



*Office of Inspector General*

October 1, 2002

## **MEMORANDUM**

**FOR:** Anthony Gambino, Mission Director, USAID/Democratic Republic of the Congo

**FROM:** Nancy Toolan, Acting RIG/Dakar /s/

**SUBJECT:** Survey of USAID-financed Assistance to the Democratic Republic of the Congo (Report No. 7-660-03-001-S)

This report presents the results of our Survey of USAID-financed Assistance to the Democratic Republic of the Congo. This is not an audit report and does not contain any recommendations for your action. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II of the final report.

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

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## Background

The Democratic Republic of the Congo (DRC) is home to roughly 50 million people and borders nine other countries. The country has enormous potential to serve the needs of its own citizens and influence the stability of the rest of the continent given the vast mineral, agricultural, and water resources. The ongoing, externally-imposed conflict, however, denies its citizens the benefits of its natural resources. The capacity of the state to deliver basic services has nearly vanished, and the Congolese economy has declined steadily during the past three decades. Agricultural production has suffered from crop diseases such as cassava mosaic virus. Because of the situation within the country, most Congolese struggle from day-to-day to feed themselves and their children.

The problems that have been encountered by the USAID Mission include: (1) a war that had armies from six countries in the region on DRC's soil; (2) lack of accessibility to parts of the country due to political restrictions and insecurity brought on by the war; and (3) economic decline due to decades of mismanagement of its resources and corruption. Parts of the country are inaccessible by road so they can only be reached by a United Nations or a missionary aircraft. USAID projects are implemented all over the country, and some planes carrying USAID supplies have been shot at. In addition, several project sites have been attacked and robbed.

Despite the President of the DRC's pronouncements and actions for new prospects of peace, the situation in the Congo remains highly uncertain.

March of 2001 marked the end of USAID/DRC's 18-month transitional strategy that consisted of one Strategic Objective (Assist Congolese people with national, provincial and community problems through participatory processes) and 3 intermediate results as follows:

1. Key health problems addressed with emphasis on redevelopment of governance structures for public health and citizen participation.
2. Good governance and rule of law promoted with emphasis on multi-stakeholder problem-solving.
3. Constituencies for sustainable management of natural resources built with emphasis on community participation.

Until a new strategy is developed, USAID/DRC will continue to focus on the three intermediate results and expand them into full strategic objectives.

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Even with the problems noted above with the situation of the country, USAID/DRC has a sizeable budget as shown in the table below for fiscal years (FY) 2000, 2001 and 2002.

<i>Millions of Dollars</i>	FY 2002	FY 2001	FY 2000
IR 1 (Health)	\$17.7	\$15.3	\$9.0
IR 2 (Democracy)	8.5	7.7	4.3
IR 3 (Environmental)	2.0	4.1	1.6
Total	\$28.2	\$27.1	\$14.9

USAID/Office of Foreign Disaster Assistance (OFDA) also has programs operating in the country with a budget of approximately \$29 million for FY 2002 alone. This funding is managed through USAID/Washington with two OFDA representatives posted in Kinshasa to monitor the programs. The Mission has little direct involvement with the OFDA programs.

This risk assessment included an overview of USAID/DRC; we included in this risk assessment an overview of the OFDA programs because the funding represents USAID-financed assistance to the DRC. The General Accounting Office (GAO) stated in the “Standards for Internal Control in the Federal Government” that internal controls are an integral component of an organization’s management. They should provide reasonable assurance that the following objectives are being met: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

One component of internal controls noted by GAO is “Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.” This survey focused on the risk assessment component. The GAO standards note that the specific risk analysis methodology used can vary because of differences in agencies’ missions and the difficulty in qualitatively and quantitatively assigning levels of risk.

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**Discussion:**

USAID/Democratic Republic of the Congo (DRC) has programs relating to the three intermediate results, which are in the areas of health, democracy, and environment. We assessed the risk associated with each area as well as the other major functions of the office such as the program, executive, and controller’s offices. In addition, we examined the risk associated with USAID/Office of Foreign Disaster Assistance. Our assessment is described below.

