



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MOROCCO'S DEMOCRACY AND GOVERNANCE PROGRAM

AUDIT REPORT NO. 7-608-13-005-P
SEPTEMBER 30, 2013

DAKAR, SENEGAL



Office of Inspector General

September 30, 2013

MEMORANDUM

TO: USAID/Morocco Mission Director, Dana Mansuri

FROM: Regional Inspector General/Dakar, Abdoulaye Gueye /S/

SUBJECT: Audit of USAID/Morocco's Democracy and Governance Program
(Report No. 7-608-13-005-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and included them, without attachments, in Appendix II.

The final report contains four recommendations to help improve the Democracy and Governance Program. Based on management's comments on the draft report and other information provided to support corrective actions taken, we acknowledge management decisions and final action on all recommendations.

Thank you for the cooperation and courtesy extended to the audit team during this audit

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SUMMARY OF RESULTS

According to USAID/Morocco's fiscal year (FY) 2011 performance plan report, Morocco's version of the 2011 "Arab Spring" called for wide-ranging political reforms that resulted in renewed attention by government officials to strengthen good governance practices: promote transparency, accountability, citizen participation, and gender equity; and prepare young Moroccans to take an active role in the development of the country. According to the same report:

As Moroccans continue to debate whether these reforms will translate into tangible and meaningful change in practice, the United States Government was well positioned to support the reform process through its extant civil society, local governance, and political party programming. Through USAID programs, the USG supported Moroccan citizens, especially youth and women, in engaging productively in advocating for political reform, building the capacity of local government to respond to new demands.

As part of its ongoing support to Morocco, in June 2005 USAID/Morocco launched a 4-year Local Governance Program, implemented by RTI International. Almost 5 years later, in February 2010, USAID/Morocco signed a follow-on 4-year, \$14.7 million task-order contract with RTI to implement a new program to facilitate more effective, accountable local governance in Morocco. As of September 30, 2012, the mission had obligated \$7.6 million and disbursed \$6.6 million for the program.

To achieve the objective, USAID is working in three areas:

1. Giving citizen more opportunities to participate in local governance.
2. Enhancing local governments' ability to provide better services to citizens.
3. Encouraging increased accountability and transparency in local governance.

The Regional Inspector General/Dakar (RIG/Dakar) conducted this audit to determine whether USAID/Morocco is achieving its objective of increasing Moroccan citizens' participation in governance.

The audit found that USAID/Morocco's Democracy and Governance Program made noteworthy improvement and is on track to achieve its objective. Most completed activities met or exceeded their expected results, and ongoing activities are succeeding for the most part. In 2012 the mission reported that the program organized more than 120 events attended by more than 3,700 participants (including 1,100 women). Other activities are discussed below.

Internal Audit. The program succeeded in getting local governments to agree to incorporate internal audit divisions into their structure. For example, the city of Sale completed a vulnerability assessment and prepared an audit plan based on the assessment. According to city officials, the commune¹ president approved the plan, and the first audit was scheduled to

¹ A commune is an administrative division. Administrative divisions have a certain degree of autonomy and are required to manage themselves through their own local governments.

start by mid-2013.

At the request of the Direction Générale des Collectivités Locales (DGCL),² program employees helped develop a draft charter for auditors. The program also completed and translated into Arabic a procedure manual for commune internal auditors; according to the subcontractor, the manual will be integrated into the new commune operations manual that DGCL will make available to all communes in Morocco.

Complaints and Mediation Management System. The program helped reestablish confidence between the communes and their citizens by assisting selected communes in developing complaints and mediation management system units. These units allow the communes to improve how they handle citizen complaints by tracking them from the date they are filed to final disposition. RTI officials said the system developed for the partner communes (El Jadida, Fez, and Safi) would be provided to DGCL so they could be disseminated throughout the country.

Youth Activities Support in Communes. The program supported youth activities in selected communes. It carried out surveys to identify needs and priorities, and developed responses to concerns to encourage improving how youths are integrated in the communes.

The program reported that as of FY 2012, seven youth councils were established in the communes, and more than 1,500 youths participated in program-sponsored activities. In addition, more than 40 activities, including conferences and planning sessions, were organized on civic participation and governance. According to partner officials, other communes are creating councils, and the program launched a successful small grant program that promotes partnership between communes and their youths.

