



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MOROCCO'S CIVIL SOCIETY ADVOCACY PROGRAM

AUDIT REPORT NO. 7-608-11-001-P
October 27, 2010

RIG/DAKAR



Office of Inspector General

October 27, 2010

MEMORANDUM

TO: USAID/Morocco Mission Director, John Groarke

FROM: Regional Inspector General/Dakar, Gerard Custer /s/

SUBJECT: Audit of USAID/Morocco's Civil Society Advocacy Program
(Audit Report No. 7-608-11-001-P)

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

Based on actions taken by the mission and supporting documentation provided, management decisions have been reached for recommendations 1 and 2, and final action has been achieved for recommendation 3. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer (M/CFO/APC) with the necessary documentation to achieve final action for recommendations 1 and 2.

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

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SUMMARY OF RESULTS

The Kingdom of Morocco's government is a constitutional monarchy in which the king is the head of state, the prime minister is the head of government, and a bicameral Parliament and Supreme Court make up the legislative and judicial branches, respectively. Although dominant authority rests with the king, Morocco has proven to be a regional leader in implementing democratic reforms. However, only 37 percent of eligible voters participated in the most recent parliamentary elections in 2007.

According to USAID/Morocco, this low voter turnout indicated that national and local institutions have weak capacities and suffer from lack of credibility and legitimacy, and it was a step backward for those in favor of a public mandate for continued democratic reforms. As one potential solution to this and other problems with Morocco's system of democracy, USAID/Morocco identified the need to increase the capacities of Morocco's civil society organizations (CSOs). As a result, USAID/Morocco developed the Civil Society Advocacy Program (referred to as SANAD¹), which works to strengthen the capacities of CSOs to play a greater role in the country's process of political liberalization and democratic reform through advocacy and networking. Under this broad goal are five program components:

- 1) Strengthened civil society institutional capacity and advocacy
- 2) Greater synergy between national and local levels of civil society
- 3) Improved capacity of local associations to play a strategic role in the National Initiative for Human Development (INDH)
- 4) Increased capacity for CSOs to advocate for marginalized and disaffected youth and collaborate with local and national governments in innovative youth programs
- 5) Enhanced capacity of local-level organizations to use civil society mobilization and advocacy to improve education quality at the community level

To accomplish SANAD's objectives, USAID/Morocco signed a task order with Management Systems International (MSI), a U.S.-based international development firm. The award began on May 25, 2009, and will expire on May 30, 2012; a possible program extension for a fourth and fifth year is subject to an external evaluation conducted at the end of the second year of implementation. To obtain technical support for the use of new technologies, e-learning and social networking, and sharing innovations online, MSI has entered into subagreements with Morocco Trade and Development Services (MTDS) and International Research and Exchanges Board (IREX).

The program's budget is \$7.5 million over 3 years, \$1.2 million of which comes from basic education funds, while the remaining \$6.3 million comes from democracy and governance funds. As of June 30, 2010, USAID/Morocco has obligated \$2,192,000 and expended \$1,844,555 for the SANAD program. The Regional Inspector General/Dakar conducted this audit at USAID/Morocco to determine if USAID/Morocco's Civil Society Advocacy Program was on track to achieve its main goals of enhancing civil society institutions and advocacy. The audit team found that the program was behind schedule, but that realistic plans for a productive fourth quarter would allow it to reach most or all of

¹ Strengthening Advocacy and Networking to Advance Democracy: "Sanad" means "support" in Arabic.

its year one targets for all 13 indicators included in the performance management plan (PMP).² For example, although SANAD reported zero for the number of CSO advocacy campaigns supported by the U.S. Government, MSI reported that it was working with more than four CSOs to prepare them to launch advocacy campaigns.

Specifically, as of June 22, 2010, SANAD had (1) supported 169 CSOs, surpassing its target of 100, (2) supported 42 of the targeted 54 parent teacher associations or similar school governance structures, and (3) delivered 1,422 person training days, compared with the target of 2,000. However, it was behind schedule on most other targets.³ MSI and USAID provided several reasons for little progress, including slow project startup and administrative delays (described in more detail below).

On a broader level, in terms of the five program components and the main project objective, the audit team found that it was too early to determine if SANAD was on track to have the desired effect on Moroccan civil society. The audit team was not able to observe any measurable impact because the program was still in the early stages of implementation. In fact, after 11 months, total direct costs billed by MSI represented only about one-half of the budgeted amounts for the first year. Several reasons for the delays, as reported by mission and MSI officials, are summarized below.