Function Description	Risk Exposure
<b>Child Survival and Health Activities</b> – emphasis on the redevelopment of structures for public health care and citizen participation	High
Risk Assessment Factors	
<ul style="list-style-type: none"> <li>• Over \$17.7 million is budgeted for the child survival and health activities.</li> <li>• Programs take place throughout the country. The infrastructure has deteriorated so much that planes are the only way to access some parts of the country. In addition, part of the country is still rebel-held. One of the planes carrying supplies for a USAID-funded program was shot at recently.</li> <li>• While performing a site visit to a rural health project, which receives the most child survival and health funding, a programmatic issue was noted of whether or not the goals of the project were realistic. In addition, it was observed that the purpose of the program might not be completely understood by the implementing partners.</li> <li>• Data assessments on performance indicators have not been done as required by ADS 203.</li> <li>• One performance indicator in the strategic framework could not be supported with data from the development partner. (Indicator 8: Men and women in high risk groups who report condom use during last sexual encounter.)</li> <li>• For two of the six performance indicators in the health area, the Mission was not able to document a direct causal link between USAID-financed activities and measured results as required by ADS 203.</li> <li>• For those implementing agreements initiated in Washington, unliquidated obligations of the health programs were not reviewed as required by ADS 621.</li> <li>• For those implementing agreements initiated in Washington, computation of accruals was not performed.</li> <li>• The Mission was lacking copies of certain implementing agreements.</li> <li>• Not all implementing partners submitted quarterly reports as required by the implementing agreements.</li> <li>• The Mission’s FMFIA review did not disclose material weaknesses in the above areas.</li> </ul>	

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Performance indicators, used as a basis for reporting, are a basic management tool for making performance-based decisions about program strategies and activities.

Certain indicators are too broadly defined to measure USAID/DRC program results and rely on data sources that capture the results of all development organizations operating in the given sector. For example, the Mission was using the indicator “Men and women in high risk groups who report condom use during last sexual encounter” as one performance measure of a health project. The indicator results were based on a survey. Per discussion with staff from the non-governmental organization (NGO) organizing the survey and working on the prevention of HIV/AIDS transmission, several organizations in the DRC are working in the same field, and the results cannot be directly attributed to the USAID project. ADS 203 requires that performance indicators must measure change that is clearly and reasonably attributable to USAID efforts, at least in part. The ADS refers to this as “attribution” and states that it exists when the links between the outputs produced by USAID’s financed activities and the results being measured are clear and significant. It further states that indicators that do not meet the attribution requirement should not be used to describe the effects or impacts of USAID programs.

Another weakness in the area of performance indicators is the lack of source documents for the indicator noted above. USAID reported results based on a survey that was done to determine the percentage of men and women in high-risk groups who reported condom use during the last sexual encounter. The Mission was unable to provide documentation supporting the results of the survey. When the NGO organizing the survey was asked to provide results, the NGO stated that the results of the survey were preliminary, and the director of the NGO would not be comfortable reporting such results. ADS 203 requires that performance indicators be valid and reliable. ADS 203 also requires that source documents be maintained and readily available.

Performance indicators that do not meet USAID quality and accuracy standards can adversely affect performance-based decisions and may not conform to USAID reporting requirements, as well as federal regulations governing results reporting.

Regarding the site visit performed at the rural health project, several programmatic issues were noted. The program is attempting to provide basic health care to 12 million people using \$25 million over five years. That equals just over \$2 per person for five years or \$.40 per person per year (assuming no overhead costs). The goals of the project are in the following areas: HIV/AIDS, nutrition, re-emerging diseases, malaria, water and sanitation, planning and management, training and supervision, financial sustainability, and essential drugs and medical materials system. It does not seem feasible for the project to have a significant impact in all of the areas mentioned given the funding level and coverage.

