OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/ANGOLA'S PUBLIC-PRIVATE PARTNERSHIPS FOR DEVELOPMENT

AUDIT REPORT NO. 4-654-12-006-P
FEBRUARY 27, 2012

PRETORIA, SOUTH AFRICA

Office of Inspector General

February 27, 2012

MEMORANDUM

TO: USAID/Angola Mission Director, Teresa McGhie

FROM: Regional Inspector General/Pretoria, Christine M. Byrne /s/

SUBJECT: Audit of USAID/Angola's Public-Private Partnerships for Development (Report No. 4-654-12-006-P)

This memorandum transmits our final report on the subject audit. We have considered management's comments on the draft report and have incorporated them as appropriate. Management comments have been included in their entirety in Appendix II.

This report includes nine recommendations to strengthen the mission's public-private partnerships. Based on management's comments on the draft report, management decisions have been reached on eight recommendations, and final action taken on five. Recommendation 7 remains open. Please provide us with a written response within 30 days on actions planned or taken to implement Recommendation 7. Please also provide the Office of Audit Performance and Compliance Division with the necessary documentation to achieve final action on Recommendations 1, 2, and 4. Recommendations 3, 5, 6, 8, and 9 are closed upon report issuance.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during the audit.

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOTR	agreement officer's technical representative
CFR	Code of Federal Regulations
CLUSA	Cooperative League of the U.S.A.
FY	fiscal year
PMI	President's Malaria Initiative

SUMMARY OF RESULTS

The goal of USAID's public-private partnership model is to have "shared responsibility, joint planning and decision making, new partners and new approaches, shared credit, and an equal or greater ratio of partner funds to USG [U.S. Government] funds."[1] Since 2001, USAID's Global Development Alliance initiative has promoted strategic partnerships between USAID and public and private sector partners as a business model for achieving development assistance objectives. USAID programs get funds to increase the scale of activities and their impact; partners are drawn to these partnerships by matching funds, and USAID's experience in developing countries, credibility, and contacts. Currently, the initiative is led by the Agency's Washington, D.C., Office of Innovation and Development Alliances, which seeks to coordinate partnerships, build capacity in the Agency to develop partnerships, and serve as a single entry point for interested partners.

Since the initiative's inception, USAID has entered into more than 1,000 public-private partnerships with over 3,000 partners to contribute billions in combined public-private resources. USAID/Angola contributed to this initiative by quickly entering into partnerships with international petroleum producers, Angolan banks, Brazilian construction companies, and more. In the beginning, these partnerships were lauded as a new model of partnership with Africa, consistent with USAID's vision and objectives.

In fiscal year (FY) 2011, USAID/Angola reported having four active public-private partnerships—two with Chevron and two with Esso Angola. Three partnerships were selected for this audit and are described in detail below.[2]

Chevron. Under the partnership known as the Angola Partnership Alliance, USAID and Chevron agreed to provide support for programs promoting municipal development, health, education, and economic diversification.[3] The two programs implemented under this alliance are the Agriculture Development and Finance Program (locally branded as ProAgro) and the Municipal Development Program.

ProAgro is implemented by the Cooperative League of the U.S.A. (CLUSA) under a cooperative agreement with USAID that took effect on August 21, 2006. The program seeks to increase market opportunities, improve competitiveness, foster sustainability, and increase benefits derived by those in coffee, banana, and vegetable industries, while creating greater business opportunities and capabilities for small and medium-scale farmers. Originally, the program was to end on August 20, 2011, but a modification extended that date until September 30, 2012. As of September 30, 2011, USAID had contributed $7.8 million to this program (compared with an original estimated amount of $5.4 million), while Chevron had contributed $3 million.

[1] Acquisition and Assistance Policy Directive AAPD 04-16, December 30, 2004.
[2] The Ajuda de Desenvolvimento de Povo para Povo (Development Aid from People to People) Angola Program was not selected for detailed review. This program has received $400,000 from Esso Angola and supports the vocational training of young women in three Angolan provinces.
[3] Though the alliance permits funds to flow directly from Chevron to implementing partners, Chevron has channeled funds first through USAID.

The Municipal Development Program is implemented by CARE under a cooperative agreement with USAID that took effect on July 19, 2006. The goal of this program is to increase the accountability of municipal governments and improve community participation in decision-making and oversight activities. This program was scheduled to end on July 18, 2009, but modifications extended the award until March 31, 2012. As of September 30, 2011, USAID had contributed $12 million to this program (from an original estimated amount of $10.9 million), while Chevron had contributed $2.3 million. An additional $1 million was contributed by Lazare Kaplan International, a diamond manufacturing and distribution company, in 2008. However, this partner later pulled out of the alliance for economic reasons.

Esso Angola. Esso Angola funds USAID projects in Angola through grants from the ExxonMobil Foundation. These grants are then given to USAID as conditional gifts (like the one shown below), with stipulations on which activities should be funded.

As of September 30, 2011, Esso Angola had contributed $4 million to USAID's activities under the President's Malaria Initiative (PMI), which seeks to reduce malaria-related deaths by expanding coverage of prevention and treatment measures. In turn, USAID obligated, or is in the process of obligating, these contributions to PMI activities in its health portfolio. This audit focused on PMI activities under World Learning's Civil Society Strengthening Program, to which USAID had obligated $1.8 million of Esso Angola's contributions and contributed $10.6 million of its own funding as of September 30, 2011. The program began on July 10, 2006, and was to be completed on December 31, 2011. The PMI activities under this program focus on the training and supervision of health-care workers.

Esso Angola has used the presentation of large checks to promote the visibility of its partnership with USAID. (Photo by Office of Inspector General, September 2011)

The Regional Inspector General/Pretoria conducted this audit to determine whether the selected USAID/Angola public-private partnerships were achieving their development goals. The audit determined that:

- Selected partnerships did not achieve their development goals (page 5). For example, (1) CLUSA did not increase access to bank loans for its beneficiaries, because bank requirements for credit were insurmountable; (2) CARE did not meet all objectives to improve relationships and working models between municipal governments and their communities because of inadequate staffing, delays by provincial and municipal governments, and cancellation of subpartner development workshops because of noncompliance; and (3) PMI attempts to expand malaria prevention and treatment coverage in Angola through training and supervision were not sustainable at the end of the program.

- Partners did not benefit from partnerships as anticipated (page 8). The Global Development Alliance model for public-private partnerships notes that a well-constructed partnership furthers the objectives of the USAID mission while benefiting the interests of all partners. However, USAID/Angola did not plan partnerships to maximize potential benefits and minimize risks by (1) incorporating contingency plans into the memorandums of understanding and awards, to minimize the impact of partner shortfalls; (2) tracking contributions to measure partnership benefits; and (3) having a joint monitoring plan to optimize use of private partner resources and promote good partner relations.

Additionally, the audit disclosed the following:

- USAID/Angola did not meet performance management requirements in several areas (page 10). Agreement officer's technical representatives (AOTRs) are designated by the agreement officer to be responsible for monitoring the recipient's progress in achieving program objectives and for verifying that the recipient's activities being funded by USAID conform to the terms and conditions of its award. However, AOTRs did not (1) conduct regular site visits to all program locations in order to monitor recipients, (2) properly document site visits done, (3) perform required data quality assessments on reported performance indicators, (4) ensure timely reporting by implementing partners, or (5) maintain adequate files of program documents.

