07/05

DATE: December 1, 2005

USAID/Sierra Leone acknowledges receipt of the Inspector General's draft audit report of the Sierra Leone program entitled, "Audit of USAID/Sierra Leone's Management of its Transition Strategy." USAID/Sierra Leone appreciated the participatory manner in which the audit was conducted, especially the Auditors' sharing of their observations in every step of the audit, and giving the Sierra Leone Team the opportunity to comment on their findings. USAID/Sierra Leone would like to thank the IG auditors for their thoroughness and professionalism and is in agreement with the audit's two recommendations for corrective actions to address identified weaknesses. Below are USAID/Sierra Leone's responses to the two recommendations.

1- Better Documentation of Monitoring Activities Needed.

Recommendation: *We recommend that USAID/SL develop specific procedures to require the Special Objective Teams document key contacts with implementing partners including visits to monitor activities.*

Response:

The USAID/Guinea Program Office is developing procedures to be issued in a forthcoming Mission Order on Performance Management that activity managers in both Guinea and Sierra Leone will use during site visits to document communications and interactions with partner organizations as well as the validation of partner data. This will include a site visit form that CTOs and Activity Managers are to fill out to document site visits. Accordingly, information acquired from site visits will be submitted to the

Program Office as well as maintained in CTO office files. The Mission Order will be finalized and approved by January 30, 2006.

2- Verification of Annual Report Data Should Be Conducted and Documented

Recommendation: We recommend that USAID/Sierra Leone develop specific procedures to require the Special Objective Teams and the Program Office to cross-check and verify reported data and to document assumptions, calculations and verifications in the program files.

Response:

With the assistance of USAID/Guinea's Program Office, procedures will be developed for the Sierra Leone Program to ensure that data are reviewed or cross checked to minimize errors prior to the submission of the Annual Report. The Monitoring and Evaluation Specialist will be responsible for assuring data accuracy and verifying assumptions for the Sierra Leone program with CTOs. In addition, the Monitoring and Evaluation Specialist will be responsible for documenting sources of data reported in the Annual Report, and will serve as the Mission's point person in the case of an audit. The above procedures will be formalized in a Performance Monitoring Mission Order to be finalized and approved by the end of January 2006.

Implementation of the above procedures in both responses will constitute official compliance with USAID Guidance TIPS Number 12 which emphasizes the importance of documentation, including the recording of important considerations and assumptions related to performance indicators, as well as the detailed specifications for each indicator and its measurement. In addition, applying the above procedures will substantiate the Government Accountability Office's Standards for Internal Control in the Federal Government which states that all transactions and other significant events need to be clearly documented and that the documentation needs to be readily available for examination."

We take this opportunity to thank you and members of your staff for the professional work performed during this audit.

Cc: - Idriz Diaz, RLA, USAID/Senegal
- L. Bogus, RCO
- M. Broderick, S/L Program Officer
- S. Christine, S/L Program Manager
- Ramses Gauthier, Controller

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave, NW
Washington, DC 20523
Tel: (202) 712-1150
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