In addition, the purpose of the project is not to recover costs, but that idea did not seem to be completely understood by employees of the health district visited. The hospital in the health district would hold mothers and children captive for non-payment of services. Some women and children had been kept for as long as 8 months. Because the hospital is not entirely enclosed, some women were able to escape without paying. If people are afraid of being held captive, they may not seek help when needed, which is counter-productive to the project goals.

Function Description	Risk Exposure
<b>Democracy and Governance</b> – promotes good governance and rule of law with emphasis on multi-stakeholder problem solving	High
Risk Assessment Factors	
<ul style="list-style-type: none"> <li>• The Democracy and Good Governance programs have a budget of almost \$8.5 million.</li> <li>• An experienced personal services contractor is the team leader.</li> <li>• The political situation of the country is fluid, with part of the country still rebel-held.</li> <li>• Programs take place throughout the country. The infrastructure has deteriorated so much that planes are the only way to access some parts of the country.</li> <li>• Staff is almost entirely new to USAID.</li> <li>• The Mission does not have any current mission orders.</li> <li>• The Mission does not have a performance monitoring plan as required by ADS 201.</li> <li>• Data assessments for performance indicators have not been done as required by ADS 203.</li> <li>• The Mission was lacking a copy of a principal implementing agreement.</li> <li>• The Mission’s FMFIA review did not disclose material weaknesses in the above areas.</li> </ul>	

We noted that the Mission did not have a copy of a principal implementing agreement with the International Foundation for Election Systems and International Human Rights Law Group Global Rule of Law and Human Rights Cooperative Agreement. The agreement had initially been written out of

USAID/Washington. Without a copy of the actual agreement with the implementing partner, the Mission is unable to confirm the partner’s programmatic and reporting responsibilities. This could negatively impact monitoring, evaluating and reporting procedures required by ADS 201, 202 and 203. Mission personnel stated that they had made previous requests for the agreement but have not yet been able to get a copy.

Another control weakness found was that data assessments had not been done as required by ADS 203. Assessments are intended to ensure that performance information is sufficiently complete, accurate, and consistent and meets indicator quality requirements. Without quality data, the USAID/DRC cannot ensure that the best possible program and budget decisions are made, resources are used efficiently, the requirements of federal legislation are met, and information needs of USAID are addressed.

Function Description	Risk Exposure
<b>Environmental Activities</b> – builds constituencies for sustainable management of natural resources with emphasis on community participation	High
<b>Risk Assessment Factors</b>	
<ul style="list-style-type: none"> <li>• The environmental programs have a budget of about \$2.0 million.</li> <li>• Mission personnel stated that in one of the micro-finance programs, two loan recipients were no longer able to repay their loans which were of substantial size.</li> <li>• On a site visit, it was noted that the agro-forestry project of replanting trees to make charcoal to sell appears to be sustainable. The area is so large and the tree growth is so good that the farmers were not able to cut down the trees every 8 years as was originally intended.</li> <li>• The political situation of the country is fluid, with part of the country still rebel-held.</li> <li>• Staff is almost entirely new to USAID.</li> <li>• The Mission does not have any current mission orders.</li> <li>• The Mission does not have a performance monitoring plan as required by ADS 201.</li> <li>• The Mission’s FMFIA review did not disclose material weaknesses in the above areas.</li> </ul>	

The environmental intermediate result has several activities that make up the portfolio including an agro-forestry project. A micro-finance component is part of the agro-forestry project, in which farmers received loans to finance agro-oriented activities. However, two of the recipients who received substantial loans under the program are no longer able to repay them. Mission personnel stated that the contractor should have examined better the recipients receiving financing. Personnel in USAID/Regional Economic Development Support Office (REDSO) in Nairobi had been advised of the problem.