Strengthening Roles of Elected Women. To support the leadership capabilities of elected women, the program developed activities in the focus regions to (1) organize forums on local governance to discuss gender equity, accountability, and participation, and (2) conduct workshops on leadership to provide hands-on coaching and motivate elected women to set up their own peer networks. In FY 2012 the program reported that more than 600 elected women and their male associates participated in discussions with senior government officials through these regional forums. RTI officials said these forums give women the opportunity to discuss the challenges they face as they become active participants in local governance. The officials added that the program was finalizing a training kit for elected women that will be given to DGCL to distribute throughout the country.

Despite these positive results, the mission should address the following concerns to be sure that all projects are viable.

- DGCL has not supported the program as it was supposed to (page 4). This problem was listed by the mission as one of the key challenges in the implementation of the program in its FY 2012 annual report.
- The mission did not have a documented data quality assessment (page 4). However, the mission mentioned that one was done in 2011.
- Mandatory clauses and provisions were not included in some awards (page 5). The mission was aware of these, yet did not follow up to be sure they were included.

² Direction Générale des Collectivités Locales is a division of the Moroccan Ministry of Interior.

To address these concerns, RIG/Dakar recommends that USAID/Morocco implement the following recommendations.

1. Revise the memorandum of understanding with DGCL to reactivate and formalize the existence of the steering committee, and define its role and agenda (page 4).
2. Conduct a data quality assessment for activities under the Democracy and Governance Program, and maintain documentation of the assessment (page 5).
3. Review its active award portfolio to identify any awards that are missing the required environmental provisions and antitrafficking clauses, and implement a plan to include the missing provisions in future amendments to these awards (page 6).
4. Require RTI to include the required environmental provision and antitrafficking clause in its active subawards (page 6).

Detailed findings appear in the following section, and Appendix I describes the scope and methodology. Management comments will be in Appendix II, and our evaluation of them will be on page 7.

AUDIT FINDINGS

Steering Committee Was Not Operating as Expected

A steering committee that started with the first phase of the program (2005-2008) was carried over to the current phase. The committee was made up of DGCL's *wali* (director general), the directors of DGCL departments, some provincial governors, and select commune presidents.

According to mission officials, DGCL's role is to bring these officials together once a year through the steering committee to discuss the program's progress and make decisions about adjustments and reorientation as needed. The committee met for the first time as part of the new program in June 2010. However, it has not met again, despite repeated requests from USAID/Morocco and RTI.

USAID officials noted DGCL's lack of engagement as one of the key challenges in the implementation of the program in its FY 2012 annual report, and said DGCL's engagement was important for the success of the program.

RTI officials explained that after the Arab Spring, the Moroccan Government made DGCL responsible for drafting new strategic plans, a new or revised communal charter, and laws that would allow local governments to carry out expanded responsibilities. Because of these responsibilities, DGCL had less time to support program activities.

To make sure program activities were sustainable and had the greatest impact, RTI produced training kits for each one at selected pilot communes. The kits contained information on leadership development, commune partnerships with youth, internal audit functions, complaint management and mediation systems, and guidance on implementing communications strategies. The audit noted that RTI transferred or plans to transfer all of these to DGCL so they can be disseminated nationally.

Getting DGCL officials to revive the steering committee and commit to helping the program succeed—particularly at this stage—should ensure that the kits will be disseminated to communes throughout Morocco. Therefore we make the following recommendation.

Recommendation 1. We recommend that USAID/Morocco revise the memorandum of understanding with the Direction Générale des Collectivités Locales to reactivate and formalize the existence of the steering committee, and define its role and agenda.

Mission Did Not Document Data Quality Assessment

USAID's Automated Directives System (ADS) 203.3.11.3, "Conducting Data Quality Assessments (DQAs)," requires missions to perform DQAs and recommends maintaining written policies and procedures for data collection, maintenance, and processes. ADS 203.3.11.2 notes that the purpose of a DQA is to ensure that the mission/office and development objective team are aware of the strengths and weaknesses of the data, and the extent to which the data can be trusted to influence management decisions.

ADS 203.3.14.2 states that all USAID operating units must have conducted a DQA within the past 3 years for all performance data reported to Washington. ADS 203.3.11.3 states that missions should document the assessment, including decisions concerning data quality problems and the steps taken to address them.

Data reported in USAID/Morocco's annual performance plan and report for FY 2011 indicates that the mission conducted a DQA that year. However, the audit team did not find documents in the contracting officer representative's (COR's) files that support that a DQA was performed, and the mission could not provide documented evidence of the DQA.