- The program had to change its design as well as its indicators in order to partner with INDH, an important program initiated by the Government of Morocco. SANAD determined that it could accomplish many of its goals more effectively by partnering with INDH as well as the Social Affairs Division, another Government of Morocco entity. However, it took MSI longer than anticipated to establish relationships with these organizations because of the bureaucratic process.
- Establishing a relationship with the Ministry of Education took 10 weeks and delayed the start of activities at the school level.
- SANAD and the Improving Training for Quality Advancement in National Education Project (ITQANE) have taken longer than anticipated to develop a vision and craft an implementation plan on cross-sectoral programming in education. The collaboration began in January 2010, and several meetings have been held, but discussions are still ongoing. The model has and will continue to raise substantial management challenges related to technical coordination, monitoring and evaluation, and reporting of results.
- A lengthy process referred to as “advocacy mapping” was used to determine which geographic regions the program would target. This process involved an MSI subcontractor contacting hundreds of CSOs throughout Morocco. MSI used the end results of the mapping process along with input from USAID to decide where to implement the program to achieve the greatest impact. Unfortunately, the cumbersome nature of this mapping process contributed to the delay in starting implementation.

² The PMP contains 20 SANAD indicators; however, 7 are not applicable to year one of the program.

³ Appendix IV contains a list of SANAD performance indicators and results.

- SANAD's partnership with the Ministry of Social Development, Solidarity, and Family's Takwia program in Fez was expected to yield results by the second quarter. However, with the end of year one approaching, an agreement had not been reached because of unforeseen differences between the Social Development Agency and the Provincial Human Development Committee.
- SANAD grant recipients require security clearances from the U.S. Embassy's Regional Security Office and the Department of Homeland Security. Because this was the first USAID/Morocco project that involved grant recipients since the institution of a USAID-wide requirement for such screenings, the process for obtaining clearance took some time to develop. As a result, the first fixed obligation grant signings were still awaiting approval even though the list of recipients had been sent to the Embassy 2 months before. With regard to in-kind grants, USAID reported additional delays in determining whether these types of grantees were required to undergo the same security screening. It was eventually decided that the screening would be required, even though in-kind grants consist of MSI spending less than \$2,000 for required goods or services and providing them to the grantee in lieu of providing funds directly. SANAD anticipated using these grants for photocopying, local travel, facility rental, or hiring a few days of local technical assistance. At the time of the audit, MSI was gathering security information to submit 43 in-kind grants for security screening. These delays are particularly problematic, as many of the grants are related to the education component (number 5 above) and therefore could have been much more effective if they were signed before the school year ended. Both MSI and USAID/Morocco hoped that future clearances would be much more efficient, since the process has now been developed and completed for the first time.

In spite of these challenges, most of which have already been overcome, the program is expected to achieve its targets for year one by having a productive fourth quarter. However, the audit team identified three issues that pose potential challenges for the mission's future performance: (1) the grant agreements were not specific about requirements for financial and progress reports, (2) mission staffing shortages may impede program implementation, and (3) financial reports were not sufficiently detailed for proper monitoring of program. To address these weaknesses, the audit team recommends that USAID/Morocco:

1. Develop and implement a plan to ensure that grantees are aware of their financial management obligations (page 6).
2. Modify all grant agreements to include specific requirements for progress reports, financial reports, cost-sharing contributions, and site visits (page 6).
3. Require the implementing partner to provide quarterly financial reports (page 9).

Detailed findings appear in the following section. The audit's scope and methodology are described in appendix I.

USAID/Morocco agreed with all three recommendations. Based on actions taken by the mission and supporting documentation provided, management decisions have been reached for recommendations 1 and 2 and final action has been achieved for recommendation 3. USAID/Morocco's comments appear in their entirety in appendix II.

AUDIT FINDINGS

Grant Agreement Requirements Should Be More Specific

USAID has developed extensive guidelines on the management of assistance awards and requirements that require agreement with the terms of an award and mandatory standard provisions. USAID's Automated Directives System (ADS) 303, *Grants and Cooperative Agreements to Nongovernmental Organizations*, states that technical representatives should review and analyze reports, monitor reporting requirements, and ensure the recipient's compliance with numerous terms and conditions of an award.

The Civil Society Advocacy Program's (SANAD) Grants Management Manual, a document developed by Management Systems International (MSI) and approved by USAID/Morocco, requires that grant recipients provide a final financial report within 30 days of the completion of a fixed obligation grant. Additionally, the task order agreement between USAID and MSI states that MSI will "provide grant management and oversight services, including monitoring and evaluating grant funded projects."