- USAID did not ensure that program costs were adequately reviewed (page 12). The Municipal Development Program was awarded to CARE on condition that the funds be administered in accordance with the terms and conditions set forth in the Code of Federal Regulations (22 CFR 226, "Administration of Assistance Awards to U.S. Non-Governmental Organizations") and other regulations. However, CARE Angola's financial management practices included several resisted attempts by CARE to get inappropriate cost approvals, and findings of questioned costs of $24,681 in the CARE Angola Municipal Development Program in a prior A-133 audit. Further, USAID determined in October 2010 that $1.7 million in costs related to a CARE Angola program implemented from 2003 to 2005 were unallowable—facts that if promptly shared by the Agency might have disqualified CARE from getting further incremental funding.

- USAID/Angola did not monitor branding and marking (page 14). Ensuring that the American people are recognized appropriately for their generosity in funding U.S. foreign assistance has been a long-standing U.S. Government objective. Further, both Chevron and Esso Angola listed visibility as a key reason for entering into partnerships with USAID. However, the AOTRs were not monitoring implementing partners' adherence to branding and marking plans. As examples, (1) ProAgro's technical documents, such as baseline studies, market studies, and subsector analyses, were not branded with appropriate logos on the cover page; (2) nothing to promote the source of funding was at a CARE civil society conference the audit team attended; and (3) neither a USAID nor a Chevron logo was visible on program vehicles, as stipulated in the program's branding and marking plan.

To help address these areas, the report recommends that USAID/Angola:

1. Designate an individual who is responsible for spearheading the mission's efforts to build and manage strategic partnerships and for maintaining the mission's relationship with the Office of Innovation and Development Alliances (page 10).

2. Review Mission Order 203 and update it to address performance management and evaluation requirements, including alternative monitoring activities to mitigate security constraints (page 12).

3. Remind staff members, in writing, of their responsibility to comply with Mission Order 203, until such guidance is superseded (page 12).

4. Develop and implement a strategy for addressing performance management requirements, given the human resources challenges the mission faces (page 12).

5. Remind CLUSA, in writing, of its responsibility to report on progress toward its results, including reporting on its performance indicators quarterly (page 12).

6. Remind AOTRs, in writing, of their responsibility to maintain adequate files (page 12).

7. Contract an independent accounting firm to conduct an agreed-upon procedures engagement[4] of the Municipal Development Program's expenditures (page 14).

8. Through the agreement officer, remind CARE Angola, in writing, of its obligation to retain records supporting program expenditures for at least 3 years (page 14).

9. Remind staff members, in writing, of their responsibilities to verify that implementers adhere to branding and marking requirements, in accordance with Automated Directives System (ADS) Chapter 320 (page 15).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are included in their entirety in Appendix II, and our evaluation of management comments is included on page 16 of the report.

[4] This means contracting with a firm to report on the results of specific procedures requested by the mission.

AUDIT FINDINGS

Selected Partnerships Did Not Achieve Development Goals

The audit focused on the partnerships supporting the following three programs.

ProAgro. In a 2009 memorandum of understanding, USAID, Chevron, and CLUSA committed to help Angola diversify its economy by revitalizing small- and medium-scale commercial farming and promoting agricultural development that is environmentally friendly, socially just, and economically sustainable. Accordingly, the goal of ProAgro is to increase market opportunities, improve competitiveness, foster sustainability, and increase benefits to those in coffee, banana, and vegetable industries, while creating greater business opportunities for and expanding the capabilities of small and medium-scale farmers. The strategies to achieve this goal include expanding, reinforcing, and improving agriculture-related technical assistance; strengthening and supporting farming cooperatives; helping producers access loans; and facilitating supplier and distributor relationships. To beneficiaries, access to bank loans is perhaps the most important strategy; several noted that without bank loans, they were unable to implement or take advantage of some of the program's other activities because they did not have the money to do so.

ProAgro was to end on August 20, 2011. However, unforeseen events, such as visa delays and health problems for program personnel, led to $2 million dollars remaining in the program budget. With the remaining budget, the mission extended the program until September 30, 2012, because the program had not yet achieved its goals. Reasons included limited availability and high prices of agricultural inputs and equipment, which hindered production of bananas and vegetables, and some individual cooperatives' lack of capacity to provide needed services. The program also had trouble expanding access to bank loans because of the inability of producers to meet bank requirements. Consequently, while the program reported assisting a greater number of organizations and had many more beneficiaries than planned, key indicators of success fell behind. For example, in FY 2010, the program had a target of helping producers get $4.1 million in loans but reported loans amounting to only $928,537. In addition, total sales by producers, targeted at $9.8 million, ended up at only $748,806 for the year.[5] With the extension, the program planned to incorporate new approaches and pursue the interventions that have shown the most success.

Municipal Development Program. Under the Angola Partnership Alliance, USAID and Chevron agreed to provide support for programs promoting municipal development, health, education, and economic diversification. Under this partnership, they support the Municipal Development Program, which seeks to improve relationships and working models between municipal governments and their communities. For example, to improve relationships, the program has established development forums, which help set the agenda for meetings between civil society organizations and municipal governments. To improve working models, the

[5] Because the program did not report on its performance indicators in the second or third quarters of FY 2011 (discussed on page 11) and because site visits were limited for security reasons (explained in the Scope and Methodology section), the audit's data validation procedures were too limited to allow a conclusion on the accuracy of the reported results.

program has helped create community-driven needs assessment tools, known as profiles, for targeted municipalities; the profiles will feed into future integrated development plans. At the time of fieldwork, this model was being considered by the Ministry of Territorial Administration for the rest of Angola's municipalities. The program has also developed tools to facilitate planning and started work on other key deliverables such as a finance and budget manual for municipalities' use. To put their improved relationships and models into practice, municipalities have received small grants for implementing microprojects, such as rehabilitating schools or building water pumps.

However, the program did not meet all scheduled objectives. For example, key deliverables, such as the finance and budget manual mentioned above, were not completed because of insufficient program staffing. In addition, due to delays created by the municipal and provincial governments, activities such as the selection and prioritization of microprojects were delayed, meaning that projects were not implemented in some communities. Further, the cancellation of a subpartner agreement with Development Workshop (a nongovernmental organization), for nonperformance with agreement terms, directly delayed completion of the municipal profile in the affected municipality and delayed activities in other municipalities because of the resulting, unplanned work for CARE Angola.

While program officials reported that the numbers of beneficiaries and activities were generally as planned in FY 2011,[6] delays prevented the program from achieving its intended outcomes, such as demonstrating the value of an inclusive process to communities through the completion of microprojects. Therefore, the program, which was scheduled to end on July 18, 2009, was extended multiple times and is now scheduled to end on March 31, 2012, so that the approximately $1.4 million remaining in the budget can be used.

PMI Activities Under the Civil Society Strengthening Program. Esso Angola, through the ExxonMobil Foundation, donated funds to USAID to support the mission's ongoing efforts to prevent and treat malaria in Angola. Some of these funds were obligated to PMI activities under the Civil Society Strengthening Program, which sought to strengthen the capacity of health-care workers to treat malaria through trainings and supervisory visits. As reported by World Learning, the program trained 5,003 people in the first three quarters of FY 2011—already achieving 103 percent of the annual target.[7]

However, with the program ending on December 31, 2011, there was no indication that the trainings and supervisory visits resulted in a sustainable expansion of malaria prevention or treatment coverage. When asked about sustainability, officials from USAID and World Learning indicated that more donor funding was needed for continued benefits from the program. This was because of (1) high turnover in the health-care field, as trained employees leave for better paying jobs, (2) cultural reluctance by trained employees to share their knowledge with fellow employees, (3) reluctance on the part of officials from the Ministry of Health to engage in joint training or supervision because they were not incentivized to do so, and (4) the program's lack of focus on preparing individuals to continue training and supervision activities on their own.