According to mission officials, staff turnover and rotations in the mission's Office of Democracy and Governance contributed to this lack of documentation. Although the current democracy and governance team leader and COR confirmed through RTI officials that a DQA was performed in 2011, the mission's former team leader and COR who conducted the DQA did not leave any records or maintain any documentation to support such claim.

Maintaining adequate documentation is important for historical purposes, especially when the responsibility for a program changes hands. The lack of a DQA increases the likelihood that USAID will receive poor data that can result in poor decisions. To address these problems, we make the following recommendation.

Recommendation 2. *We recommend that USAID/Morocco perform a data quality assessment for activities under the Democracy and Governance Program in accordance with USAID requirements and document the results.*

Required Language Was Not Included in Awards

Federal Acquisition Regulations (FARs) Subpart 22.17 and 52.222-50, both of which are called "Combatting Trafficking in Persons," require that specific language related to combatting human trafficking be inserted in all solicitations and contracts.

ADS 204, "Environmental Procedures," requires strategic objective teams and operating units to incorporate factors and mitigation measures identified in environmental evaluation documents into the design and implementation instruments for programs, projects, activities, or amendments. The responsibilities of implementers regarding these environmental requirements should be determined up front and explicitly enumerated in the solicitations and subsequent awards before a project starts. Therefore, contracting or agreement officers must verify that these requirements are incorporated into any contracts, grants, cooperative agreements, or other mechanisms used to implement the activity.

The audit team found that two expired awards and two current ones in the democracy and governance programs did not include the antitrafficking or environmental requirements.³ We also noted that the initial environmental assessment for the program had a negative

³ The expired awards were 608-A-00-08-00044-00 and 263-I-00-00008-00. Award EPP-I-00-04-00037-00 does not contain the antitrafficking clause, and Award AID-608-LA-12-00001 does not contain the environmental requirements.

determination⁴ with conditions, because activities under the small grant program to support youth activities may have an impact on the environment. However, RTI did not submit an environmental mitigation plan, as required under these circumstances.

According to mission officials, the failure to include the required clauses in these awards was an oversight. USAID/Morocco was well aware of the omission of these required clauses and had established a plan to correct these shortcomings. However, there was insufficient follow-up due to staff turnover at the mission, and at the time of our audit, no specific action was taken to modify or amend the active awards to include the required language on antitrafficking and environmental compliance.

Because the mission did not comply fully with those requirements, its activities might have adverse effects and hinder the program's ability to meet its intended objectives. To strengthen USAID/Morocco's antitrafficking and environmental compliance, we make the following recommendations.

Recommendation 3. *We recommend that USAID/Morocco review its active awards portfolio to identify awards missing the required antitrafficking and environmental language, and implement a plan to include the missing language in future amendments to these awards.*

Recommendation 4. *We recommend that USAID/Morocco require RTI International to include the required antitrafficking and environmental language in all active subawards.*

⁴ Under a negative determination with condition, the activity poses a very low risk of having significant environmental impact if specified environmental mitigation and monitoring measures are implemented.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report and subsequent communication, USAID/Morocco agreed with three of the report's five recommendations. It disagreed with Recommendations 1 and 5.

After evaluating management comments, subsequent communication, and the supporting documentation provided, we acknowledge management decisions on all recommendations. The mission provided justification for its disagreement with Recommendations 1 and 5, and we agreed with both decisions. Recommendation 5, involving an environmental mitigation plan for activities under the small grant program, was deleted from the report.

Final action has been taken on all recommendations, and they are closed upon issuance of the audit report. Our evaluation of management comments follows.

Recommendation 1. USAID/Morocco disagreed with this recommendation and provided justification for its disagreement. Recommendation 1 involved reactivating and formalizing the existence of a steering committee and defining its role and agenda. The mission commented that although a steering committee did meet early on in the current local governance program, such a committee was never part of the design or the program's scope of work.

The mission looked into the suggested recommendation and does not believe it is feasible given the current DGCL leadership. The directorate's head, although supportive of the program and its goals, appears not to be inclined to participate in a new steering committee. As a result, a management decision has been reached and final action taken on this recommendation.

Recommendation 2. The mission agreed with and completed a DQA of the program immediately following the audit on January 22, 2013. Based on the mission's actions and supporting documentation provided, we acknowledge that the mission has made a management decision and final action has been taken on this recommendation.

Recommendation 3. USAID/Morocco agreed and modified all active awards in its democracy and governance programs to include required environmental provisions and antitrafficking clauses on June 17, 2013, and April 28, 2013, respectively. As a result, a management decision has been reached and final action taken on this recommendation.

