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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/DEMOCRATIC REPUBLIC OF CONGO'S DEMOCRACY AND GOVERNANCE ACTIVITIES

AUDIT REPORT NO. 7-660-09-001-P
NOVEMBER 13, 2008

DAKAR, SENEGAL

Office of Inspector General

November 13, 2008

MEMORANDUM

TO: USAID/DRC Mission Director, Stephen M. Haykin

FROM: Regional Inspector General/Dakar, Dennis Bryant /s/

SUBJECT: Audit of USAID/Democratic Republic Congo's Democracy and Governance Activities (Report No. 7-660-09-001-P)

This memorandum transmits our final report on the subject audit. We have carefully considered your comments on the draft report and have included them in their entirety in appendix II.

The report includes four recommendations intended to improve the implementation of USAID/DRC's democracy and governance activities. In your response to the draft report, you indicated corrective action plans addressing all four recommendations. Therefore, we consider that management decisions have been reached on these recommendations. Final action to close the recommendations should be coordinated with the Audit, Performance and Compliance Division (M/CFO/APC) upon completion of the planned actions.

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

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SUMMARY OF RESULTS

This audit, performed by the Regional Inspector General/Dakar (RIG/Dakar), is one in a series of worldwide audits conducted by the Office of Inspector General. This report summarizes the results of the audit conducted at USAID/Democratic Republic of Congo (USAID/DRC) which was designed to determine whether USAID/DRC's democracy and governance activities achieved intended results and what the impact has been. (See page 3.)

USAID/DRC's democracy and governance program sought to promote peace and unblock the stalled transition process. Its focus on promoting democracy included rule of law and human rights, good governance, political competition and consensus building, and civil society. (See page 2.)

USAID/DRC reported successes in achieving its goals and meeting its intended results for the majority of its democracy and governance activities during fiscal year (FY) 2007. These activities made a significant impact in helping the Democratic Republic of the Congo (DRC) transition to a democracy. Overall, the democracy and governance program reported achieving 11 of 16 reported results from its FY 2007 operational plan. However, of the 16 indicators included in the FY 2007 operational plan, the audit team found complete supporting documentation maintained by implementing partners for 6 of the reported results. Partial source documentation was available for four additional indicators. Furthermore, USAID/DRC could not provide results associated with the remaining six indicators because projects were completed and implementing partners had closed their offices. Overall, USAID/DRC did not achieve its intended results for the democracy and governance activities given that for the 10 indicators with supporting documentation, it met or exceeded intended results for only 6 (60 percent). Although USAID/DRC met or exceeded only 60 percent of the verified results, the mission had made a significant impact in helping the DRC transition to a democracy. (See page 4.)

The audit found that USAID/DRC should strengthen controls and procedures related to the following: (1) verifying and maintaining supporting documentation, (2) updating the performance management plan (PMP), (3) evaluating contractor performance, and (4) properly disposing of excess inventory. (See pages 7–11.)

This report includes four recommendations that will improve USAID/DRC's democracy and governance program: (1) implement procedures for cognizant technical officers to periodically verify results reported by partners and maintain supporting documentation for the reported results (see page 7); (2) update the PMP in alignment with the new post transition strategy and develop specific procedures that will assign responsibility to regularly update the document (see page 8); (3) develop a checklist including steps to perform contractor performance appraisals (see page 10); and (4) prepare and implement a formal plan to properly dispose of excess inventory associated with expired awards (see page 11).

Management comments are included in appendix II.

BACKGROUND

Since 1997, USAID/Democratic Republic of Congo (USAID/DRC) has supported Congolese efforts to build peace, reunify the country, and renew the political transition process through dialogue, reconciliation, and a consensus on the mandate and structure of a transitional government.

Given the country's large size and natural resources, as well as a population estimated at 55 million, the Democratic Republic of the Congo (DRC) is of long-term interest to the United States. Given its central location in Africa, a stable and peaceful DRC is a source of regional stability. The DRC has a vast supply of natural resources that has been a key source of conflict and exploitation for well over a century. If managed in a transparent and legal environment, those resources present an opportunity for economic growth that will benefit the population and provide an alternative to war.

Congolese expectations are high for governance reform, following on the success of 2006 presidential and parliamentary elections. Keeping both public officials and citizens engaged in political processes will be a challenge, but one which has a growing constituency. Government institutions, weakened by decades of war and mismanagement, need to be rebuilt. Building local capacity among government workers and within civil society is fundamental to transforming each area of governance. USAID/DRC's democracy and governance program sought to promote peace and unblock the stalled transition process.

USAID/DRC's focus in promoting democracy included four program areas of democracy and governance intervention:

- Rule of law and human rights – includes justice system, judicial independence, and human rights.
- Good governance – covers legislative functions and processes, local government and decentralization and anticorruption reforms.
- Political competition and consensus building – includes political parties, elections and political processes.
- Civil society – involves civic participation.

Government Accountability Office (GAO) testimony on March 6, 2008, revealed that in fiscal years (FYs) 2006 and 2007, seven U.S. Government agencies allocated a total of $217.9 million and $181.5 million, respectively, for the DRC. Approximately 70 percent of these funds supported the humanitarian and social development objectives, and approximately 30 percent supported economic and natural resource management, governance, and security objectives. As of September 30, 2007, the mission's active democracy and governance portfolio included 10 instruments at various stages of implementation with a total contract value of $29.4 million.