Function Description	Risk Exposure
<b>Program Office</b> – coordinates budget and annual reporting	High
Risk Assessment Factors	
<ul style="list-style-type: none"> <li>• The Program Officer is an experienced U.S. direct hire employee.</li> <li>• The political situation of the country is fluid, with part of the country still rebel-held.</li> <li>• Programs take place throughout the country. The infrastructure has deteriorated so much that planes are the only way to access some parts of the country.</li> <li>• The Mission does not have any current mission orders.</li> <li>• The Mission does not have a performance monitoring plan (PMP) as required by Automated Directives System (ADS) 201.</li> <li>• Data assessments for performance indicators have not been done as required by ADS 203.</li> <li>• One performance indicator in the strategic framework could not be supported with data from the development partner. (Indicator 8: Men and women in high-risk groups who report condom use during last sexual encounter.)</li> <li>• For two performance indicators in the strategic framework, the Mission was not able to document a direct causal link between USAID-financed activities and measured results as required by ADS 203.</li> <li>• The Mission’s Federal Managers’ Financial Integrity Act (FMFIA) review disclosed a material weakness: the Mission had not constituted a Management Control Review Committee (MCRC).</li> </ul>	



One weakness in the general control system of the program office is that USAID/DRC does not have any current mission orders. For example, there is no order designating a MCRC or an audit management officer as required by ADS 591. This lack of a MCRC was noted in the Mission’s FMFIA review as a material weakness.

Another control weakness is the lack of a Mission PMP as required by ADS 201. The PMP is a tool USAID operating units use to plan, document and manage the collection of performance data. It should contain at a minimum: (1) a detailed definition of each performance indicator, (2) the source, method, frequency and schedule of data collection, and (3) the office, team, or individual responsible for ensuring data are available on schedule. Without a completed PMP, the Mission does not have assurance that it has the elements that are essential to the operation of a credible and useful performance-based management system. Although it was not completed for the March 2002 reporting cycle, Mission personnel estimate that a PMP will be completed by July 2002.

Function Description	Risk Exposure
<b>Executive Office</b> – manages administrative functions such as personnel management, general services, and property management	Moderate
<b>Risk Assessment Factors</b>	
<ul style="list-style-type: none"> <li>• An experienced personal services contractor serves as the executive officer.</li> <li>• Operating expenses for the fiscal year ending September 30, 2001 totaled \$1.8 million. As of May 21, 2002, operating expenses equaled almost \$1 million.</li> <li>• The Mission does not have any current mission orders.</li> <li>• The Mission’s FMFIA review did not disclose material weaknesses in the above areas.</li> </ul>	

Function Description	Risk Exposure
<b>Controller's Office</b> – discharges financial aspects of the Mission operations	High
Risk Assessment Factors	
<ul style="list-style-type: none"> <li>• There is only one employee currently in the Controller's Office, a Foreign Service National. The employee was on leave during fieldwork, so we were unable to meet with her. A Controller is expected to arrive in August or September. This unfilled position was noted as a material weakness in the Mission's FMFIA.</li> <li>• Implementing agreements and contracts initiated in Washington do not appear on the Mission Accounting and Control System (MACS) of the DRC, which is run through USAID/Regional Economic Development Support Office in Nairobi.</li> <li>• There is no cashiering function at USAID. The embassy cashier provides any necessary services.</li> <li>• For those implementing agreements initiated in Washington, unliquidated obligations were not reviewed as required by ADS 621.</li> <li>• For those implementing agreements initiated in Washington, computation of accruals was not performed.</li> <li>• An assessment of management controls was not properly performed as required by the FMFIA of 1982. Throughout the discussion area of this report, we have noted material weaknesses that were not disclosed in the Mission's FMFIA. For example, the lack of data assessments performed and no performance monitoring plan both constitute material weaknesses that should have been disclosed.</li> </ul>	

Unliquidated obligation reviews were not performed for several implementing agreements that were issued out of USAID/Washington and are currently not accounted for on the Mission's MACS, which is maintained by REDSO. Mission officials stated that for these documents, no contact with Washington personnel had been made regarding unliquidated obligation reviews, which are required by ADS 621. These financial management procedures cannot be done accurately in USAID/Washington without input from the Mission activity managers. Therefore, unliquidated balances that were no longer needed may not have been identified and used for other purposes. Mission personnel stated that, for the Mission agreements maintained on the MACS in Nairobi, personnel from REDSO assisted Mission staff in conducting the required reviews.