Recommendation 4. The mission agreed and asked RTI to modify its active subawards to include environmental provisions and antitrafficking clauses on June 18, 2013. RTI confirmed its commitment and modified all current subawards under the local governance program by July 19, 2013. Based on the mission's actions and supporting documentation provided, we acknowledge that the mission has made a management decision and final action has been taken on this recommendation.

Recommendation 5. USAID/Morocco disagreed with this recommendation and provided justification for its disagreement. Recommendation 5 involved an environmental mitigation plan

for activities under the small grant program. The mission stated that although the initial environmental assessment findings indicated a negative determination with conditions for the small grant component, it stipulated the conditions and measures to mitigate potential environmental impact, including the prohibition of grants for any construction or infrastructure activities. As a result, an environmental mitigation plan for activities under the small grant program is not required unless triggered by a small grant involving prohibited activities. We agreed with mission justification and deleted Recommendation 5 from the report.

SCOPE AND METHODOLOGY

Scope

We 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 purpose of this audit was to determine whether USAID/Morocco's Democracy and Governance Program was achieving its objective of increasing Moroccan citizen participation in governance. To implement the program, USAID signed a \$14.7 million, 4-year task order with RTI covering the period from February 16, 2010, through September 30, 2014. As of September 30, 2012, USAID/Morocco had obligated \$7.6 million and expended \$6.6 million for the program. The audit team tested the total expended amount as of September 30, 2012.

The audit covered the period from October 1, 2010, to September 30, 2012. In planning and performing the audit, we assessed management controls related to documentation and data verification; reporting; supervisory and management review of program processes and activities; and review of performance measures and indicators. The controls we reviewed included the program's performance monitoring plan, the annual work plan, quarterly reports, progress reports, COR files, and RTI's contract.

We conducted audit fieldwork at USAID/Morocco and RTI's office in Rabat. We visited program beneficiaries in Fes, Kenitra, Moulay Yacoub, and Sale, and spoke with officials from Al Jadida. The fieldwork took place from December 3 to December 21, 2012.

Methodology

To answer the audit objective, we reviewed reports and files that the mission and RTI maintained as part of their program monitoring activities, including the contract, the performance monitoring plan, the annual work plans, progress reports, site visit documentation, as well as the results reported for all applicable indicators. We also reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Morocco's Democracy and Governance Program. This included the Federal Managers' Financial Integrity Act of 1982 certification, ADS 203 and 204, and FAR Subpart 22.17 and 52.222-50.

We interviewed key personnel from USAID/Morocco, RTI, subpartners, and the Moroccan Government, as well as program beneficiaries such as civil society organizations, selected communes' officials, elected women, and representatives of youth groups that benefited from the program. We obtained an understanding of the program and how USAID/Morocco monitored and measured results. We observed USAID-funded assets to confirm their existence and verify compliance with branding and marking requirements.

We also performed site visits to meet with RTI's regional coordinators, commune officials, and beneficiaries. During these visits, we observed activities in progress, interviewed individuals who were conducting the activities, and interviewed beneficiaries. We judgmentally selected a

sample of activities to validate data reported by RTI \and document attributes of monitoring by mission and the implementing partner. The sample consisted of activities that were in progress during the time of our field work and that were located in Fez, Kenitra, Moulay Yacoub, and Salé. These activities included roundtable discussions on the role of internal audits, civic participation, gender equity, and complaint management systems. Since we tested a judgmental sample, the related test results are limited to the activities tested and cannot be projected to the entire audit universe. However we believe that our work provided a reasonable basis for our conclusions.

MANAGEMENT COMMENTS



USAID | **MOROCCO**
FROM THE AMERICAN PEOPLE

DATE: June 17, 2013

TO: Abdoulaye Gueye, Regional Inspector General (RIG), Dakar

FROM: John Groarke, USAID/Morocco Mission Director

SUBJECT: Draft Report of RIG Audit of USAID/Morocco Democracy and Governance Programs (Report No 7-608-13-00X-P)

This memo formally acknowledges receipt of the draft report on the RIG audit performed December 3-21, 2012 on USAID/Morocco's Democracy and Governance Programs as requested on May 24, 2013. The Mission appreciates the work of the audit team. They consistently engaged staff and partners alike to perform a professional and thorough review of the programs.

After careful review of the RIG draft audit report, the Mission agrees with three out of the five audit recommendations. The Mission has already implemented different actions in order to strengthen internal control for these important issues and for the closure of recommendations. Please consider the information provided in order to address the closure of the recommendations.