[6] Because of security restrictions (discussed in the Scope and Methodology), the audit was able to perform only limited validation procedures on the Municipal Development Program's reported results. However, those procedures did not uncover any significant discrepancies.
[7] Because of security restrictions (discussed in the Scope and Methodology), the audit was unable to validate the reported data.

Factors outside the mission's control or interest, such as the availability and prices of agricultural inputs, dependence on local governments, and the cultural norms described above significantly affected the three partnerships' ability to achieve their planned goals and objectives. However, according to USAID's ADS, missions must consider factors such as these in planning,[8] and missions must make adjustments in tactics when conditions warrant.[9] USAID/Angola was not poised to do this, because of the human resources challenges discussed below. As a result, the effectiveness of U.S. Government resources dedicated to growing and diversifying the economy, promoting good governance, and combating malaria in Angola—a key U.S. strategic partner in Africa—was jeopardized.

Angola, now 7 years into stable peace, still presents extraordinarily difficult living conditions following decades of civil strife.[10] As a result, USAID has had difficulty filling its U.S. direct-hire positions in-country. Additionally, due to the hard conditions, the mission has struggled to keep employees in Angola for their full 2-year tours. Since mid-2005, four officers have curtailed their tours, some after only 9 or 10 months. To illustrate, USAID/Angola is authorized to have nine U.S. direct hires—a mission director, a program officer, a general development officer, a health officer, a democracy and governance officer, an education officer, and three employees hired under the Development Leadership Initiative.[11] However, since June 2005, the mission has never had its full complement of U.S. direct-hire staff. At the time of the audit, for example, the mission director was preparing for his imminent departure; the program officer position, vacated by someone who curtailed his tour, was filled by a contract employee with a 4-month term; the general development officer had curtailed her tour 4 months earlier; the health officer was preparing for an imminent and early departure; the democracy and governance and education positions were vacant; and the three Development Leadership Initiative positions were filled by employees who indicated that they had not attended trainings appropriate for their positions.

The mission has also had difficulty hiring local employees. As of October 6, 2011, the mission had 53 positions. Of the 32 designated for local employees, 12 positions (38 percent) were unfilled. Given the specialized nature of work in the mission and the higher salaries available elsewhere, qualified candidates have been difficult to recruit. The hard living conditions and a Portuguese language requirement also limit the mission's ability to recruit employees from outside the country to fill the local employee positions. For example, the position in the program office for a monitoring and evaluation specialist has been advertised twice, but a suitable candidate has not been identified.

Because the selected partnerships are nearing the end of their agreements and because the mission has already taken steps to address its human resources challenges (including discussing the matter with the Africa Bureau in Washington, D.C.), the audit makes no recommendations.

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[8] Such factors are examples of critical assumptions, which ADS 201.3.8.3 defines as outside the control or influence of USAID and its partners but likely to affect the achievement of results. Critical assumptions are one of the required elements of a results framework—a required planning, communications, and management tool.

[9] ADS 202.3.6.3.

[10] The U.S. Department of State has designated Luanda, Angola's capital, as a hardship differential post, which provides staff with a differential of 25 percent over basic compensation.

[11] The Development Leadership Initiative was launched in 2008 to focus on hiring junior Foreign Service officers across all occupational categories as well as midlevel officers in critical categories. At USAID/Angola, these developmental positions are to be eliminated when the incumbents leave in 2012.

Partners Did Not Benefit as Anticipated

The Global Development Alliance model for public-private partnerships notes that a well-constructed partnership furthers the objectives of the USAID mission while benefiting the interests of all partners. The advantage of such a partnership lies in having a significant and sustainable impact on a particular development challenge. However, USAID/Angola did not plan partnerships to maximize potential benefits for itself and its partners, as discussed below.

Partnerships Did Not Minimize Risk and Maximize Benefits to USAID. Partners should share resources and risks, and USAID's public-private partnership model is designed to allow USAID to leverage resources in at least a 1:1 ratio from private sector partners to achieve the mutual goals of the partnership. Resources may include cash donations or in-kind contributions such as commodities, the value of time donated by technical consultants, intellectual property rights, or the use of facilities.

However, USAID/Angola did not design partnerships so that risks were shared. Specifically, the mission did not incorporate contingency plans into memorandums of understanding and awards to minimize impact on program implementation when contributions from private sector partners fall short. This is important because program awards are between USAID and the implementing partner, meaning that USAID programming is at risk when funding from private sector partners does not come through. For example, Lazare Kaplan International, an original partner in the alliance supporting the Municipal Development Program, pulled out of the alliance in 2008 for economic reasons. Without this partner's support, USAID did not have funding to continue activities, and the program had to curtail its activities in Lunda Norte Province, after forfeiting costs already incurred.

Additionally, in-kind contributions from private sector partners to the selected programs were not planned for, existed only in limited cases, and were not systematically tracked. For example, Chevron has provided private aircraft to fly USAID employees to events in Cabinda Province, which is otherwise inaccessible to mission staff because of travel restrictions (discussed on page 12). However, because this type of contribution was not planned for, logistical requirements such as approval from both parties' legal departments became too onerous, and both parties expressed hesitancy to engage in similar activities in the future. By not considering in-kind contributions, however, USAID/Angola is missing opportunities to leverage nonmonetary resources from its private sector partners that could help address the mission's performance management deficiencies (discussed on page 10). For example, delegation of monitoring activities to private sector partners, or use of private sector partners' resources for transportation (if properly planned for) could help address the mission's poor site visit record. Also, additional public events organized by private sector partners could help increase awareness of these jointly funded activities, mitigating deficiencies in the programs' branding and marking plans (page 14).

Because in-kind contributions by private sector partners to the selected programs existed only in limited cases and were not systematically tracked, monetary contributions are the best measurement of the selected partnerships' benefit to USAID/Angola—and therefore to the Agency's development goals. However, the audit calculated that these contributions were significantly below the target ratio of 1:1 established in USAID's public-private partnership model. For example, as of September 30, 2011, USAID had contributed $7.8 million to ProAgro and $12 million to the Municipal Development Program at the same time that Chevron had contributed $3 million and $2.3 million,[12] respectively. For PMI activities under the Civil Society Strengthening Program, USAID contributed $10.6 million, while it obligated $1.8 million of Esso Angola's PMI contributions to the program.

With the potential for disruptions to program implementation, limited in-kind contributions, and monetary contributions significantly below USAID's target ratio of 1:1, the audit concludes that USAID/Angola did not plan partnerships to minimize risk and maximize benefits. Although contingency plans and the tracking of in-kind contributions are not currently USAID requirements, the Office of Innovation and Development Alliances has recognized their importance, and guidance will be forthcoming.

Partnerships Did Not Provide Sufficient Information to Private Sector Partners. A 2008 evaluation of the Global Development Alliance initiative noted that business partners are faced with increasing internal and external pressure to demonstrate impact, as corporate social investments become increasingly competitive and external stakeholders demand greater transparency.[13] This position was supported by the private sector partners involved in the selected programs, and as a result, these partners want robust, systematic monitoring and evaluation systems. To this end, USAID/Angola Mission Order 203 notes several requirements for public-private partnerships, such as the need for "joint monitoring plans." These would address both USAID/Angola's monitoring objectives and needs and the private sector partner's objectives and needs, which may be over and above USAID's basic requirements. For example, these partners may want more financial information on programs than USAID typically collects, or partners may want summary information on an initiative (such as PMI) provided quarterly, whereas USAID's guidelines call for this information to be compiled annually.