An additional financial control weakness concerned several implementing agreements that were issued out of USAID/Washington. Mission officials stated that for these documents, no contact with Washington personnel had been made regarding the computation of accruals, which are required by ADS 631. These financial management computations cannot be done accurately in USAID/Washington without input from the Mission activity managers. Therefore, reported expenditures may have been understated and financial results inaccurately reported. Mission personnel stated that, for the Mission agreements maintained on the MACS by REDSO, personnel from REDSO assisted Mission staff in computing the necessary accruals.

**Office of Foreign Disaster Assistance (OFDA)**

Even though the Mission is not directly involved in the management of the OFDA program, we included the function in our survey and performed a risk assessment of the program since the funding is a part of the USAID-financed assistance to the DRC.

Function Description	Risk Exposure
<b>Office of Foreign Disaster Assistance</b> – provides immediate assistance to promote livelihoods	High
<b>Risk Assessment Factors</b>	
<ul style="list-style-type: none"> <li>• The OFDA budget for FY 2002 is estimated to be as high as \$29 million.</li> <li>• OFDA programs are managed through USAID/Washington in conjunction with two OFDA employees posted in Kinshasa.</li> <li>• The political situation of the country is fluid, with part of the country still rebel-held.</li> <li>• Programs take place throughout the country. The infrastructure has deteriorated so much that planes are the only way to access some parts of the country.</li> <li>• Some project sites have been attacked and robbed resulting in losses to the program.</li> </ul>	

The OFDA program in the DRC has a sizeable budget of around \$29 million. The programs funded with this amount are managed through USAID/Washington with two OFDA representatives posted in Kinshasa. The representatives spend a majority of their time in the field performing site visits of the projects. The sites are selected on a sample basis, as visiting all locations would not be possible. Site reports, which range from a short informal email to an extensive report, are sent to Washington

summarizing the trip. The representatives do not get involved in the financial management of the program such as obligations and accruals.

## Conclusion

We examined the risk associated with the various aspects of the USAID/Democratic Republic of the Congo (DRC) mission. The table below summarizes the findings.

Function	Risk Exposure		
	High	Moderate	Low
Child Survival and Health Activities	✓		
Democracy and Good Governance	✓		
Environmental Activities	✓		
Program Office	✓		
Executive Office		✓	
Controller's Office	✓		
OFDA	✓		

Risk in the executive office was assessed as moderate due to the minimal operating budget in conjunction with the experienced personal services contractor. In general, all other functions were assessed as high-risk due to the situation of the mission and related programs, in addition to the situation of the country. The mission does not have a set of mission orders or a performance monitoring plan, and the assessment of internal controls as required by the Federal Managers' Financial Integrity Act was not properly performed.

The country itself is in a volatile situation with parts occupied by rebel armies. Some project sites have been robbed, and planes carrying supplies to Mission programs have been shot at.

Overall the risk exposure associated with USAID/DRC is considered high based on the results of this risk assessment.

The Mission fully concurred with the risk assessments made.

**Scope and  
Methodology**

**Scope**

The Office of the Regional Inspector General in Dakar conducted this risk assessment to gain an understanding of the programs and activities of USAID/Democratic Republic of the Congo (DRC). This was not an audit and does not contain any formal recommendations. The risk assessment was conducted at USAID/DRC from May 20-31, 2002 with fieldwork taking place in Kinshasa, Mampu, and the Sona Bata region.

**Methodology**

To perform this risk assessment, we interviewed USAID/DRC and USAID/Office of Foreign Disaster Assistance (OFDA) personnel and examined documentation to obtain an understanding of the mission's portfolio and activities. We assessed the controls at the mission level to determine if they were adequate and working as designed. We also interviewed the personnel of the implementing partners for these activities to assess their controls to determine if they were adequate. As a result, we assessed individually the level of risk (low, moderate, or high) for the major activities of the mission.