During FYs 2006 and 2007, USAID/DRC's democracy and governance programs obligated $12.1 million and in FY 2007 it disbursed $9.7 million.

AUDIT OBJECTIVE

As part of a worldwide audit directed by the Office of Inspector General's Performance Audits Division, the Regional Inspector General/Dakar performed this audit to answer the following question:

- Are USAID/DRC's democracy and governance activities achieving intended results and what has been the impact?

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

AUDIT FINDINGS

USAID/Democratic Republic of Congo (USAID/DRC) reported on 16 indicators included in its operational plan for democracy and governance activities for fiscal year 2007 (see appendix III) and reported meeting or exceeding 11 of these 16 intended results. However, of the 16 indicators reported, the audit team found adequate source documentation at partner offices for 6 of the reported results and verified that 4 of the indicators had met or exceeded intended results. Partial source documentation was available for four additional indicators, and the audit team verified that two of the indicators had met or exceeded intended results. However, USAID/DRC could not provide results associated with the remaining six indicators because projects were completed and implementing partners had closed their offices, and USAID/DRC's democracy and governance office did not maintain supporting documentation. Overall, USAID/DRC did not achieve its intended results for the democracy and governance activities given that for the 10 indicators with supporting documentation, it met or exceeded intended results for only 6 (60 percent). Furthermore, USAID/DRC, through an oversight, did not establish targets for 1 of the 16 indicators.

Although USAID/DRC met or exceeded only 60 percent of the intended results, the mission had made a significant impact in helping the Democratic Republic of the Congo (DRC) transition to a democracy.

Significant program elements from the operational plan included the following:

- Elections and political processes
- Local government and decentralization
- Anticorruption
- Civil society

Selected significant activities conducted by USAID/DRC under these program elements and their accomplishments are discussed below.

Elections and Political Processes – After intense presidential and national assembly elections in FY 2006, USAID continued to support the election process in FY 2007. The election process included presidential run-off, provincial assembly, traditional chief, gubernatorial, and senatorial elections. USAID-supported activities included voter education, political party poll-watcher training, provincial-level consultative groups, and development of quick reference materials for election dispute procedures to clarify procedures for increased transparency and participation.

Local Government and Decentralization – In FY 2007, DRC provincial deputies and governors were elected for the first time in 40 years. However, the newly elected local governments lacked the basic tools to function. USAID provided logistical support as well as training for the local governments. USAID also cosponsored a National Decentralization Forum to counter a controversial law introduced by the minister of interior. In addition, USAID supported Democracy Support Centers in the provinces to link civil society with the newly elected local officials.

Anticorruption – In 2007, DRC ranked nearly worst (168th out of 180 countries) on Transparency International's Corruption Perceptions Index. To counter this perception

and to improve public perception of the newly elected government, USAID addressed the issue of corruption implicitly by incorporating anticorruption elements in each supported activity. In addition, USAID specifically targeted corruption through a 4-year program to revive trade by reducing illegal taxes on river trade routes. USAID activities empowered local anticorruption committees with legal and civic education, negotiation skills, communications equipment, and small grants, and linked these committees by two-way radio in four provinces.

Civil Society – USAID civil society assistance in 2007 focused on voter education for elections, civic education on post-elections institutions, awareness-raising education on key governance issues, and reform advocacy. USAID increasingly focused on networks, bringing together multiple groups for like-minded programs such as civic education, human rights, or anticorruption. The centerpiece of these programs was the presence of regional democracy resource centers in Kinshasa, Lubumbashi, Mbuji-Mayi, Goma, and Kikwit. These centers provided information services, training, and meeting space to local political parties and civil society members.

"Search for Common Ground" radio program production studio in Kinshasa, DRC. The studio produces programs with themes of repatriation and transition to permanent governance for rebroadcast by partner radio stations in all provinces around the country. Photo taken by OIG auditor on April 18, 2008.

Mission staff attributed not meeting some of its intended results to two primary reasons: staffing challenges and timing of the operational plan reporting requirements. Mission staff also expressed concerns about the operational plan's ability to capture program achievements because of its primary emphasis on output-level reporting.

Although a performance management plan (PMP) is not required for formal reporting, management can use a PMP as a tool to internally assess progress toward achieving intended results. The audit team attempted to determine the status of the intended

results for the indicators included in the democracy and governance PMP, but found that the results for the PMP were not regularly updated or used for monitoring progress.

The following sections include findings to improve the program's performance monitoring system as well as opportunities to improve the program's effectiveness.

Reported Data Should Be Verified and Supporting Documentation Maintained

Summary: Results reported in the operational plan performance report were not verified and supporting documentation was not maintained. Automated Directives System (ADS) 203.3.5.2 provides guidance on data verification, and USAID's *Cognizant Technical Officers Guidebook on USAID Acquisition and Assistance* states that cognizant technical officers (CTOs) are responsible for ensuring the accuracy of all reports submitted by their implementing partners. Reported results were not periodically verified because the indicators being reported were different from the targeted indicators included in implementing partners' work plans. Plus, the mission did not have a process in place to verify the results being reported. Further, other priorities, such as providing daily program guidance to implementing partners, hindered efforts to review and verify the reported results. As a result, USAID/DRC is vulnerable to using unreliable data, which could lead to incorrect conclusions on the progress of the program's activities.