Over the life of SANAD, MSI intends to enter into grant agreements totaling \$1 million, with the vast majority to be used for fixed obligation grants, worth about \$25,000 each, to approximately 40 small associations. These agreements require only that grantees meet milestones and provide proof such as a training agenda, a list of participants, or photos. The specific requirements differ depending on the milestone reached and the type of association involved. However, the grant agreements did not specify any other reporting requirements, such as standardized financial or progress reports. Furthermore, the cost-sharing requirements were unclear and there was no requirement for site visits.

Performance Reporting – MSI's chief of party and monitoring and evaluation specialist agree that progress reporting is important and intend to periodically request data on results achieved, even though progress reports are not required in the grant agreement. Because the office did not formally require periodic progress reports in the agreements, annual reporting for grantee accomplishments may be incomplete or based on estimates. Furthermore, without a requirement to do so, grantees may not be able or willing to provide this information.

Financial Reporting – According to SANAD's grants management manual, "there are two components to the review of the financial report—1) review for completeness, correct arithmetic, consistency with prior reports, and conformity to the SANAD Program financial report format, and 2) review of the reasonableness of expenditures by examination of the financial report and documentation of expenses." However, MSI did not intend to ensure that spending will be in accordance with the approved budget included in each agreement. Despite the financial reporting requirement in the grants manual, there was no reference to any financial reporting requirement in the agreements. As many of these grantees are inexperienced and lack financial management expertise, the possibility for fraud, waste, and abuse increases. Therefore,

financial oversight is particularly important in the early stages to prevent potential spending violations while implementing the activities.

Cost Sharing – SANAD’s grants management manual also states that, as outlined in ADS 303.3.10, MSI will promote cost sharing or a matching contribution when the organization is deemed to have the capacity to do so. Although there is no general requirement that grantees must cost share, MSI policy is that cost sharing, most likely in the form of volunteer labor, is an important element of the MSI-grantee relationship. However, the amount of cost sharing is not clearly specified in the agreements, and it is not clear whether it is mandatory or merely suggested. For example, in the two agreements reviewed out of the four that had been signed, the award summary page indicated that no grantee contribution was required. In one case, however, some contributions were included in the approved budget. The budget mentioned contributing to the cost of transport, office expenses, and audit fees, and that work hours would be contributed as well, but no monetary values were listed. Both grantee proposals indicated a willingness to contribute, and MSI’s chief of party verified that grantees who have expressed their willingness to contribute in the project proposal should have this willingness reflected in the agreement.

In summary, it is unclear exactly what the cost-sharing requirements for each grantee will be and how they will be tracked. Furthermore, MSI did not intend to verify how many hours or how much value was being contributed by the grantees. To ensure that grantees are committed to working with SANAD to achieve their shared objectives, cost-sharing requirements should be clearly stated in the agreements and tracked to ensure that they will be met.

Site Visits – SANAD’s grants management manual states that site visits “are a very important part of the overall communications and monitoring relationship established with the grantee. The grantee must have a clear impression that the SANAD Program is serious about proper implementation of grant activities, timely reporting, and compliance with the terms and conditions of the grant agreement.” While MSI reportedly plans to attend 80 percent of the key events, the grant agreements lack a requirement for MSI site visits or attendance at grantee-organized events. Management oversight, including site visits, ensures that grantees are aware of their financial and programmatic responsibilities. Adequate oversight of awards is essential to ensure that USAID programs are conducted as planned so that they have the potential to achieve the identified objectives. When implementers and grantees are not aware or reminded of their fiscal and fiduciary responsibilities, risks to program achievements increase.

In response to the above, MSI explained that the screening process used to select grantees is thorough and ensures that the capacities for appropriate financial and performance management are present. While MSI officials agreed that the grantees are generally small and inexperienced, they believe that the screening process provides adequate assurance that grantees could be trusted to execute the agreed upon activities. One of the reasons MSI chose to use fixed obligation grants was because USAID can easily define accomplishments, and both MSI and the U.S. Government prefer this type of grant when there is a reasonable certainty about the cost. According to MSI, fixed obligation grants allow for managing for results with minimal reporting requirements. MSI also stated that being able to reach the milestones is evidence enough that grantees are expending the money appropriately and that cost-sharing contributions are being made.

However, some level of oversight (even limited site visits) is warranted to assess the progress of the grantees and to determine if additional requirements should be imposed as cited in Title 22, Code of Federal Regulations (CFR) § 226.14, which states that if an applicant or recipient has “a history of poor performance, is not financially stable, has a management system that does not meet the standards prescribed in this part, has not conformed to the terms and conditions of a previous award, or is not otherwise responsible, the USAID Agreement Officer may impose additional requirements as needed.”