However, none of the selected partnerships had joint monitoring plans in place. While some of the selected partnerships recently and informally documented the parties' roles and responsibilities, none had a formal document outlining which program activities would be monitored and reported on, and with what frequency.

Relationships with private sector partners are jeopardized, and future funding is at risk, when the partners do not have access to the monitoring and evaluation information they believe they need to account properly for shareholder funds. At USAID/Angola, these partners' attempts to obtain such information on an ad hoc basis have further stressed the mission, which is already facing resource constraints. For example, Esso Angola requested quarterly reports showing the results of the mission's PMI activities. To respond to this request, USAID's health office needed to compile data from multiple implementing partners; therefore, the request created unanticipated work for the mission's health team, which the team was not prepared to handle on a recurring basis.

[12] Lazare Kaplan International contributed an additional $1 million to the Municipal Development Program, bringing total private sector contributions to $3.3 million.

[13] *Evaluating Global Development Alliances: An Analysis of USAID's Public-Private Partnerships for Development,* accessed on January 6, 2012, at http://idea.usaid.gov/sites/default/files/attachments/Evaluation%20reformatted%2010.29.08.pdf.

The mission's poor partnership planning has two main causes:

- The mission has not had consistent champions for the Agency's alliance initiative. Turnover in the mission's program office, and even at the mission director level, led to differing levels of alliance interest—and therefore guidance and involvement—in the initiative during these partnerships. Officials at Chevron, Esso Angola, and the USAID mission all noted that the selected partnerships were not as successful as they once were because there had been less focus on the parties' relationships in recent years.

- The Office of Innovation and Development Alliances updates its requirements, guidance, and best practice publications periodically. This means that at the time these partnerships were created USAID/Angola officials did not have the resources they have now and explains why the partnerships were not planned according to current best practice—for example, having contingency plans in place.

To improve the mission's future activities as part the Agency's alliance initiative, the audit makes the following recommendation.

> ***Recommendation 1.*** *We recommend that USAID/Angola designate an individual, in writing, who is responsible for spearheading the mission's efforts to build and manage strategic partnerships and for maintaining the mission's relationship with the Office of Innovation and Development Alliances.*

USAID/Angola Did Not Meet Performance Management Requirements

AOTRs are designated by the agreement officer to be responsible for monitoring the recipient's progress in achieving program objectives, and for verifying that the recipient's USAID-funded activities conform to the terms and conditions of its award. To provide mission-specific guidelines and assign responsibilities for performance management and evaluation, USAID/Angola signed Mission Order 203 on December 15, 2008.

However, USAID/Angola's AOTRs were not meeting their performance management requirements in several areas:

- Mission Order 203 states that program teams are responsible for monitoring recipients and verifying the accuracy of their reported results by conducting regular site and field visits. However, the mission has been unable to conduct regular site visits to all program locations to monitor recipients to its satisfaction. For example, the Municipal Development Program currently has activities in Bié, Cuando Cubango, Cabinda, and Huambo Provinces, but the AOTR reported that he has been unable to visit Cuando Cubango and Cabinda, despite his desire to do so, because of human resources challenges and security restrictions.

- Mission Order 203 contains a standardized site visit form to facilitate the documentation of site visit results. While this form's use is not required by the mission order, none of the selected programs took advantage of this tool, nor did they have an alternate system for maintaining systematic, organized, and accessible site visit checklists or reports. The AOTRs for ProAgro and Municipal Development Program maintained notes from their site visits only in handwritten form. Site visit reports for the PMI activities under the Civil Society Strengthening Program were available on the mission's shared drive, but these reports did not follow a standard format. Not only was standardized documentation lacking, but the breadth and depth of the site visits also varied in areas such as data validation.

- Mission Order 203, in reference to ADS 203.3.5, requires that performance indicators must have a data quality assessment at least once every 3 years to ensure that the mission is aware of the strengths and weaknesses of the data and the extent to which it can be relied on to make management decisions. However, the Municipal Development Program is past due for a data quality assessment, and the mission could not locate the results from the previous assessment (which auditors were told happened in 2008).[14] Additionally, in the most recent ProAgro data quality assessment, the AOTR reviewed how implementing partner data was stored and collected, but did not compare central office records to records kept at field sites (a step recommended by ADS 203.3.5.3), limiting the effectiveness of the assessment.

- Mission Order 203 states that implementing partners are responsible for "providing timely quarterly reports and work plans that clearly present baseline, target, and actual results for the reporting period and the fiscal year." However, CLUSA did not report on indicator results from ProAgro to USAID in the second or third quarter of FY 2011, and the USAID/Angola AOTR failed to notice that this information was missing.

- One of an AOTR's responsibilities, as outlined in the designation letter that each AOTR signs, is to establish and maintain an adequate AOTR file, which should include a copy of the agreement and all modifications and correspondence with the recipient. However, USAID/Angola was slow to provide information to the audit team and often had to defer to the implementing partner or the regional office to supply requested information such as agreement modifications, branding and marking plans, and monitoring and evaluation plans. This pattern indicates that the AOTR files were not well maintained.

These deficiencies can be attributed to a few primary causes:

- Mission personnel were unfamiliar with the guidance in Mission Order 203. Some mission staff, such as the ProAgro AOTR, had never read the document. Additionally, the program office, generally the office responsible for mission orders, was unaware of several of the mission order's requirements.

- Mission Order 203 does not sufficiently address the mission's performance management and evaluation requirements. For example, while it includes a standardized site visit form to facilitate consistent site visit procedures, it does not require its use.

- As described above, USAID/Angola is plagued by human resources challenges, which affected its performance management activities. For example, a monitoring and evaluation position in the mission's program office has been vacant for several years, delaying data quality assessments. Additionally, AOTRs transfer in and out of this mission frequently, and responsibilities are not adequately transferred between the outgoing and incoming staff.

[14] The AOTR for the Municipal Development Program told us that a data quality assessment was scheduled after fieldwork, in November 2011.

Current AOTRs further noted that they do not have sufficient time to review program activities, given their multiple responsibilities.

- The mission order is setting unrealistic standards given the current mission environment by not discussing alternative monitoring activities. For safety reasons, the U.S. Embassy has restricted air travel on commercial carriers in Angola for U.S. Government employees. This restriction alone makes certain areas of the country, such as the northern province of Cabinda, essentially inaccessible to mission staff. Further, in a country with great distances and poor infrastructure, it can take many hours, if not days, to reach activity sites in the far regions of the country. Since the U.S. Embassy also mandates that two vehicles be dispatched for trips outside greater Luanda, justifying the use of vehicles for routine site visits becomes difficult with the limited pool of shared vehicles for U.S. Government use.

As a result, USAID/Angola is unlikely to discern when implementing partners are not performing against the terms of their cooperative agreements. For example, the audit team noted that the program used inconsistent criteria to record when a loan is distributed, something the AOTR had failed to uncover in his data quality assessment. The audit team also found multiple instances of noncompliance with branding and marking requirements (discussed on page 14).

To correct this, the audit makes the following recommendations.