The democracy and governance team could not provide evidence that the supporting documentation for the results reported in the operational plan was verified; the mission did not maintain such documentation. Of the 16 indicators included in the FY 2007 operational plan performance report, implementing partners maintained complete supporting documentation for 6 of the reported results. Partial source documentation was available for four additional reported results. However, the mission could not provide the audit team with documentation to verify the reported results associated with the remaining six indicators because projects were completed and implementing partners had closed their offices, and the mission had not maintained supporting documentation.

ADS 203.3.5.2 states that the operating unit should be aware of the strengths and weaknesses of its data and the extent to which the data can be trusted to influence management decisions. Additional guidance is provided in USAID's *Cognizant Technical Officers Guidebook on USAID Acquisition and Assistance*, which states that CTOs are responsible for ensuring the accuracy of all reports submitted by their implementing partners.

According to the democracy and governance team, other priorities such as providing day-to-day program guidance and attending meetings with the implementing partners prevented them from verifying source documentation maintained by partners or spot-checking data submitted for inclusion in the reported results. Hence, the team relied on partners' quarterly reports or e-mails in preparing their reports. The democracy and governance team further stated that the operational plan reporting guidance was issued after the start of the fiscal year. Consequently, they could not modify agreements in time to incorporate the operational plan indicators into the partners' work plans. In effect,

reportable indicators did not always match those reported by the partners and the mission did not have a process in place to verify results being reported. For FY 2008, USAID/DRC has incorporated the operational plan indicators into partners' agreements as part of their work plans.

USAID/DRC was able to provide documentation supporting only 6 of the 16 indicators included in the FY 2007 operational plan. Without a proper review of supporting documentation, the accuracy of reported results cannot be determined, which could lead to incorrect conclusions on the progress of the program's activities. Periodic validation through spot checks would enhance the integrity of the data collected for the reported indicators and ensure that reported results were accurate and supported. Maintaining supporting documentation for the indicators included by the mission in the operational plan would increase credibility by providing an audit trail for the reported information. Therefore, this audit makes the following recommendation.

> *Recommendation No. 1: We recommend that USAID/Democratic Republic of Congo prepare and implement procedures for cognizant technical officers in its Democracy and Governance Office to periodically verify results reported by partners through spot checks of the reported results and maintain supporting documentation for the results achieved for operational plan indicators.*

Performance Management Plan Needs to Be Updated

Summary: The USAID/DRC Democracy and Governance performance management plan (PMP) was not updated and results were not used to systematically assess program progress and impact. According to ADS 203.3.4.6, PMPs should be updated regularly with new performance information as programs develop and evolve. In addition, the ADS guidance states that performance information should be used systematically to assess progress in achieving results and to make management decisions. The transitional nature of activities conducted to assist DRC through the difficult election period, staffing challenges, and other operational requirements such as day-to-day oversight of activities hindered efforts to update the PMP. This resulted in increased risk of ineffective monitoring of overall program progress and of not taking appropriate action to meet intended objectives.

A performance management plan is an important tool used to plan and manage the process of assessing and reporting progress toward achieving a strategic objective. The USAID/DRC Democracy and Governance PMP for FY 2004–2008 was developed in October 2004 but was not updated as necessary to reflect changes in strategy or activities. Results associated with the PMP's intended results were neither updated nor used as a guide in managing overall performance. The overall strategic objective (SO) for the PMP was "A Successful Transition to Peace and Democratic Governance Promoted." This objective was to be achieved through the following four intermediate results (IRs), which in turn would be realized through a series of intended results achieved through collaborative activities with implementing partners:

- Improved local security and stability through conflict management and community

development initiatives.

- Timely implementation of the legal framework required for the political transition, including elections.
- Development and strengthening of democratic institutions and basic political processes, including elections.
- Increased participation of Congolese society in economic and political decision making and government reform.

The PMP was developed in close collaboration with stakeholders, partners, and other donors, and included SO- and IR-level indicators and baselines and intended results to the extent possible. The Mission planned to have the PMP field-tested and missing baselines and intended results collected during the second and third quarters of calendar year 2004. However, there was no documentation evidencing the establishment of baselines and intended results for the PMP indicators.

Further, even though the PMP included a detailed schedule for indicator data collection by quarter at the SO level as well as for the activities conducted under the four IRs, the democracy and governance team could not provide evidence that such data were collected and results updated. In effect, the PMP was not used as a management tool to monitor overall performance of the strategic objective or to assess impact.

During audit fieldwork, the democracy and governance team began to use the framework developed under the PMP to update results reported by implementing partners. However, results were only partially incorporated into the PMP and additional work is required to make the document a viable management tool.

According to ADS 203.3.4.6, PMPs should be updated regularly with new performance information as programs develop and evolve, usually as part of the operating unit's annual portfolio review process. In addition, the ADS states that performance information should be used systematically to assess progress in achieving results and to make management decisions.

The PMP was not updated regularly and not used as a management tool because of the transitional nature of the activities conducted to assist the DRC through the difficult election period. In addition, operational requirements such as day-to-day oversight of activities, attending meetings, and conducting site visits hindered efforts to update the document. For example, during the implementation period covered by the strategy, the democracy and governance team at times was required to operate with a staff of two while providing guidance to implementing partners associated with up to 10 awards.