Although the grantees’ work is just beginning, the audit team makes the following recommendations to avoid the potential pitfalls described above.

Recommendation 1: We recommend that USAID/Morocco and its implementing partner develop and implement a plan to ensure that grantees are aware of their financial management obligations and other USAID rules, regulations, and expectations.

Recommendation 2: We recommend that USAID/Morocco and its implementing partner modify all grant agreements to include specific requirements for progress reports, financial reports, cost-sharing contributions, and site visits, and ensure that these requirements are included in newly awarded grants.

Imminent Staffing Shortages Should Be Addressed

According to strategic objective 1 of USAID’s Human Capital Strategic Plan fiscal years (FYs) 2009–2013, USAID should strategically align staff with its priorities. According to strategic objective 2, USAID should increase staff mobility and readiness to rapidly meet emerging priorities. These objectives include procedures for maintaining the appropriate number of personnel with appropriate competencies and leadership ability, increased readiness to respond to high-need areas, constant work on recruitment, and policy flexibility to help fill gaps across USAID. Additionally, ADS 200.3.2.4 indicates that managers have a responsibility to ensure that staff are adequately trained and supported so that they can meet the accountability requirements that correspond to the authority delegated.

Changes in the staffing level and increases in program activity in the USAID/Morocco Office of Democracy and Governance could present significant challenges for the mission, particularly in FY 2011. The team leader for the Office of Democracy and Governance unexpectedly departed post on June 2, 2010, and the mission has yet to identify a replacement. The alternate contracting officer’s technical representative (COTR) for the SANAD program, presently the acting Democracy and Governance team leader, may retire in the summer of 2011. As a result, the COTR for SANAD, who has less than 5 years of USAID experience, may be the only technical officer remaining in the Office of Democracy and Governance.

During this same period, the workload for this office will increase considerably. The COTR for SANAD will take on the role of agreement officer’s technical representative

(AOTR) for another USAID cooperative agreement (which he anticipates will require about 25 percent of his time). Also during this period, SANAD activities and corresponding USAID oversight needs will be increasing sharply as the program starts full implementation in two additional regions of Morocco (bringing the total number of regions to three). If no replacement is identified for the acting team leader who may retire in the summer of 2011, the sole Democracy and Governance officer will be obliged to assume his current responsibilities. Figures 1 and 2 compare the historic staffing pattern and the potential future staffing in the Office of Democracy and Governance.

Figure 1: Historic Office of Democracy and Governance (DG) Structure

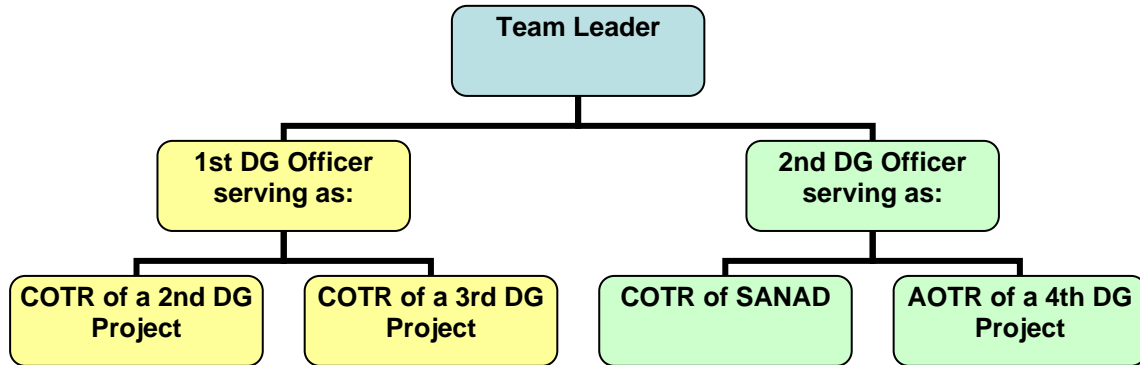
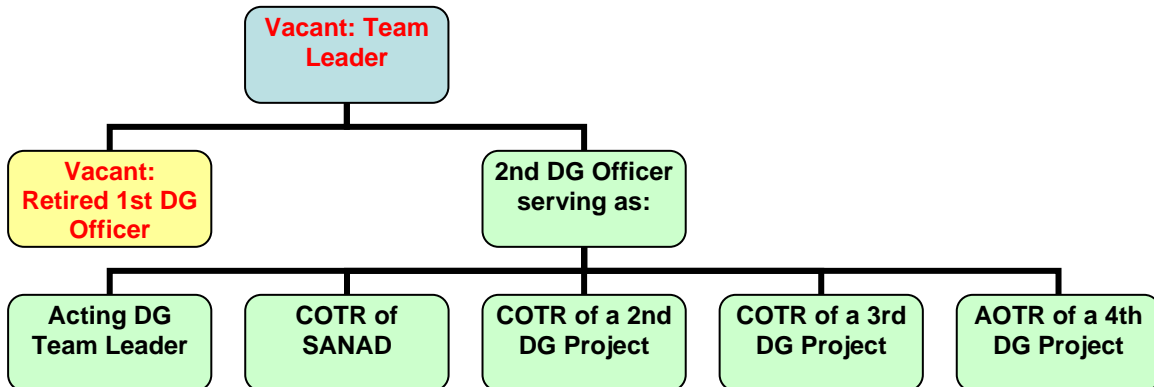


