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AUDIT OF USAID/HAITI'S RENOVATION OF THE BEAU RIVAGE HOTEL FOR USE AS A MISSION COMPOUND

Memorandum Report No. 1-521-86-02
November 22, 1985

MEMORANDUM FOR: AAA/SER, John F. Owens and M/FM, Curtis W. Christensen

FROM : RIG/A/T, Coinage N. Gothard

SUBJECT : Memorandum Report No.1-521-86-02; Review of USAID/Haiti's Renovation of the Beau Rivage Hotel into a USAID Compound

This report presents the results of a limited scope economy and efficiency review of the renovation by USAID/Haiti of Beau Rivage Hotel into a Mission Compound.

Background

In 1979 the Foreign Buildings Office recommended that USAID/Haiti move from its offices because of a problem with raw sewage flooding the streets after heavy rains. The sewage often entered one of the buildings. (Port-au-Prince does not have sewage treatment plants; sewage is disposed through drainage pipes into the ocean. Heavy rains fill the drainage pipes and the overflow covers the streets.)

USAID/Haiti was located in two office buildings--the Behrman building which housed the Controller's Office, the Executive Office, and Engineering Office and the Saliba building where Mission management and most project personnel were located. The buildings are located close to each other and to the American Embassy in downtown Port-au-Prince.

In 1981 the Mission Engineer certified that both AID buildings would be unsafe in the event of an earthquake. The Engineer was responding to a request made by the Mission Director to inspect the AID buildings and determine if they could withstand an earthquake similar to the one that leveled much of Managua. Haiti is in an earthquake zone and tremors are common.

The Mission Director also wanted to consolidate his staff into one location to improve communication and stop an "us versus them" attitude between personnel in the two buildings.

The Mission Director assigned his Associate Director for Management full-time responsibility as project officer for locating and obtaining suitable office space for the Mission in December 1982. He remained in this capacity until December 1984 when he went on home-leave and was replaced as the project officer by the acting contracting officer. In an attempt to improve working conditions, the project officer and engineering office evaluated twenty buildings but none met all the Mission's needs for sanitation, security, and size. A request was made to build a new office in September 1981 with completion by the end of fiscal year 1982. However, money was not available nor considered likely

to be available in the near future for new construction, so the project was never implemented. The Mission was considering leasing the Bank of Boston building which is not earthquake safe when the Beau Rivage Hotel became available for lease in 1983. The Beau Rivage is close to the Embassy, not subject to flooding, earthquake safe, large enough for a consolidated office, and was then available for $75,000 to buy out the previous lessee, plus a nominal annual rent of $6,000 to the Government of Haiti. However, the Beau Rivage required extensive renovation which the Mission Engineer estimated would cost about $500,000, after which occupancy might be expected in April 1984. These estimates were his best guess because no formal architectural and engineering (A&E) studies had been made. In August 1983, the Mission requested and obtained approval from AID/Washington to lease and renovate the property based on a budget of $500,000 -- $155,000 in fiscal year 1983 and $345,000 in fiscal year 1984.

Audit Objectives and Scope

The objective of this economy and efficiency survey was to determine why the renovation costs for the Beau Rivage were so much higher and the completion date so much beyond the original estimates. This survey was conducted from November 26 to December 7, 1984 and from October 1 to 4, 1985. The scope of work included a review of pertinent contracts, correspondence, procurement, payment, and engineering files; site visits to the Beau Rivage and storage areas for building materials; and interviews with the Associate Director for Management, Executive Officer, Controller, Contracting Officer, Mission Engineer, two Engineers associated with the project, and an official of Tecina, an architectural firm contracted under the project. Interviews were also conducted with AID/Washington officials who were associated with the project.