The risk assessment focused on fiscal year (FY) 2001 data and, as necessary, FY 2000 and 2002 data.

Given the broad scope of the programs and the limited review envisioned for such activities, the risk assessment was designed to assess the vulnerability within certain focus areas.

The general methodology for the survey included the following:

1. Reviewed applicable laws, regulations, policies, and guidance.
2. Met with USAID/DRC officials to gain an understanding of the breakdown of responsibilities and monitoring of programs. Assessed what controls were being used for the various programs.
3. Performed site visits with cooperating sponsors. Determined if the controls were in place and working as intended for the focus areas.

**Management  
Comments:**

September 27, 2002

To: Mr. Lee Jewell, RIG/Dakar

From: Anthony Gambino, Mission Director  
USAID/DRC /s/

Subject: Survey of USAID-financed Assistance to the  
Democratic Republic of the Congo

I appreciate the opportunity to respond to the RIG/Dakar survey report on USAID-financed Assistance to the Democratic Republic of the Congo.

The Mission fully concurs in all of the findings included in the survey report. The timing of the draft report issuance is very opportune as it coincides with the current review under way within the Mission in preparation for its submission of the Annual Mission Director's Certification in accordance with the Federal Managers Financial Integrity Act (FMFIA).

As noted in the draft report, the Mission is currently in the midst of developing a new five-year strategy, which will be reviewed in USAID/W in December 2002. This new strategy, if approved, could lead to a significant increase in USAID resources to the Democratic Republic of the Congo. Prior to fully committing increased resources, the Mission must be able to demonstrate to USAID/W that work is under way to establish procedures/controls within the Mission to allow us to adequately monitor activities and accurately report on funds allowed to USAID/DRC.

The Mission concurs in the RIG overall assessment that the risk exposure for USAID/DRC is "high." Given our difficult operating environment, we believe it is unlikely that we will be able to lower the risk level in the immediate future. We do believe, however, that with the introduction of appropriate procedures and

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implementation of better controls, many of which were identified in the RIG survey report, we will be positioned to better manage the risk.

The Mission recently appointed a Mission Management Control Review Committee (MMCRC). This committee is currently focusing on a review of Mission procedures and controls - both administrative and program - in accordance with the requirements of the FMFIA. To assist them in their review, a copy of the RIG draft survey report was provided to each MMCRC member. In addition to identifying and reporting material weaknesses to USAID/W, I have tasked the MMCRC with developing a work plan which will establish a schedule for implementation during FY 2003 of procedures and controls, identified by the MMCRC, aimed at improving the Mission's ability to better manage risk.

As you are aware, the Mission recently received approval from USAID/W to increase our USDH staffing levels from three to five. We have currently identified a candidate for one of these new positions. In addition, our General Development Officer position, which had been vacant for one year, was filled in August. We anticipate the arrival of our Democracy and Governance Officer during the 1<sup>st</sup> quarter of fiscal year 2003. We have yet to identify a Controller but the position is advertised in the current bidding cycle. Until a USDH Controller arrives, the Mission will continue to contract with a retired Controller to ensure the Mission has adequate on-site financial management. These experienced officers are key to implementation of our Mission Program. Many of our current staff (American and Congolese) are relatively new to USAID. I believe with the arrival of additional experienced USAID officers, the Mission will have the resources required to not only implement the needed procedures and controls but provide our current staff the necessary training to ensure continued Mission compliance.

We look forward to working with you and your staff in the future. Your office provides a valuable resource to Mission Management. We intend to draw on that resource often as we move forward with implementation of our new Mission strategy.

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Clearance: N.Jenks, PROG Draft 09/24/02  
J.Mayer, EXO Draft 09/25/02

Drafted by: G.Jenkins, OFM TDY 09/23/02