Figure 2: Potential Structure in Summer 2011 (assuming there are no replacements for two vacant positions)



There have been no reported delays as a result of these staff shortages. However, if the Office of Democracy and Governance does not fill these positions soon, it may result in gaps between the end of some programs and the start of others in the same area. The acting team leader added that the staff shortage could also result in the cancellation of USAID work in certain Democracy and Governance areas. Moreover, if not resolved almost immediately, the Democracy and Governance Officer could find himself with an unsustainable expanding workload, which would result in ineffective program monitoring.

Assessing the missions' personnel competencies, abilities, and readiness and adjusting funding or resources as needed are aspects of program success that should be taken into consideration during the planning phase for future appropriations. This audit concludes that without appropriate assessments, USAID cannot expect sustained

progress from the Office of Democracy and Governance.

The mission's long-term plan is to create a new Office of Youth and Human Development, which would consist of the current Offices of Democracy, Education, and Peace and Security. Under this scenario, a joint team leader for the three offices would be able to manage a portion of the Democracy and Governance workload.

The mission agreed that inadequate staffing could become a problem and incorporated it as an issue in its May 2010 Democracy and Governance portfolio review. Its initial attempt to fill a U.S. direct hire position was unsuccessful. However, after our fieldwork was conducted, USAID/Morocco advertised the team leader position on July 17, 2010, with a closing date of August 17, 2010. The mission anticipates immediate hiring of a personal service contractor contingent on receiving medical and security clearances. Also, another Democracy and Governance officer position has been advertised for an opening in the summer of 2011. Therefore, this report is not making a recommendation.

Financial Management Should Be Enhanced

According to the COTR designation letter for the SANAD project, the COTR is required to "monitor the contractor's performance and verify that it conforms to the technical requirements and quality standards agreed to in the terms and conditions of the contract." It also requires the COTR to monitor the financial status of the contract on a regular basis to ensure that the level of funding is the minimum necessary. Both these sections of the designation letter are based on requirements in USAID's Mandatory Reference for ADS Chapter 302.

MSI has not been providing detailed financial information to USAID that allows the COTR to compare actual expenditures against the project's approved budget on a line-item basis. This has prevented the COTR from closely tracking the financial status of SANAD. Since the start of the project in May 2009, MSI has provided financial information to USAID/Morocco in the form of quarterly financial reports and monthly invoices, but neither included sufficient information for financial management purposes.

The first of two key causes for the weakness described above was the vagueness of the financial reporting requirement in the project's task order. The task order requires only that financial reports include accrued expenditures and anticipated expenditures for the next reporting period. MSI has complied with the contract language in its quarterly financial reports by providing only three figures: the total billed to date, the incurred/projected costs through the next quarter, and the total estimated expenditures through the next quarter. While the invoices that MSI submitted to USAID showed each expense by category, they were not organized in a format that allowed MSI or the COTR to compare actual expenditures with those planned in the official project budget (by line item).

A secondary cause for this problem was that MSI's office in Morocco was not tracking actual expenditures against the approved budget and was therefore unable to report this information. MSI was using a modified budget based on the assumption that significant changes to the program during the first year would result in a revised budget. Before the audit, MSI used an internal spreadsheet to track expenditures against an informal

budget that it developed. At the time of the audit, MSI reported that it was in the process of revising this system and that it would be able to provide detailed financial reports against the project budget in the near future.