Recommendation 2. *We recommend that USAID/Angola review Mission Order 203 and update it to address performance management and evaluation requirements, including alternative monitoring activities to mitigate security constraints.*

Recommendation 3. *We recommend that USAID/Angola remind staff members, in writing, of their responsibility to comply with Mission Order 203, until such guidance is superseded.*

Recommendation 4. *We recommend that USAID/Angola develop and implement a strategy for addressing performance management requirements, given the human resources challenges the mission faces.*

Recommendation 5. *We recommend that USAID/Angola remind the Cooperative League of the U.S.A., in writing, of its responsibility to report on progress toward its results, including reporting on its performance indicators quarterly.*

Recommendation 6. *We recommend that USAID/Angola remind agreement officer's technical representatives, in writing, of their responsibility to maintain adequate files.*

USAID Did Not Ensure Program Costs Were Adequately Reviewed

The Municipal Development Program was awarded to CARE on condition that the funds be administered in accordance with 22 CFR 226, and by extension with Office of Management and Budget Circular No. A-122, which establishes principles for determining costs.

However, several issues call into question the appropriateness of CARE Angola's financial management practices:

- The CARE 2008 A-133 audit identified $24,681 in questioned costs related to the Municipal Development Program, as well as numerous compliance and internal control deficiencies in CARE's Angola office.[15]

- Recent A-133 audit reports discuss irregularities in a previous program, implemented by CARE Angola, from March 2003 to September 2005 under an award from USAID/Washington. USAID determined in October 2010 that $1.7 million in costs related to this program were unallowable; CARE is appealing the determination.

- There is evidence that CARE Angola mismanaged funds from another international donor, to which it is now indebted.

- Key officials with financial management responsibilities in the CARE Angola office have resigned, reportedly because of management issues.

- The AOTR made surprise visits to the CARE Angola office, noting the absence of key officials. As a result, the AOTR was able to have the portion of one official's salary that is charged to USAID reduced from 60 percent to 20 percent (though this reduction was not taken retroactively).

- An official from CARE Angola requested permission to charge costs to the program that were incurred prior to the implementation of program activities. The AOTR denied these direct charges, at which point the CARE official suggested that these costs would be used as part of the program's cost-sharing contributions. The AOTR questioned this, too, and the official dropped the request.

- On June 13, 2011, CARE Angola submitted a request to extend the Municipal Development Program by 6 months. The budget submitted with this request contained no notes, although it reflected major changes, including the elimination of the chief of party position after 3 months and the creation of a new adviser position. After requiring several changes to the request, the AOTR agreed to this extension on September 7, 2011.

Although the AOTR has taken steps to review CARE's budgets and approval requests carefully, he believes his purview regarding program finances is limited because the program is funded under one of several cooperative agreements with a U.S.-based organization operating on a global letter of credit.[16] The mission officials to which he previously raised concerns about CARE Angola's financial management shared his belief. Therefore, when the AOTR raised the same concerns to the USAID agreement officer (who is not in the mission but in

[15] An A-133 audit is required of U.S. nonfederal entities that spend more than $500,000 of federal funds in a year. This type of audit generally covers all of an entity's operations. It validates that the financial statements are presented fairly; reviews internal controls; and ensures compliance with laws, regulations, and award terms. The Municipal Development Program was one of multiple federal awards included in this audit's sample population. For this award, the total value of 2008 expenditures tested was $1.7 million.

[16] USAID uses letters of credit to provide payment advances to qualifying entities that must report on actual disbursements within a specified period. When feasible, all of an entity's advance funding is consolidated into a single letter of credit. As a result, advances to CARE for its Angola program are commingled at headquarters with advances for all its other USAID programs worldwide.

USAID/Southern Africa's Office of Acquisition and Assistance), he did not specifically request further review of the partner's financial and administrative practices. Additionally, none of the cognizant officials— the AOTR, officials in the financial management office, and officials in the Office of Acquisition and Assistance—had ever reviewed the implementing partner's A-133 reports. The AOTR and the financial management office never received copies of the reports, and although Office of Acquisition and Assistance officials have access to a repository of A-133 reports, they failed to review them before the most recent CARE Angola agreement modification, as they typically would; they said the failure was the result of an oversight.

Further, officials at USAID/Angola (and its regional support office, USAID/Southern Africa) were unaware of the problems in the earlier program at the time the current award was made in July 2006 and remained unaware through the end of fieldwork. They were unaware because the earlier award was made from USAID/Washington, and there is no evidence that USAID/Washington and USAID/Angola were ever in contact regarding CARE Angola.

As a result, funds provided by Chevron and U.S. taxpayers have been put at risk by CARE Angola. Therefore, the audit makes the following recommendation.

> ***Recommendation 7.*** *We recommend that USAID/Angola contract an independent accounting firm to conduct an agreed-upon procedures engagement of the Municipal Development Program's expenditures.*

Because program activities are set to end on March 31, 2012, to ensure that program records are available for the recommended engagement, the audit also recommends the following in accordance with CFR 226.53, "Retention and access requirements for records," which requires the retention of pertinent records for 3 years from the date of submission of the final expenditure report.

> ***Recommendation 8.*** *We recommend that the agreement officer for the Municipal Development Program remind CARE Angola, in writing, of its obligation to retain records supporting program expenditures for at least 3 years.*

USAID/Angola Did Not Monitor Branding and Marking

Ensuring that the American people are recognized appropriately for their generosity in funding U.S. foreign assistance has been a long-standing U.S. Government objective. For example, Section 641 of USAID's framework legislation, the Foreign Assistance Act of 1961, codified as amended in 22 U.S.C. 2401, specifies that programs under the act be identified appropriately overseas as "American Aid." More recently, the United States' post-September 11 national security strategy stressed the need for U.S. foreign assistance activities to be identified clearly in host countries as being provided by the United States. USAID's ADS Chapter 320, authorized by the above legislation, guides the Agency's branding and marking activities to help achieve these objectives.

Further, both Chevron and Esso Angola listed visibility as one of the key reasons that they entered into partnerships with USAID.

While each selected program had a branding and marking plan that fulfilled the terms of the program agreement, these plans were not maintained in the AOTR files, and therefore had to be obtained from the implementing partners. This fact alone indicates that the AOTRs were not monitoring implementing partners' adherence to the plans. However, the audit also noted:

- The ProAgro plan noted that technical documents such as baseline studies, market studies, and subsector analyses would be branded with appropriate logos on the cover page. However, some were not. Additionally, participant sign-in sheets from program-sponsored trainings were not branded with the USAID or the Chevron logo.

- Under the Municipal Development Program, there was nothing to promote the source of funding at a civil society conference attended by the audit team, nor was there any signage on a water pump recently installed in a village in Huambo Province under the microproject activities. Further, neither the USAID nor the Chevron logo was visible on program vehicles, as stipulated by the program's branding and marking plan. The plan also stated that both USAID and Chevron logos should appear on the program's quarterly reports, but Chevron's logo was not present on the report for the second quarter of FY 2011. Lastly, USAID-purchased resources at CARE Angola headquarters, such as laptops and printers, were marked with taped-on paper printouts instead of stickers.

Further, there was no indication that the ProAgro branding and marking plan had ever been approved by USAID/Angola,[17] or that any of the plans were updated as changes to programs occurred or waivers were needed. As a result, the audit noted the following:

- The ProAgro plan contained many inaccuracies. For example, it stated that because funding for the program would be contributed equally by USAID and Chevron (which it was not), recognition should also be equal.

- The plan for the Municipal Development Program was not updated after one private sector partner left the partnership in 2008.

- The plan for PMI activities did not mention recognition for private sector partners.

According to officials at USAID/Angola, branding and marking requirements do not receive adequate attention because of the mission's human resources challenges.

Opportunities to increase the public diplomacy benefits of U.S. foreign assistance programs are missed with inadequate branding. Additionally, the relationships with private sector partners will be jeopardized if they believe that the visibility that they receive from being part of these partnerships is insufficient.