USAID/Morocco requests RIG/Dakar concurrence with the actions described in detail below.

Recommendation #1: Revise the memorandum of understanding with the General Directorate of Local Government (DGCL) to reactivate and formalize the existence of the steering committee, and define its role and agenda.

Request for removal of this recommendation:

Although there was a regular steering committee as part of the first Local Governance Project (LGP) (2005-2008), and a steering committee did meet early on in the current LGP, such a committee was never part of the design or scope of work for current LGP. Rather, the design team focused on achieving the same results through an approach for the current LGP which coordinates closely with individual leaders within the DGCL. As such, USAID/Morocco believes this recommendation is evaluating the activity on a task that is outside of the design and outside of the scope of the work plan. While there are many ways to achieve similar results, the design of LGP was based on what was feasible and possible given the environment at the time. USAID/Morocco does not concur that the recommendation is within the scope of the audit and requests that the recommendation be removed prior to issuing the final report.

Furthermore, USAID/Morocco has looked into the RIG's suggestion and does not believe it is feasible to sign an MOU to formalize a steering committee given current DGCL leadership. The success of the steering committee in the previous LGP was largely due to the Wali (Director) of the DGCL at the time who personally attended meetings and was very engaged in the project. In addition to being tasked with multiple new responsibilities relating to government reform initiatives (as noted in the audit report), the current DGCL has new leadership with a different leadership style. The current Wali, although consistently supportive of the project and its goals, appears not to be inclined to participate in a new steering committee.

As a result, USAID/Morocco requests that Recommendation #1 be removed from the report.

Recommendation #2: Conduct a data quality assessment for activities under the democracy and governance program, and maintain documentation of the assessment.

Closure Request:

Immediately following the RIG audit, the DG Team completed a thorough Data Quality Assessment (DQA) on the Local Governance Program. This DQA was signed by the DG Team Leader on January 22, 2013. Attachment 1 contains the signed/approved documentation of the DQA.

On that basis, we kindly request that the recommendation be closed upon issuance of the final audit report.

Recommendation #3: Review its active award portfolio to identify awards missing the required environmental provisions and anti-trafficking clauses; and implement a plan to include the missing provisions in future amendments to these awards.

Closure Request:

Since the audit was conducted, USAID/Morocco has modified all active awards in its DG portfolio to include required environmental provisions and anti-trafficking clauses. The Office of Acquisitions and Assistance has since added the required environmental provisions and anti-trafficking clauses to the basic Mission-wide templates for contracts and awards to insure these provisions are included in all future awards at USAID/Morocco.

Attachment 2 contains the modifications adding the relevant provisions to the contract with RTI and the agreement with the National Democratic Institute (the only two projects affected by this recommendation in the DG portfolio).

On that basis, we kindly request that the recommendation be closed upon issuance of the final audit report.

Recommendation #4: Require Research Triangle Institute to include the required environmental provision and anti-trafficking clause in its active sub-awards.

Closure Request:

Since receipt of the initial draft report, Research Triangle Institute has been requested to modify its active sub-awards to include environmental provisions and anti-trafficking clauses. Although this action is in process, Research Triangle Institute has assured USAID/Morocco that all sub-awards will be modified to comply with this recommendation by July 19, 2013. Such provisions and clauses will be included in any future sub-awards.

Attachment 3 contains documentation of Research Triangle Institute's commitment to complete modifications by July 19, 2013.

USAID/Morocco kindly requests that the recommendation be closed (pending documentation showing compliance) upon issuance of the final audit report.

Recommendation #5: Require that Research Triangle Institute submits an environmental mitigation plan for activities under the small grant program.

Request for removal of this recommendation

An Initial Environmental Examination (IEE) was conducted and signed on January 4, 2010 for LGP which covers all activities under the project. The IEE findings indicate a categorical exclusion for all activities except for the small grants component of the project which received a "negative determination with conditions". The IEE stipulates the conditions and measures to mitigate potential environmental impact of the small grant program including the prohibition of grants for any construction or infrastructure activities and substantial involvement of USAID in approving small grants. As a result, an environmental mitigation plan for activities under the small grants program is not required by the IEE unless triggered by a small grant that involves prohibited activities such as construction or infrastructure activities.

USAID/Morocco therefore requests that Recommendation #5 be removed from the report.

We are providing, as requested, a signed and unsigned electronic copy of this memorandum.

Attachment 1: DQA for LGP

Attachment 2: Award Provisions and Amendments for DG portfolio

Attachment 3: Email from LGP indicating commitment to resolve Recommendation 4

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