Furthermore, since this task order is funded jointly by the Office of Education and the Office of Democracy and Governance, and since the education funds are earmarked, USAID needs to track expenditures by each fund source separately. After receiving the quarterly financial report described above, which did not track each fund source separately, the mission modified the task order in January 2010 to include a statement requiring the contractor to “comply with basic education fund requirements.” However, the March 2010 quarterly financial report was insufficient, and the COTR has made another request to MSI to differentiate the spending of Office of Education funds and Office of Democracy and Governance funds. MSI readily agreed to provide this information in future reports.

The lack of periodic detailed financial information has several consequences. First, close monitoring of expenditures against an agreed budget can prevent or identify numerous problems often associated with USAID projects. Budget-to-actual comparisons are a standard part of many internal control systems because they allow reviewers to identify anomalies that could be the result of mismanagement or fraud. Finally, budget-to-actual comparisons would allow both MSI and USAID to estimate how project implementation is proceeding against what was expected and make both technical and financial adjustments as needed.

The COTR confirmed that he had not been able to track the budget by line item or by fund source and agreed that it would be helpful to do so. To ensure that future financial reports are sufficiently detailed for USAID to fulfill its financial management responsibilities, this audit makes the following recommendation.

Recommendation 3: We recommend that USAID/Morocco require the implementing partner to provide quarterly financial reports that (a) include cumulative actual expenditures for the year for each line item in the project’s approved budget and (b) differentiate expenses of the Office of Education funds from those of the Office of Democracy and Governance.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Morocco agreed with all three recommendations in the draft report. Based on actions taken by the mission and documentation provided, management decisions have been reached for recommendations 1 and 2 and final action is achieved for recommendation 3. The evaluation of management comments is shown below.

Recommendation 1: USAID/Morocco agreed with the recommendation and will request and approve a revised Grants Manual for the Civil Society Advocacy Project (SANAD). The contractor has already implemented some of the changes based on the draft Grants Manual; full implementation will be upon approval of the Grants Manual, on or before November 30, 2010. Accordingly, a management decision has been reached for this recommendation.

Recommendation 2: USAID/Morocco agreed with the recommendation and will require its contractor, Management Systems International (MSI), to modify all its grant agreements to include specific requirements for progress reports, financial reports, cost-sharing contributions, and to ensure these requirements are included in newly awarded grants. The grantees will be made aware that MSI will be paying site visits to the grantees. MSI has already implemented the changes to grants, and this process will be formally included in the Grants Manual, upon approval by USAID/Morocco on or before November 30, 2010. Accordingly, a management decision has been reached for this recommendation.

Recommendation 3: USAID/Morocco agreed with the recommendation and on September 30, 2010, USAID/Morocco modified the MSI task order to include the financial reporting requirement language. The Regional Inspector General/Dakar reviewed the plan and agrees that it constitutes final action for this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar 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, based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The objective of the audit was to determine whether USAID/Morocco's Civil Society Advocacy Program (SANAD) is on track to achieve its main goals.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and performance targets and indicators. Specifically, we reviewed and evaluated the following:

- Fiscal year (FY) 2009 and 2010 country operational plans
- Performance management plans
- Actual performance results and supporting documentation
- USAID and partner reports related to the project
- Certification required under the Federal Managers' Financial Integrity Act
- Implementing partner agreements and subagreements
- Financial reports and supporting documentation

We interviewed key USAID/Morocco personnel, implementing partner staff, subpartner staff, program beneficiaries, and Government of Morocco officials. We conducted the audit at USAID/Morocco in Rabat and at the office and activity sites of implementing partners in Rabat, Salé, and Fez, Morocco. Audit fieldwork was conducted from June 21 to July 2, 2010, and covered selected activities that took place in FYs 2009 and 2010.

As of June 30, 2010, USAID/Morocco had obligated \$2,192,000 and expended \$1,844,555 for the SANAD program.

Methodology

To answer the audit objective, we reviewed activities implemented by Management Systems International, as well as the results reported against all applicable indicators in the SANAD performance management plan. We also reviewed agreements, progress reports, financial reports, and work plans of the implementing partner. We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Morocco's Civil Society Advocacy Program, including the Federal Managers' Financial Integrity Act of 1982 certification, Automated Directives System (ADS) chapters 202 and 203, project-specific regulations, and supplemental ADS guidance.

We interviewed program, financial, and monitoring and evaluation staff at USAID/Morocco, as well as staff at the implementing partner's office in Rabat. We interviewed staff of the only subpartner at the time of our audit—the Morocco Trade and Development Services. We visited the offices of two civil society organizations in Fez that received SANAD grants—Association Biladi and Association Zalagh—to obtain an understanding of the program and to review grant documents. Additionally, we interviewed an official from the Government of Morocco who partnered with USAID in a program to train Moroccans in community planning. Finally, we observed USAID-funded assets to confirm their existence and verify compliance with branding and marking requirements. These interviews, documentation reviews, and site visits were conducted to determine how the SANAD program was being implemented, how this implementation was being documented, whether reported results were accurate, and whether the SANAD project was on track to meet its goals.