Without an updated and viable PMP reflecting current strategy and activities, monitoring of overall program progress may not be effective. Further, without updated indicator values, the mission increases the risk of not taking appropriate action to meet intended objectives. Therefore, this audit makes the following recommendation.

Recommendation No. 2: We recommend that USAID/Democratic Republic of Congo update the democracy and governance performance management plan in accordance with the new post-transition strategy and develop specific procedures to assign responsibility for regularly updating the document.

Contractor Performance Should Be Evaluated

Summary: Contractor performance was not evaluated formally for a multiyear contract in accordance with USAID's policies. According to ADS 302.3.6.3 and Acquisition & Assistance Policy Directive 06-05, evaluation of contractor performance is required at least annually and upon contract completion. The regional acquisition and assistance officer was aware of the requirement to evaluate contractor performance upon contract completion, but the requirement to perform annual interim evaluations of the contract was overlooked because of other operational requirements. As a result, required information to possibly improve acquisition decisions and performance incentives to the contractor was not made available.

In 2005, USAID/DRC awarded a multiyear (September 30, 2005, to April 30, 2008) contract of approximately $6 million. The contract's purpose was to provide state-of-the-art expertise to establish effective and legitimate governance in the DRC. The contract required services to advance the DRC's transition process until its successful conclusion with the installation of a new, elected government in June 2006. Through a two-phase implementation, the contract supported USAID/DRC's objectives through institutional strengthening, support for legal and policy reform and implementation, and reinforcement of the legitimacy of state structures, policies, and functions.

However, the mission did not evaluate the award formally in accordance with USAID's policies. ADS 302.3.6.3 and Acquisition & Assistance Policy Directive (AAPD) 06-05 require:

- Evaluation of contractor performance at least annually and upon contract completion, and
- Use of contractor performance information in source selection.

Further, the Government Accountability Office (GAO) has ruled that failure to properly document contractor performance information and make it available for use in source selections for the same or similar items is sufficient basis to sustain a protest of a contract award in a subsequent source selection.

The regional acquisition and assistance officer (RAAO) was aware of the requirement to evaluate contractor performance upon contract completion, but not the requirement to perform annual interim evaluations of the contract. The requirement was overlooked because the democracy and governance program portfolio included mostly grants and agreements which do not have the performance evaluation requirement and a lack of local contracting support to monitor performance evaluation requirements. The RAAO stated that there were plans to hire an acquisition and assistance specialist for DRC, and agreed that having local acquisition and assistance support would serve to identify and establish steps for contract performance evaluation requirements as well as other procurement-related requirements such as closeouts.

Regular, comprehensive, and conscientious performance evaluations will provide the information needed to make better acquisition decisions and will be a significant

incentive to the contractors to provide USAID with desired services. Because of the importance of contractor performance evaluations to existing and future awards, this audit makes the following recommendation.

Recommendation No. 3: We recommend that, in coordination with the Regional Acquisition and Assistance Office, USAID/Democratic Republic of Congo develop a checklist to include steps to perform the required interim contractor performance appraisals.

Other Matters

Disposition of Excess Inventory

Summary: Nonexpendable inventory of undetermined value is awaiting a disposition decision. Some of the inventory maintained in a warehouse was identified as nonoperational. USAID's *Cognizant Technical Officers Guidebook on USAID Acquisition and Assistance* provides guidance on disposition of property during the award closeout process. Excess inventory was not properly handled primarily because of multiple award expirations (which happened concurrently), uncertainty over future inventory level requirements, and problems during closeout procedures. As a result, the excess inventory carries risk of loss or damage and further depreciation in value.

A key implementing partner was assigned nonexpendable inventory (mostly office furniture/equipment and computer equipment) costing more than $900,000 of which various items have been subsequently classified as nonoperational[1] by the partner. Further, according to the implementing partner's chief of party, the partner will not need an undetermined quantity of inventory items in implementing requirements of its new contract. Some items are currently stored in a rented warehouse. According to USAID/DRC management, inventory initially assigned to other implementing partners has been reassigned as a result of closed-out awards. For example, inventory associated with the democracy resource centers operated by another partner was turned over to the key implementing partner as a result of activity completion on September 30, 2007, without conducting proper closeout procedures for disposal of the inventory. The current value and the actual inventory requirements to support existing activities and new programs were not available. Further, inventory records did not always include the purchase price or the current carrying value of the inventory items.

USAID's *Cognizant Technical Officers Guidebook on USAID Acquisition and Assistance* provides guidance on disposition of property during the award closeout process, which includes reconciliation of inventory records and proper disposition in conjunction with the Regional Acquisition and Assistance Office.

USAID/DRC accumulated excess inventory from multiple award expirations (which happened concurrently), uncertainty over future inventory level requirements, and problems during closeout procedures that prevented proper disposition of inventories. Other competing operational priorities also hindered efforts and prevented proper

[1] Nonoperational items are items that are not suitable for their intended use or purpose.

disposal of excess inventory. According to USAID/DRC's management, several large awards expired concurrently and excess inventory was maintained owing to uncertainty in upcoming activity levels and associated inventory requirements for follow-on awards. In addition, one partner did not perform proper closeout procedures to identify and dispose of inventory. In another case, the mission curtailed a partner's activities because of a higher-than-expected project burn rate, which exhausted funding before the intended activity completion date. Inventory assigned to this partner was also unexpectedly reassigned until a disposal decision could be made.