Results of Audit

The renovation of the Beau Rivage Hotel for use as a compound by USAID/Haiti ultimately cost almost $900,000, or about $400,000 more than the original estimate. The renovation was not completed for full occupancy until April 19, 1985, about a year after the original estimated completion date. The AID/W Office of Management Operations and the Office of the Controller approved the project based upon the $500,000 cost estimate and an April 1984 completion date, even though those estimates were not based on architectural or engineering (A & E) studies. By the time the studies were completed in February 1984 and a more accurate cost estimate made, the project had already consumed about $216,000 in construction materials and studies, making cancellation of the project or pursuit of an alternative course of action unlikely. The additional costs for the renovation severely strained the Mission's budget as well as its staff resources. As a result, the Mission postponed other basic operational needs. For example, the Mission had to function with only two word processors, requiring many reports to be prepared on less efficient equipment.

USAID/Haiti did not qualify the accuracy of its $500,000 budget estimate and AID/Washington did not question it even though no A&E work had been done (A&E studies were part of the $500,000 estimate). The inaccuracy of this estimate would not be obvious until February 1984 when the A&E work (which included security requirements) was completed by the Haitian A&E firm, Tecina, resulting in a new cost estimate of $793,828.

An AID engineer associated with the project noted that renovations are more difficult to plan and make cost estimates for because they contain many more unknowns. For example, the gutting of the building produced a major and costly surprise because the old hotel floors were not even--each room's concrete floor had been poured separately, leaving a patchwork of uneven rectangles once the walls were removed. In addition, IG/SEC would require about $112,000 in security work not included in the original cost estimate.

USAID/Haiti originally planned for a contract with one firm for both the procurement of materials and the construction work. However, in September 1983, the contracting officer determined that a single contract could not be executed by the end of fiscal year 1983 because there were no A&E plans to bid on, and a sole source contract could not be justified. To ensure that operating expense funds could be obligated by the end of the fiscal year and not "lost", USAID/Haiti contracted only for the A&E work and material procurement with Tecina. A separate contract would be entered into for the renovation work with a local general contractor, Marka.

Since one firm was responsible for procurement and another for construction, the Mission found itself effectively managing the renovation project, urging its completion, coping with its daily problems, and overseeing the work. Many people associated with the project, including the Project Officer, felt that they were not really qualified to assume the role that ultimately fell upon them. Compounding the experience problem were extended absences by the AID engineer who was most closely associated with the project because of sickness, vacation, TDYs (AID/Washington mandated travel that the Mission opposed), and home leave, as well as by the project manager due to sickness and home leave. The project manager and one assistant were overloaded in coordinating procurement actions with and by Tecina; ensuring suppliers fulfilled their obligations; receiving, handling, storing, and issuing materials; documenting those transactions for payment; and monitoring and prodding Marka to complete the work.

When the contract with Marka was executed, the Mission had hoped to move into the renovated Beau Rivage compound by September 1984. Marka began construction on May 8, 1984, but the project was not completed for full occupancy until April 19, 1985.

This project demonstrates that AID/Washington will approve and allocate funds for a major renovation of a building without architectural and engineering studies and firm cost estimates. We are particularly concerned that, by the time firm estimates were in fact available,

USAID/Haiti had spent over $200,000 for building materials and studies. By the time so much money had been spent, it was unlikely that AID/Washington would have reneged on its approval for the renovation.

It seems to us that the approval for funds and renovation work should be tied to firm cost estimates based on independent A&E studies. This could include a two part process:

--approval of an A&E study, and

--a second approval for the final project with firm cost estimates.

In this way, AID/Washington would better understand what it was approving and a Mission would not become over committed.

This project also showed that AID Missions may not have sufficient personnel or expertise to carry out a major renovation. A contracted engineering firm may alleviate many of the problems associated with the lack of staff resources that USAID/Haiti experienced during this project.

These conclusions are being provided to you in the hope that your offices and other Missions can benefit from the lessons learned in Haiti.

APPENDIX A

LIST OF REPORT RECIPIENTS

M/AAA/SER	5
M/FM	5
USAID/Haiti	5
AA/LAC	2
LAC/CAR/H	2
LAC/GC	1
RLA/Bridgetown	1
LAC/DR	1
LAC/DP	1
LAC/CONT	1
AFR/CONT	1
ANE/CONT	1
AA/XA	1
XA/PR	1
LEG	1
GC	1
AA/M	2
M/SER/MO	2
M/SER/EOMS	3
F/FM/ASD	2
PPC/CDIE	3