We also performed site visits to observe the following activities being implemented:

- Training for community planners
- Discussion among training recipients of challenges in community planning
- Information technology/Internet training for civil society organizations

During these site visits, we observed activities in progress, interviewed individuals who were conducting the activities, and interviewed program beneficiaries. The sample consisted of activities that were in progress during the time of our fieldwork and that (1) were located in the two metropolitan areas where the project is currently being implemented (Fez and Salé), (2) were accessible within audit time restrictions, (3) included a representative sample of the wide variety of programs being implemented, and (4) involved significant partners. The results from the sample cannot be projected to the universe of all activities on a statistical basis. However, we believe that our work provides a reasonable basis for our conclusions.

MANAGEMENT COMMENTS



USAID | **MOROCCO**
FROM THE AMERICAN PEOPLE

Memorandum

DATE: October 22, 2010

TO: Gerard Custer, Regional Inspector General, Dakar

FROM: John Groarke, Mission Director, USAID Morocco

SUBJECT: Updated Response to RIG/Dakar's Draft Report on Audit of USAID/Morocco's Civil Society Advocacy Program (7-608-11-001-P)

The following are Mission Management Decisions as to the three audit report recommendations under the subject audit report.

Recommendation No. 1: We recommend that USAID/Morocco and its implementing partner develop and implement a plan to ensure that grantees are aware of their financial management obligations and other USAID rules, regulations, and expectations.

USAID/Morocco agrees to corrective action. The plan for corrective action is for USAID/Morocco to request and approve a revised Grants Manual for the SANAD program, with the objective of setting forth the contractor's plan to ensure grantees are aware of their financial management obligations and other USAID rules, regulations, and expectations. In addition, the Grants Manual will set out MSI's plan for reviewing grantees' progress reports and for SANAD staff site visits to the grantees. As of the date of this letter, the contractor has already submitted a revised Grants Manual in response to our request; USAID/Morocco expects to approve the Grants Manual on or before November 30, 2010. The contractor has already implemented some of the changes based on the draft Grants Manual; full implementation will be upon approval of the Grants Manual, on or before November 30, 2010.

Recommendation 2: We recommend that USAID/Morocco and its implementing partner modify all grant agreements to include specific requirements for progress reports, financial reports, cost sharing contributions, and site visits and ensure these requirements are included in newly awarded grants.

USAID/Morocco agrees to corrective action. USAID/Morocco will require its contractor, MSI, to modify all its grant agreements to include specific requirements for progress reports, financial reports, cost sharing contributions, and to ensure these requirements are included in newly awarded grants. As stated above, the grantees will be made aware that MSI will be paying site visits to the grantees as part of the grants under contract program. MSI has already implemented the changes to grants, and this process will be formally included in the Grants

Manual, upon approval by USAID Morocco on or before November 30, 2010.

Recommendation 3: We recommend that USAID/Morocco require the implementing partner to provide quarterly financial reports that (a) include cumulative actual expenditures for the year for each line item in the project's approved budget and (b) differentiate expenses of the Office of Education funds from those of the Office of Democracy and Governance.

USAID Morocco agrees to corrective action. On September 30, 2010, USAID Morocco modified the MSI task order to include the financial reporting requirement language, as follows:

Section F.6: Quarterly Financial Reports shall be detailed as follows:

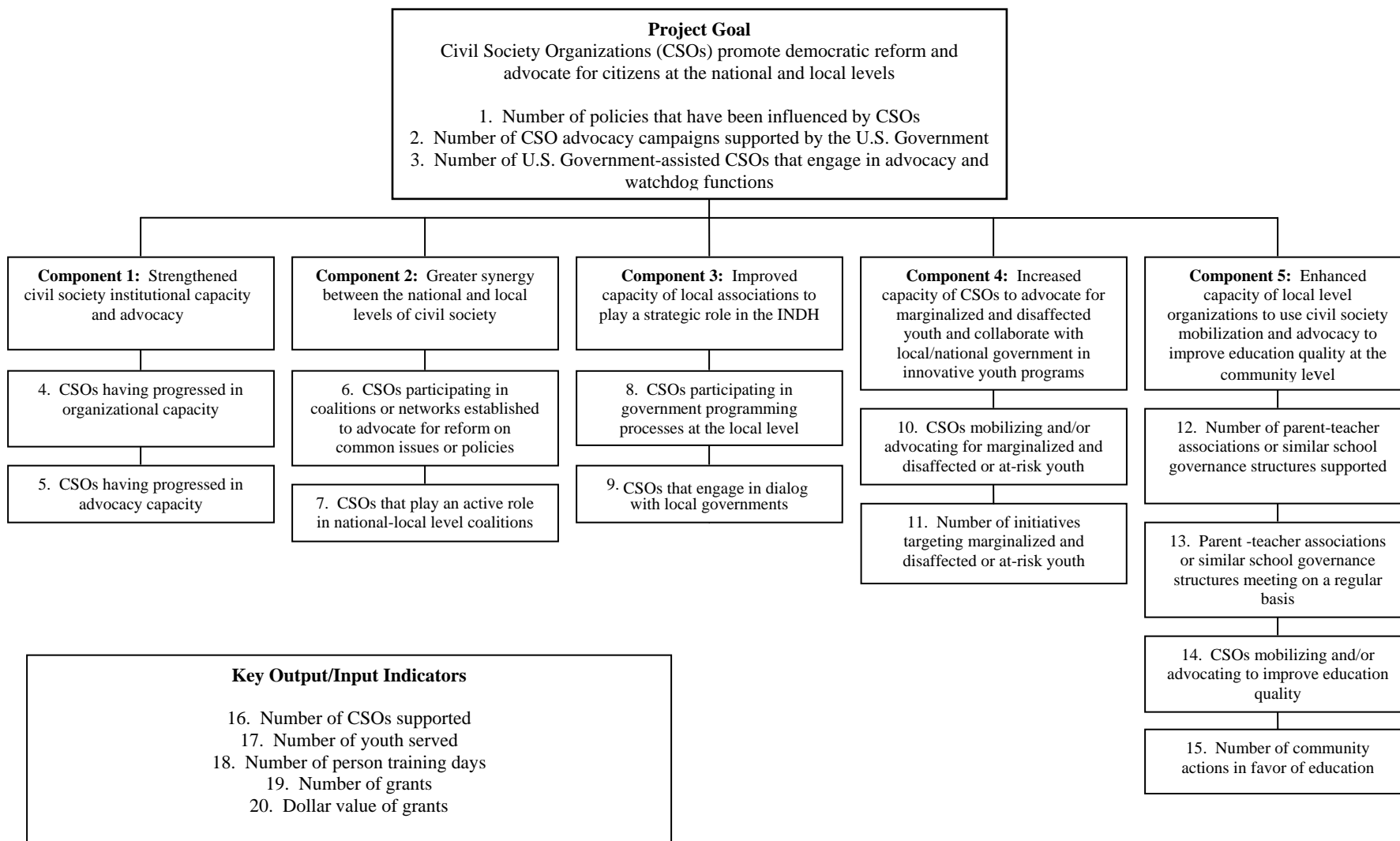
- a) Include quarterly and cumulative actual expenditures for the quarter and the year by line item in the project's budget, in addition to estimated expenditures for the next quarter, and
- b) Differentiate expenses of project components 1-4 from project component 5, as well as separate out the shared costs.

Please note: all funds from the Office of Education are Basic Education Earmark funds. The contractor is responsible to ensure that all earmarked funds supporting this contract are utilized in accordance with the Agency guidelines for those earmarks.

Quarterly Financial Reports shall be submitted to the USAID Contracting Officer and to the COTR no later than 30 calendar days after completion of the period being reported.

Thank you for your cooperation.

SANAD Results Framework



SANAD Performance Indicators and Results as of June 22, 2010

Indicator	PMP Target	Actual	Percent Achieved
Number of CSO advocacy campaigns supported by the U.S. Government	4	0	0%
Number of U.S. Government-assisted CSOs that engage in advocacy and watchdog functions	40	0	0%
CSOs participating in coalitions or networks established to advocate for reform on common issues or policies	30	0	0%
CSOs that play an active role in national- or local-level coalitions	20	0	0%
CSOs mobilizing and/or advocating for marginalized and disaffected and/or at-risk youth	5	0	0%
Number of initiatives targeting marginalized and disaffected and/or at-risk youth	10	0	0%
Number of parent teacher associations or similar school governance structures supported	54	42	78%
Number of community actions in favor of education	30	0	0%
Number of CSOs supported	100	169	169%
Number of youths served	200	51	26%
Number of person training days	2,000	1,422	71%
Number of grants	50	4	8%
Dollar value of grants	\$480,000	\$67,000	14%

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