Timely disposal of inventory reduces the risk of loss or damage and further depreciation in value. Also, warehouse rental costs may be reduced or eliminated. To address the increased risk and associated costs of carrying excess inventory, this audit makes the following recommendation.

Recommendation No. 4: We recommend that USAID/Democratic Republic of Congo in conjunction with the Regional Acquisition and Assistance Office, prepare and implement a formal plan to properly dispose of excess inventory associated with the expired awards.

Deobligation of Unexpended Funds

The audit review of unexpended obligation balances related to the Democracy and Governance Office revealed that three awards expiring in 2005 and earlier had unliquidated obligations of $489,194, as shown below:

Table 1: Unexpended Obligated Balances from 2003 to 2005

Awardee	Completion Date	Unliquidated Balance
Consortium for Elections & Political Strengthening	08/15/04	$183,005
IFES/IHRLG Consortium	06/30/03	$73,115
Development Alternatives, Inc.	12/31/05	$233,074
Total		$489,194

ADS 621.3.17 provides guidance on the review of unexpended obligated balances. The review should be conducted at least annually to determine the amount of unexpended obligations remaining for each funding line. According to the ADS, unexpended obligated balances must be monitored to ensure that the level of funding is consistent with Agency forward-funding guidelines and that balances are deobligated when no longer needed for their original purposes.

USAID/DRC periodically reviews its unexpended obligation balances. The democracy and governance team attributed the outstanding unliquidated balances to other programmatic priorities and staffing changes, which prevented timely deobligation of these funds. Mission officials have taken steps to deobligate these funds and have coordinated with the Regional Acquisition and Assistance Office to address the backlog of expired but open awards that are awaiting closeout. Therefore, this audit is not making a recommendation.

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/DRC agreed with the four recommendations and developed action plans to implement each recommendation. The mission's comments and our evaluation of them are summarized below.

In response to recommendation no. 1, which recommends the preparation and implementation of procedures for cognizant technical officers (CTOs) to periodically verify reported results and maintain supporting documentation, management responded that it will issue formal guidance in this regard to all CTOs by March 31, 2009. In addition, management indicated that the mission instituted a requirement in January 2008 for all staff to complete trip reports for each field visit, including a review of relevant data quality assessments for indicators.

Responding to recommendation no. 2, which recommends updating the performance management plan (PMP) and developing specific procedures to assign responsibility for the document to be regularly updated, management said it submitted a PMP related to the Country Assistance Strategy under the "F" framework. Management added that this plan was sent to Washington, DC in September 2008 for approval. The mission further stated that it will put the new PMP in place by March 31, 2009, and issue a mission order on the maintenance of the PMP to ensure that it is being used, monitored and updated regularly.

For recommendation no. 3, which recommends that the mission, in coordination with the Regional Acquisition and Assistance Office, develop a checklist with steps to perform required interim contractor performance appraisals, management responded that a checklist would be in place by January 31, 2009. Management further indicated that it would complete the contractors' performance report for the closed Development Alternatives Inc. contract by December 31, 2008.

In response to recommendation no. 4, which recommends that the mission, in conjunction with the Regional Acquisition and Assistance Office, prepare and implement a formal plan to properly dispose of excess inventory associated with the expired awards, management stated that it has disposed of all property associated with awards closed in fiscal year (FY) 2007 except for the property in Kikwit associated with the Consortium for Elections and Political Processes award. The Government of the Democratic Republic of the Congo has seized this property because of litigation, preventing its disposal. Nevertheless, management's actions and efforts reflect its agreement and efforts to comply with this recommendation. Furthermore, management stated that it had developed internal recommendations for future project closeouts based on the democracy and governance team's FY 2007 closeout experience, and sought revised guidance from the regional acquisition and assistance officer and regional legal advisor on nonexpendable property.

Based on management's comments and their proposed actions, we consider that management decisions have been reached on the four above-mentioned

recommendations. Final action should be coordinated with M/CFO/APC upon completion of the planned actions.

In addition, management provided supplementary comments concerning our draft report. Where appropriate, the supplementary comments were considered in the preparation of the final audit report. Appendix II contains management comments in their entirety.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar (RIG/Dakar) conducted this performance audit in accordance with generally accepted Government auditing standards to determine if USAID/Democratic Republic of Congo's democracy and governance activities were achieving intended results and what the impact of the program has been. 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 the audit objective. Audit fieldwork was conducted at USAID/DRC from March 31 through April 18, 2008. The audit covered the period from October 1, 2006, through September 30, 2007.

In planning and performing the audit, we assessed management controls related to program oversight, compliance with applicable rules and regulations, and review of performance measures and indicators. Specifically, we obtained an understanding and evaluated (1) the fiscal year (FY) 2007 operational plan, (2) the performance monitoring plan, (3) the mission's Federal Managers Financial Integrity Act of 1982 assessment, (4) the oversight performed by cognizant technical officers, (5) performance measures, (6) actual performance results, and (7) data quality assessments. We also conducted interviews with key USAID/DRC personnel and implementing partners. We conducted the audit at USAID/DRC, located in Kinshasa, Democratic Republic of the Congo, and performed site visits to implementing partners and activities in Kinshasa. Owing to travel restrictions and the timing of ongoing activities, we did not conduct site visits in other regions. Plus, due to the timing of our fieldwork, many activities were completed and records had been transferred to partners' headquarters and other locations outside of the DRC. We requested these records in advance as part of our audit process, but USAID/DRC was unable to provide them to us. We have noted this in the report.