Because the selected programs have ended or will soon end, the audit makes no recommendation to review and approve these specific branding and marking plans. However, to help ensure that future partnerships benefit from branding and marking objectives, in addition to Recommendations 2-4 above, the audit makes the following recommendation.

> ***Recommendation 9.*** *We recommend that USAID/Angola remind staff members, in writing, of their responsibilities to verify that implementers adhere to branding and marking requirements, in accordance with Automated Directives System 320.*

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[17] The AOTR for the Municipal Development Program noted that the branding and marking plan for the program had been approved, but was unable to provide the audit team with support.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Angola agreed with all nine recommendations. Management decisions have been reached on eight recommendations, and final action has been taken on Recommendations 3, 5, 6, 8, and 9. Recommendation 7 remains open because the mission has not yet been able to provide a target date for final action. A detailed evaluation of management comments follows.

Recommendation 1. USAID/Angola agreed to assign responsibility for the mission's efforts to build and manage strategic partnerships and for maintaining the mission's relationship with the Office of Innovation and Development Alliances to the monitoring and evaluation specialist position. This position is currently vacant, but the mission expected to fill the position by February 29, 2012. As a result, a management decision has been reached on Recommendation 1.

Recommendation 2. USAID/Angola agreed to update Mission Order 203 by February 29, 2012. As a result, a management decision has been reached on Recommendation 2.

Recommendation 3. On January 12, 2012, USAID/Angola sent an e-mail to mission staff reminding them of their responsibilities to comply with Mission Order 203. Based on management's comments and the supporting documentation provided, a management decision has been reached, and final action taken, on Recommendation 3.

Recommendation 4. USAID/Angola has assigned responsibility for the completion of a strategy to address performance management requirements to the monitoring and evaluation specialist position. This position is currently vacant, but the mission expected to fill the position by February 29, 2012, and said the strategy would be completed once the position is filled. As a result, a management decision has been reached on Recommendation 4.

Recommendation 5. On October 13, 2011, USAID/Angola sent a written reminder to CLUSA of its responsibility to report on progress toward its results. Based on management's comments and the supporting documentation provided, a management decision has been reached, and final action taken, on Recommendation 5.

Recommendation 6. On January 12, 2012, USAID/Angola sent an e-mail to AOTRs, reminding them of their responsibility to maintain adequate files. Based on management's comments and the supporting documentation provided, a management decision has been reached, and final action taken, on Recommendation 6.

Recommendation 7. The mission agreed with the recommendation and designed a contract to conduct an agreed-upon procedures engagement of the Municipal Development Program's expenditures. However, contrary to management's comments, the mission does not have funds available to pay for the engagement, and consequently the responsible agreement officer has not finalized the contract with an independent audit firm. As a result, Recommendation 7 is still without a management decision.

Recommendation 8. On November 21, 2011, the agreement officer for the Municipal Development Program sent a letter to remind CARE Angola of its obligation to retain records supporting program expenditures for at least 3 years. Based on management's comments and the supporting documentation provided, a management decision has been reached, and final action taken, on Recommendation 8.

Recommendation 9. On January 12, 2012, USAID/Angola sent an e-mail to mission staff members reminding them of their responsibility to verify that implementers adhere to branding and marking requirements. Based on management's comments and the supporting documentation provided, a management decision has been reached, and final action taken, on Recommendation 9.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID/Angola's public-private partnerships were achieving their development goals. Audit fieldwork was conducted from September 19 to October 7, 2011.

In planning and performing the audit, we assessed USAID/Angola's internal controls. Specifically, we reviewed and inquired about the mission's reporting for the Federal Managers' Financial Integrity Act of 1982,[18] which provided detail on the mission's administrative management, financial management, programming, and general control environments. We also obtained an understanding of and evaluated the mission's organizational structure, contracting and assistance processes, monitoring and evaluation procedures, and reporting processes. This included obtaining and reviewing documentation to support mission strategic planning, program solicitation and procurement, the designation of the AOTRs, the completion of data quality assessments, the performance of site visits, the documentation of meetings held with implementing partners, the submission of periodic performance reports, and the scheduling and completion of program evaluations.

USAID/Angola reported having four active public-private partnerships, to which private sector partners had contributed $10.7 million. Using information provided by USAID/Angola, we selected three of these partnerships for detailed review. The three programs selected were CLUSA's Agriculture Development and Finance Program (locally branded as ProAgro), a partnership with Chevron; CARE's Municipal Development Program, also a partnership with Chevron; and PMI activities under World Learning's Civil Society Strengthening Program, a partnership with Esso Angola.[19] As of June 30, 2011, USAID had obligated $38.5 million to these programs, of which $8.1 million came from private sector partners (76 percent of total private sector partner contributions). Supporting documents and correspondence with the private sector partners confirmed these amounts.

We conducted fieldwork in Luanda, where we interviewed key personnel at USAID/Angola, Chevron, Esso Angola, and implementing partners' head offices. Implementing partners

[18] Public Law 97-255.

[19] During audit planning, the audit team did not receive complete information from USAID/Angola on its public-private partnerships. Although the mission indicated that only one program under the PMI umbrella, World Learning's Civil Society Strengthening Program, had received Esso Angola funds, in reviewing financial information auditors discovered another three programs that had received Esso Angola funds. Still, because the PMI activities under World Learning's Civil Society Strengthening Program constituted the largest single program to receive Esso Angola funds (accounting for nearly half the total), the audit team kept the original sample of these programs.

interviewed in Luanda included officials from CLUSA, CARE, and World Learning. We also conducted a teleconference with staff in USAID's Office of Innovation and Development Alliances (formerly known as the Office of Development Partners) in Washington, D.C. Outside Luanda, we performed the following:

- We visited CLUSA's Benguela office and performed site visits at three banana plantations of varying sizes, all beneficiaries of ProAgro.

- We visited the Chicala Cholohanga offices of Save the Children, the subpartner working as part of the Municipal Development Program in Huambo Province. We also visited the site of one microproject and observed a session at a program-sponsored civil society conference.

- We visited the Huambo offices of The MENTOR Initiative, the subpartner responsible for implementing the Civil Society Strengthening Program's PMI activities in Huambo Province. We also visited two health facilities in or near Huambo, where beneficiaries of the program's training and supervision activities worked.

Audit activities outside Luanda were limited by the same security and travel restrictions faced by the mission (described on page 12).

Methodology

To answer the audit objective, we first obtained information to understand USAID's requirements and guidance for the implementation of public-private partnerships. Specifically we reviewed documents available on the Web site for the Office of Innovation and Development Alliances (eventually also conducting a teleconference with this office). We also reviewed applicable laws, best practices, and guidelines specific to the selected programs, including ADS Chapters 201, "Planning"; 202, "Achieving"; 203, "Assessing and Learning"; 303, "Grants and Cooperative Agreements with Non-Governmental Organizations"; and 320, "Branding and Marking."

We then inquired about USAID/Angola's ongoing public-private partnerships and reviewed documentation received in response to the inquiry. We judgmentally selected programs for in-depth review according to (1) total award amount, (2) partner contributions, and (3) start and end dates. The selected programs give us coverage of three of USAID/Angola's four ongoing partnerships.

At USAID/Angola, we met with officials responsible for the selected programs. As applicable, we interviewed the team leaders; AOTRs; activity managers; and officials from the program, human resources, and financial management offices. We conducted these meetings to assess mission personnel's knowledge and implementation of USAID guidance and requirements, and their general familiarity with the selected programs' activities. We reviewed documentation provided by USAID/Angola, such as agreement documents, work plans, and performance reports, to determine the extent to which planned results were being achieved. Testimonial evidence was evaluated in conjunction with other interviews, available documentation, and site visits.