We reviewed the 16 democracy and governance program indicators included in the FY 2007 operational plan. We also selected reported results from implementing partner quarterly reports and performance monitoring plans to evaluate the accuracy and fairness of the reported accomplishments. During FYs 2006 and 2007, USAID/DRC's democracy and governance program obligated $12.1 million and in FY 2007 it disbursed $9.7 million.

Methodology

To answer the audit objective, we reviewed the 2007 operational plan and the associated performance report. We also reviewed ongoing activities and reported results from implementing partner quarterly reports and work plans through March 31, 2008. We could not review results associated with the performance management plan since it was not updated or used to monitor results. The democracy and governance program reported results for 16 standard indicators in FY 2007 per the operational plan.

For indicators with available supporting documentation we tested performance results and compared reported information to documented results (progress reports, participant training lists, draft laws, etc.) to conclude whether democracy and governance activities had achieved their intended results. We limited our conclusion to 10 indicators with adequate full or partial supporting documentation. We also judgmentally selected and tested reported results from implementing partners' quarterly reports by reviewing source documentation to determine adequacy and accuracy of support for reported results. We concluded that the mission would meet its intended results if it achieved at least 80 percent of its planned targets.

In addition, we selected seven active agreements with significant obligations and disbursements during our audit period. For the seven agreements, we reviewed the implementing partners' agreement documents, progress reports, and work plans to determine if activities were conducted in support of agreed upon statements of work.

We reviewed applicable laws and regulations, and USAID policies and procedures pertaining to USAID/DRC's democracy and governance program, including the mission's 2007 Federal Managers Financial Integrity Act of 1982 assessment; Foreign Assistance Act of 1961, section 116 (e); USAID guidance; and Automated Directives System chapters 200, 201, 202, 203, and 302.

We also conducted interviews with USAID/DRC's democracy and governance cognizant technical officers, the regional acquisition and assistance officer, financial analysts, program office officials, and implementing partners to determine (1) the progress of activities, (2) how targets were established, and (3) controls over programmatic and financial reporting.

MANAGEMENT COMMENTS

USAID FROM THE AMERICAN PEOPLE | DEMOCRATIC REPUBLIC OF CONGO

To: Regional Inspector General/Dakar, Dennis Bryant

From: USAID/DRC Mission Director, Stephen M. Haykin

Date: October 27, 2008

Subject: Audit of USAID/DRC Democracy and Governance Activities (Report No. 7-660-08-00X-P)

The USAID/DRC Mission would like to thank the RIG/Dakar audit team for its work in the DRC and recommendations for improving performance management. The USAID/DRC Democracy and Governance (DG) portfolio is complex and implemented in a dynamic, evolving environment. It involves awards in each of the four Operational Plan (OP) program areas for Governing Justly and Democratically. The Mission agrees with the recommendations, with certain caveats. Actions for each of the recommendations are included below. The Mission submits the following specific comments on the RIG Audit Report findings and conclusions.

Comments on Recommendations

Reported Data Should Be Verified and Supporting Documentation Maintained

Recommendation No. 1: We recommend that USAID/Democratic Republic of Congo prepare and implement procedures for cognizant technical officers in its Democracy and Governance Office to periodically verify results reported by partners through spot checks of the reported results and maintain supporting documentation for the results achieved for operational plan indicators.

The Mission agrees with this recommendation. It will issue formal guidance to all Cognizant Technical Officers (CTOs) in this regard by March 31, 2009.

In January, USAID/DRC/DG instituted a requirement for all staff to complete comprehensive trip reports after each field visit. These include a review of relevant data quality assessments (DQAs) for indicators, a review of compliance with environmental regulations, as well as a review of any other issues that may affect program implementation. Whenever possible, staff photographs sites visited and events attended

or photocopies data source documents as additional records of their trip (see attached template).

Performance Management Plan Needs to Be Updated

Recommendation No. 2: We recommend that USAID/Democratic Republic of Congo update the democracy and governance performance management plan in accordance with the new post transition strategy and develop specific procedures to assign responsibility for regularly updating the document.

The Mission agrees with this recommendation, noting, however, that the Performance Management Plan (PMP) should relate to the new Country Assistance Strategy (CAS) under the "F" framework. This was submitted in September 2008 by the Mission to Washington, D.C. for approval. The Mission will put into place a new PMP by March 31, 2009. It will further issue a Mission Order on the maintenance of the PMP to ensure it is being used, monitored and updated at regular intervals.

The Mission included the design of a new PMP into the scope of work for the elaboration of its two new major programs – justice and governance. The justice program design TDY in February-March resulted in a detailed PMP, including planned future activities and on-going activities with current awards. The PMP was included in the subsequent Request for Task Order Proposals, and now these indicators are in the contract. The CTO is now working with the implementer to ensure these indicators are carried forward properly into the contract's work plan and PMP (due in the first quarter of FY 2009). The Governance Program design team is currently in-country; a detailed draft PMP is expected as a deliverable by December 2008. This will be included in the solicitation and subsequent award.

As part of its strategic planning, the Mission engaged a two-month TDY from June-August to work with the team on options for its PMP for the DG program. As the CAS, supplemental funding levels and programs for governance and justice had not yet been finalized, the TDY recommendations are now being adjusted to the final strategy and current procurement plan.

Contractor Performance Should Be Evaluated

Recommendation No. 3: We recommend that, in coordination with the Regional Acquisition and Assistance Office, USAID/Democratic Republic of Congo develop a checklist to include steps to perform the required interim contractor performance appraisals.

The Mission agrees with this recommendation. A checklist will be in place by January 31, 2009. By December 31, 2008 it will complete the contractor performance report for the closed DAI contract.

Disposition of Excess Inventory

Recommendation No. 4: We recommend that USAID/Democratic Republic of Congo in conjunction with the Regional Acquisition and Assistance Office, prepare and implement

a formal plan, to properly dispose of excess inventory associated with the expired awards.

The Mission agrees with this recommendation.

All property associated with awards closed in FY 2007 has been disposed of properly with RAAO approval. The only exception to this is the property in Kikwit from the Consortium for Elections and Political Processes (CEPPS) award (see below for detailed comments).

The DG team used its experiences with end of FY 2007 close-outs to develop internal recommendations for future project close-outs. For this reason, the close-out of several other awards this year went more smoothly. Furthermore, USAID/DRC sought revised guidance from the RAAO and Regional Legal Advisor (RLA) on non-expendable property, so that it no longer handles NXP valued at less than $5000 per item (previous guidance from the RAAO had been to dispose of all items, if *aggregate* value per award was at or above $5000). Also, new awards include more explicit language on inventory management, and this is a specific topic in post-award RAAO/CTO/Partner briefings.

Comments on Findings and Recommendations

With regards to the 2007 Operational Plan Performance Report (OPPR), an overall impediment to results reporting stemmed from the "F" guidance. Worldwide, the OP DG indicators were not finalized until after the first quarter of FY 2007. Most of the USAID/DRC/DG portfolio was awarded in the last quarter of FY 2006. As all awards but one (DAI) were assistance instruments, the Mission could not require additional reporting after negotiation and award. Therefore, most of the awards did not include OP indicators in their work plans. Rather, the Mission relied on the goodwill of partners to share the data with them (which all did). The Mission aggregated data itself from the quarterly and other reports in order to quantify results. It also ensured that data from multiple partners for a single indicator met the same definition. Although they are a best practice for the Agency, Data Quality Assessments (DQAs) could not be performed in a timely manner for FY 2007 indicators because of the above reasons. The Mission met this standard for FY 2008.

The Mission's CTOs and Activity Managers regularly confirm trainings, participation at events, advocacy campaigns and other activities through site visits, document reviews and attendance at events. With the requirement to complete trip reports (adopted in January 2008), staff records its monitoring visits outside of Kinshasa. Previously, staff looked at these documents, but did not collect copies for its own files, which is consistent with ADS 203.3.5 guidance for review of secondary data. Nonetheless, in verifying the 2007 OP performance report results, DG staff did ask for and receive copies of supporting documentation to substantiate data for several of the indicators, e.g. political party training and legislative strengthening training. According to ADS 203.3.5.3, the Mission is not bound to maintain copies of source documents in its offices, as data tracked is from a secondary and not a USAID primary source. In such cases, DQAs assess "the apparent accuracy and consistency of the data. In many cases, the data are not under USAID control and the Operating Unit, therefore, may not have the right to audit or investigate the quality of data in depth." The requirement of maintaining source documents would have been applicable to the Mission, had it contracted out directly the

data collection process or collected them itself. Therefore, it appears that maintaining source documents in USAID/DRC is not a rule applicable in this audit.

At the time of the audit in March and April 2008, many of these programs were no longer operational. At program close, supporting documentation was transferred to partner headquarters. It is available for review at any time to substantiate the indicator data claimed on the Mission's Operational Plan. However, as several of the partners managed other awards in the DRC, the auditors were able to interview some staff and view supporting documentation for reported results. Others, unfortunately, were not available in-country because their programs had ended. By the time of the audit mission, IFES had closed its CEPPS agreement and had boxed documents for storage and transfer to headquarters; post-CEPPS, NDI had closed its offices completely; DAI, Global Rights and ASF were closing old awards and transitioning to new USAID-funded awards; Innovative Resources Management was closing its offices; and Search for Common Ground was still implementing the award in question, as well as a new USAID-funded program; and, the Carter Center had closed its elections award.

Appendix III only shows the targets and verified results. There is no column for the Mission's own reported results achieved as per its OPPR. Without this information, it is difficult to see the gap in targets, Mission-reported results and verified results. Several indicators were identified in the audit report as "not available for verification". It would be clearer to show why they were not available for verification: was it due to the lack of supporting documentation at the Mission; because partners had closed their offices and/or closed the USAID programs; or because the indicator was dropped between the original OP and the performance report? Each of these is a different case. Additional clarification on these indicators is attached.

The USAID/DRC/DG PMP covers FY 2004-2008 under Strategic Objective (SO) Three. During this time, the Mission had three different country assistance strategies. With the advent of the new Foreign Assistance "F" guidelines, the SO framework was dropped. The program now falls under the Governing Justly and Democratically objective of the OP. During the transition between SOs and "F", the Mission held off updating the PMP pending finalization of the "F" framework. While the old PMP technically extended until FY 2008, it had only been partially updated since its inception. The DQAs and results tracking chart were not updated. Nevertheless, programs continued to work towards these results. Recognizing this management weakness, the Mission updated the results tracking chart during the auditors' visit. However, due to scheduling conflicts with the team during their last few days in-country, the DG Team and auditors were not able to formally review the chart together.