Additionally, to assess whether ProAgro was achieving its development goals, we interviewed officials from CLUSA, the implementing partner responsible for this activity. Through these interviews, we assessed the implementing partner's knowledge and implementation of USAID guidance and requirements. We also reviewed the memorandum of understanding with and interviewed officials from Chevron to gain perspective on alliance activities and assess Chevron's level of satisfaction with the alliance. We compared the program's targets and reported results for its performance indicators, and performed validation by reconciling selected FY 2011 reported results[20] with the field database. And we met with program beneficiaries in Benguela Province to learn their views of the program and assess their awareness of USAID and Chevron's involvement in the program.

As well, to assess whether the Municipal Development Program was achieving its development goals, we conducted interviews with officials from CARE, the implementing partner responsible for this activity, and Save the Children, the subpartner responsible for implementing activities in Huambo Province. Through these interviews, we assessed the implementing partners' knowledge and implementation of USAID guidance and requirements. We reviewed the memorandum of understanding with and interviewed officials from Chevron to gain perspective on alliance activities and assess Chevron's level of satisfaction with the alliance. We also evaluated the program's reported progress on its FY 2011 performance indicators and performed limited validation by comparing reported numbers with source documentation. Further, we visited the site of one microproject and observed a session at a program-sponsored civil society conference to further understand program activities and assess beneficiaries' awareness of USAID's and Chevron's involvement in the program.

Moreover, to assess whether PMI activities under the Civil Society Strengthening Program were achieving their development goals, we conducted interviews with officials from World Learning, the implementing partner responsible for this activity, and The MENTOR Initiative, the subpartner which implements the Civil Society Strengthening Program's PMI activities in Huambo Province. Through these interviews, we assessed the implementing partners' knowledge and implementation of PMI and of USAID guidance and requirements. We also conducted interviews with officials from Esso Angola to gain perspective on partnership activities and assess Esso Angola's level of satisfaction with the partnership. Further, we interviewed officials at selected health facilities to learn their views on the program's training and supervision activities and assess their awareness of USAID and Esso Angola's involvement in the program.

Given the nature of the audit objective, no materiality thresholds were established. Additionally, because we were restricted in our selection of programs and site visits for security reasons, results cannot be projected to the mission's entire portfolio.

[20] Because reported results do not form the basis for answering the audit objective, validation was performed on a very limited basis—solely to gain confidence in the field database controls. This database was used to track all reported results. To gain comfort with the field database, we compared the volume of loans distributed according to the field database with bank documentation and validated that two selected training attendees had signed the supporting hardcopy training attendance sheets.

MANAGEMENT COMMENTS

USAID | ANGOLA
FROM THE AMERICAN PEOPLE

Date: January 13, 2012

From: Janice M. Weber, Acting Mission Director, USAID/Angola /s/

To: Christine M. Byrne, Regional Inspector General, Pretoria, South Africa

Re: Audit of USAID/Angola's Public-Private Partnerships for Development (Audit Report Number No. 4-654-12-XXX-P) – December 7, 2011

In accordance with ADS 595.3.1, this memorandum transmits USAID/Angola's management comments on the findings and recommendations contained in the subject draft audit report.

Findings

1. *Selected partnerships did not achieve their development goals (page 4)*

Management Comments: The Mission would concur, in part. While it is true not all development goals were achieved, as the authors noted, the projects did meet the majority of their goals and, in some cases, exceeded targets – e.g., the numbers of households and agriculture - related firms assisted. In all cases, private sector partners have sought not to diminish, but to increase their collaboration with USAID. In the only case where a partner exited the collaboration, their exit was the result of unrelated poor financial performance in their primary industry – diamonds. Given this, the finding that "the partnerships did not achieve their development goals" is, in our opinion, an exaggeration. Some of the unmet goals were clearly too ambitious when originally set, given the local context, and other unmet goals, requiring local buy-in, should be considered notional and entirely subject to the level of local agreement. Community targets were not part of any partnership agreements. If a community does not agree, then this will imperil the ability to meet the goal or call into question whether the goal is valid. Where the Mission failed in this regard was in updating the goals in the projects; the Mission should have been monitoring its performance against stated goals more closely and adjusting the project goals, expenses, etc., as we acquired additional information and as appropriate.

2. *Entities are not benefiting from partnerships as anticipated (page 7)*

Management Comments: While the Mission concurs with this finding, its relevance is somewhat questionable since this finding is "primarily caused by factors outside the Mission's manageable interest..." (pg. 6, lines 2-3). While a mission must make adjustments in tactics when conditions warrant, it is also important to note that the conditions that make tactical adjustments necessary will also constrain possible remedial action. It is to be expected and quite common that one would not be able to predict all of the possible consequences of a program or decision in advance, and that the situation on the ground could be either better or worse than originally envisioned. As such, adjustments in tactics but also adjustments in expectations are necessary. What makes a developing country a developing country is the fragility and lack of human capacity in its institutions and, as such, expecting U.S. - like performance is unreasonable. By contrast, if one asked USAID/Angola's partners, including the GRA, if they believe these projects are very successful there answer would be a resounding 'yes.' So much so that, in one case, they have committed to replicating the project nationwide. Yes, it is true that the Mission should definitely have documented the issues that impacted the goals and the tactics that were being undertaken. However, sustainability of an activity is certainly a measure of success that should and will be documented in the upcoming evaluation of one of the PPP activities.

GDAs and PPPs are implemented through Memoranda of Understanding (MOUs) and are neither contracts nor grants in the normal USAID sense of the words. As the auditors are aware, MOUs are statements of cooperation and are not legally binding. As such, partners are free to enter and exit partnerships at will. When Lazar Kaplan International (LK) exited the partnership due to the collapse of global diamond prices (their primary business), there was no obligation for either USAID or Chevron to increase funding to the partnership. The partnership included geographical foci for the specific partners, Chevron in the oil producing regions, and Lazar Kaplan International in the diamond producing "Lundas." In fact, part of the original sustainability strategy in the Lundas was to include the local diamond company's foundation Fundação Brilliante (FB), and efforts were made to incorporate FB into the partnership after LK's departure. However, these efforts were unsuccessful and Chevron had no strategic interest in the Lundas. This made spending in the Lundas "sunk costs" which are, by definition, unrecoverable. There remained only three possible contingencies: one, for USAID and/or Exxon to make up for the loss of funding; two, for USAID to seek an alternate partner; or three, to reduce goals, expectations, etc., of the project. Since Chevron viewed working in the Lundas as interfering in the territory of the diamond companies and, thus, had no interest in increasing funding, and USAID was unable to gain the support of FB, then the only remaining options were for USAID to increase funding and/or to reduce expectations and goals. It seems that both options were pursued to some limited extent, but this would have also resulted in a funding ratio of something other than 1:1.

Two other observations: over the life of the project, USAID increased its budget for Angola substantially. If this funding increase was absorbed by projects within the partnership(s) and not matched by additional funding from the partner then, even if a 1:1 match had been initially created, that relationship would not persist, especially if budget increases continued over some period of time. USAID/Angola did receive large funding increases, especially in PMI and HIV programing. Secondly, the Mission did not adequately consider how to account for certain types of in-kind contributions and will do a better job in the future.

3. *USAID/Angola did not meet performance management requirements (page 9)*

Management Comments: This statement is somewhat overstated. As to the specific observation regarding site visits, we note that quarterly visits are impractical and, under current Mission security considerations, trips have been practically impossible to all but a handful of provinces. That notwithstanding, as soon as the RSO determines security considerations permit, the Mission fully intends to conduct more site visits.

In addition, certain regions of the country are only accessible at certain times of the year (i.e., the dry season) and, unfortunately, these times of the year also tend to be when major reporting periods occur. Nearly all of the DQAs in question were scheduled for assessment at the same time as the audit was scheduled; however, the audit took priority. Also, as programs were extended, DQAs also became necessary which they were not, heretofore, because of the shorter timeframe of the program. A three-year program may require only one DQA during its lifetime but, as the final months of the program are evaluated, an extension may occur. This will then necessitate a new DQA and the inadequacy of the initial DQA is simply an artifact of timing. This occurred in one case where the DQA became invalid only for the last two months of the program.

Mission Order 203 requires that AOTRs regularly conduct site visits and provides an illustrative trip report template, but does not state that utilization of the provided template is mandatory and, therefore, is the only format that can be used. As per COTR/AOTR training, handwritten notes are treated as acceptable documentation for meeting acquisition and assistance monitoring regulations. The Mission has completed a draft revision of Mission Order 203 on Performance Monitoring and Evaluation. That new Mission Order will be finalized by a TDY from AFR/SA staff, scheduled for arrival at post in mid-January.

It is true that the Mission was slow to respond to auditor requests. This is primarily because of the timing of the audit, which coincided with the end of the fiscal year, and was compounded by the general understaffing of the Mission.

4. *USAID/Angola needs to ensure that program costs are reviewed (page 12)*

Management Comments: The Mission concurs with this finding, and reminded staff of the responsibility of the AOTR/COTR in this regard. The addition of new Program Assistants for the PO and the GDO areas, as well as filling the currently vacant M&E Specialist position, should help in addressing these shortfalls. These positions are under recruitment.

5. *USAID/Angola did not ensure adequate branding and marking (page 14)*

Management Comments: The Mission concurs with this finding and has noted this particular problem. In several cases, branding requirements were not adequately stressed with partners nor monitored by COTR/AOTRs. A very thorough branding training was conducted during the tenure of the previous DOC, however, it is clear that a new branding training is necessary. The Mission has reminded its staff in writing of their responsibilities as recommended under recommendation 9.

As to the marking of vehicles, ADS 320.3.1.2. Pre-award procedures specifically states "marking ADS Chapter 320 is not required for implementing partners' offices, vehicles, and items they procure for its own administrative use. See 22 CFR Part 226 and 320.3.5e." ADS chapter 320.3.2 Branding and Marking in USAID Direct Contracts notes that "Marking is not required on contractor vehicles, offices, and office supplies or other commodities used solely for administration of the USAID-funded program (see 320.3.5). Marking is not permitted on certain contractor communications (see 320.3.1.5)." ADS chapter 320.3.3.1 Co-branding and Co-marking also notes that "Marking is not required for recipient's offices, vehicles, and items the recipient procures for its own administrative use (see 22 CFR Part 226.91 and 320.3.5)", and ADS chapter 320.3.5 Non-Applicability notes that this chapter does not apply to the following: e. Contractor or recipient offices, vehicles, or non-deliverable items, such as office supplies used primarily for administration of the USAID-funded program. (See 22 CFR 226.91; 320.3.1; 320.3.2; and 320.3.3.)

Corrections to the initial report
Pg. 5, Line 36. "… the program ending on December 31, 2011,…." should read "… the project ending on December 31, 2011, ...". However, this project has been extended, and therefore, the question of sustainability may need to be deferred to a future date.

Recommendations

10. *Designate an individual who is responsible for spearheading the Mission's efforts to build and manage strategic partnerships, and maintaining the Mission's relationship with the Office of Innovation and Development Alliances (page 9).*

Management Comments: The Mission concurs with this recommendation and this designation of responsibility will become part of the portfolio for the Senior Program Specialist (or M&E specialist) position. The Mission is currently recruiting to fill that position, which was vacated in 2010. This person will also provide the Mission's response to recommendation 4 "develop and implement a strategy for addressing performance management requirements, given the human resources challenges within the Mission (page 12)." Since this person will be a locally eligible staff (LES), this assignment should limit the impact of staffing issues related to U.S. Direct Hires or third country nationals (TCNs). The position is expected to be filled by the end of February 2012.

11. *Review Mission Order 203 on Performance Management and Evaluation and update it as necessary to address performance management requirements, including alternative monitoring activities to mitigate security constraints (page 11).*

Management Comments: Mission Order 203 was under review/rewrite at the time of the audit; however, that revision has not been completed since the reviewing officer is no longer at post. The Mission has scheduled assistance to complete the revision in January from

USAID/W/AFR/SA. The Mission Order will be updated to address these concerns, including the frequency for site visits and an alternative method of review when security considerations do not permit site visits, as well as documentation requirements. The Mission Order will be finalized by the end of February 2012.

It is important to note that, partially in response to these audit findings, the Chief of Mission and RSO are reconsidering the security policies at post to enable a case-by-case review of proposed site visits, including a partial lifting of the "no fly" and "two car" rules. To take advantage of the revised policy, the Mission is putting together a schedule of proposed site visits.

12. *Remind Mission staff, in writing, of their responsibility to follow the guidance set forth in Mission Order 203 on Performance Management and Evaluation, until such guidance is superseded (page 12).*

Management Comments: Mission Staff have been reminded in writing of their responsibility to (1) "follow the guidance as set forth in Mission Order 203"; (2) "maintain adequate Agreement Officer's Technical representative files (page 12)"; and (3) "ensure adherence with branding and marketing requirements, in accordance with Automated Directive System 320 (page 15)." Email communication sent on January 12, 2012.

13. *Develop and implement a strategy for addressing performance management requirements, given the human resources challenges within the mission (page 12).*

Management Comments: The Mission concurs with this recommendation and has provided its response, strategy and plan under item 1.

14. *Remind CLUSA, in writing, of its responsibility to report on progress toward its results, which includes reporting on its performance indicators on a quarterly basis (page 12).*

Management Comments: The mission concurs with this recommendation, and said notification was sent on October 13, 2011. CLUSA immediately took action by sending indicators that were not included in the previous quarterly reports and have since been submitting their indicators on a quarterly basis.

15. *Remind Mission staff, in writing, of their responsibility to maintain adequate Agreement Officer's Technical Representative files (page 12).*

Management Comments: Staff has been reminded in writing to maintain adequate Agreement Officer's Technical Representative Files (see recommendation 3). Email communication sent on January 12, 2012.

16. *Contract an independent accounting firm to conduct an agreed upon procedures engagement over the Municipal Development Program's life of project expenditures (page 13).*

Management Comments: Regional OAA, in consultation with OIG/Pretoria, crafted an agency contracted audit with an independent audit firm to conduct an agreed upon procedures engagement over the Municipal Development Program's life of project expenditures. Mission was successful in obtaining the required funds and the audit will be conducted in February 2012.

17. *Through the agreement officer, remind CARE Angola, in writing, of their obligation to retain records supporting program expenditures for at least three years (page 14).*

Management Comments: A letter reminding "CARE Angola, in writing, of their obligation to retain records supporting program expenditures for at least three years (page 14)" was sent by the agreement officer on November 21, 2011.

18. *Remind its staff, in writing, of their responsibilities to ensure adherence with branding and marking requirements, in accordance with Automated Directives System 320 (page 15).*

Management Comments: Staff has been reminded in writing of their responsibilities for compliance with the ADS branding and marking requirements (see recommendation 3); however, for a presentation of ADS requirements with respect to partner vehicles see response to Finding 5 above. Email communication sent on January 12, 2012.

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