The DG Office went through an extraordinary closeout period for multiple awards at the end of FY 2007. The limitations and constraints identified in the audit report explain much of the context. Since then, the warehouse for temporary inventory storage was closed in December 2007. All inventory was redistributed with RAAO approval to development partners. USAID/DRC believes that the value of the items transferred to DAI was over-estimated (the report cites $900,000). This is not the value of the items involved in the transfer of assets at the end of FY 2007. The vast majority of these items are valued at less than $5000. Moreover, the sum total of the NXP would likely be much less, as some of it was purchased as far back as 1998 under previous awards and much of it had been used for at least several years. Unfortunately, partners did not keep accurate records of purchase price and fair market value at program close. Much of this

inventory was transferred within a single partner between original and follow-on awards. When the CEPPS program closed in 2007, the CTO and RAAO repeatedly asked for accurate pricing data; the partner could not comply.

The inventory transferred to DAI from CEPPS in Kinshasa and other locations throughout the country has been transferred to other partners or incorporated into new USG awards. The one exception is the inventory that was illegally seized by the Prosecutor General in Kikwit. This was originally managed by CEPPS, but when their office in Kikwit closed, a local NGO claimed the property and engaged the Prosecutor General, who seized the items and locked them in a warehouse. The total fair market value was estimated at $2,490 in September 2007. The property was intended to be given to local government for continued use. Despite repeated interventions, USAID and DAI have not been able to resolve the issue with the Prosecutor General to this day. This was hampered by the lack of a bilateral agreement with the current Government (a new bilateral was signed in October 2008). The Prosecutor General recently requested an additional letter from USAID on this matter; this will be sent by the end of November.

Recommended Clarifications

On page 2, paragraph 4, the summary of USAID/DRC interventions does not adequately reflect the actual programs. Rather, it lists all of the possible OP elements for each of the four program areas. In fact, USAID/DRC funded/funds programs from the following areas and elements:

1. Rule of law and human rights: justice system, judicial independence, and human rights
2. Good governance: legislative function and processes, local government and decentralization, and anti-corruption reforms
3. Political competition and consensus-building: political parties and elections and political processes
4. Civil society: civic participation.

Closing Remarks

USAID/DRC is prepared to provide whatever additional information is deemed necessary to close the report.

Attachment 1: Template trip report

FIELD VISIT CHECKLIST

Date of Report	
Dates of Travel	
Itinerary/Location(s)	
Individuals participating in visit	
Purpose of field site visit	
USAID Partner	
Agreement Number	

Project(s) being visited			
Initial Timeframe of Project			
Extension Timeframes			
Total Timeframe			

Activities at this field site (from obligating document)	**Current status of each Activity**

Are there PMP indicators being collected at this field site?	Yes / No
If yes, which ones?	Data Quality analysis being done this visit? (if yes, attach data quality checklist)
	Status:

Main issues being encountered at this location?	Suggested Solutions
Human resources:	
Logistics:	
Finance:	

Program/Technical:	

Draft Success Stories / Case Studies / First Person / Photo and Caption / Before and After Photo

Democracy and Governance Operational Plan Standard Indicators for FY 2007

USAID/DRC's Operational Plan Standard Indicators	Intended Results	Verified Results Achieved	% of Results Achieved[2]
Full Documentation			
(1) Number of laws, regulations, and procedures related to judicial independence supported with United States Government (USG) assistance	4	4	100%
(2) Human Rights: Number of public advocacy campaigns on human rights supported by USG	5	12	240%
(3) Rule of Law: Number of information gathering or research activities	5	4	80%
(4) Governance: Number of information gathering or research activities	5	5	100%
(5) Political Competition: Number of information gathering or research activities	9	5	55%
(6) Civic Participation: Number of information gathering or research activities	9	5	55%
Partial Documentation			
(7) Number of domestic human rights NGOs receiving USG support	22	1	4%
(8) Number of national legislators and national legislative staff attending USG-sponsored training or educational events	300	32	10%
(9) Number of local mechanisms supported with USG assistance for citizens to engage their sub-national government.	13	40	308%
(10) Civic Participation: Number of CSO advocacy campaigns supported by USG	5	6	120%
No Documentation			
(11) Number of justice sector personnel who received USG training	200	NAV[3]	Not determined
Number of women	40	NAV	Not determined
Number of men	160	NAV	Not determined
(12) Number of people visiting USG-supported legal service centers serving low-income and marginalized communities	Target Not Established	510	Target not set
(13) Number of people affiliated with NGOs that receive USG-supported anticorruption training	13,050	NAV	Not determined
(14) Number of electoral administration procedures and systems strengthened with USG assistance	24	NAV	Not determined
(15) Number of individuals who receive USG-assisted political party training	13,600	NAV	Not determined
(16) Number of people who have completed USG-assisted civic education programs	1,600,000	NAV	Not determined

[2] The audit concluded that the mission met its intended results if it achieved at least 80 percent of its FY 2007 targets.
[3] Documents for these indicators were not available for verification (NAV) at the USAID/DRC democracy and governance office and could not be provided to us.

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