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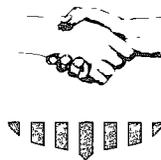
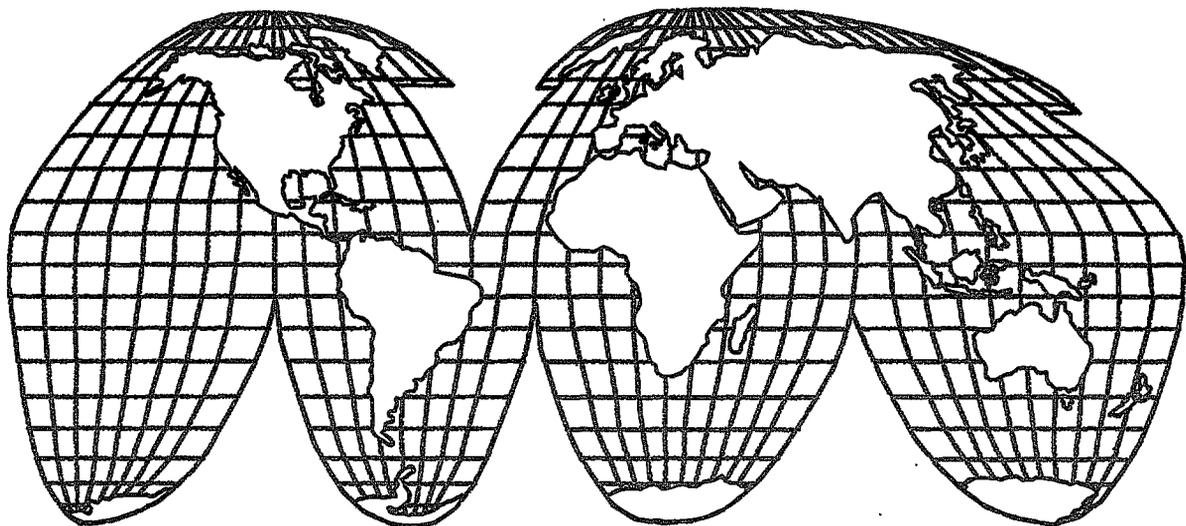
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Haiti's Hurricane Georges Recovery Program

Audit Report No. 1-521-01-005-P

May 15, 2001



U.S. Agency for International Development
Regional Inspector General / San Salvador



U.S. Agency for
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

May 15, 2001

MEMORANDUM

FOR: USAID/Haiti, Director, Lewis Lucke

FROM: Acting Regional Inspector General/San Salvador,
Steven H. Bernstein *Steven H. Bernstein*

SUBJECT: Audit of USAID/Haiti's Hurricane Georges Recovery Program
(Report No. 1-521-01-005-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments are included in their entirety in Appendix II.

This report contains one recommendation for your action and no management decision has been reached. We request that you provide us written notice within 30 days of any additional information related to actions planned or taken to implement this recommendation. In addition, please comment on the potential monetary savings from implementing the recommendation.

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

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Summary of Results

As part of its fiscal year 2001 audit plan, the Regional Inspector General/San Salvador performed this audit to determine whether USAID/Haiti's disaster reconstruction activities, known as the Hurricane Georges Recovery Program (HGRP), are on schedule to achieve planned outputs and whether it has implemented an adequate monitoring system for the HGRP (see page 4).

We found that all but 4 of the 31 disaster reconstruction activities were on schedule to achieve planned outputs. These four activities were three months or more behind schedule for various reasons. In addition, one of the four, the United States Army Corps of Engineers (USACE), will not complete its planned outputs. For the other three activities, because project implementers and USAID were confident that, even with the current delays, all activities would be completed by the end of the program, and our audit work confirmed that their plans and current actions supported this belief, we did not make any recommendations to address the delays. On the other hand, because it will not finish all planned outputs, we recommend that USAID/Haiti de-obligate any USACE funds that will not be expended (see pages 4 - 7).

We also found that USAID/Haiti had implemented an adequate monitoring system for its disaster reconstruction activities (see pages 7 - 8).

In its comments to the draft audit report, USAID/Haiti stated that it found the report useful and agreed with all findings. It also took action to address the recommendation, but did not specifically mention its plans to de-obligate funds, or how much would be de-obligated. Hence, no management decision has been reached on this recommendation (see page 8).

Background

Because of its overwhelming poverty, degraded environment, and lack of infrastructure, Haiti is considered a "disaster prone" country. Nearly every year, large segments of the population suffer from either prolonged drought, frequent floods, or mud slides. In September 1998, Hurricane Georges swept across Haiti causing approximately 400 casualties and an estimated \$180 million in damages. At the same time, economic conditions deteriorated and environmental degradation persisted, leaving larger segments of the society unable to cope.

In May 1999, Congress passed the Emergency Supplemental Appropriations Act, creating the Central America and the Caribbean Emergency Disaster Recovery Fund, which contained a total of \$621 million in reconstruction assistance for countries hit by Hurricanes Mitch and Georges, and for Colombia for earthquake damages. Haiti received \$9.8 million of this.

With that funding, USAID/Haiti is undertaking the HGRP. Under HGRP, USAID/Haiti entered into an \$8.4 million cooperative agreement with the Pan American Development Fund (PADF) to implement the HGRP both by submitting proposals to perform activities itself and reviewing proposals submitted by other organizations for activities which, if approved, PADF then oversees. In addition,

USAID/Haiti entered into a \$500,000 agreement with the USACE to provide related services, including watershed studies and reports thereof. USAID/Haiti used the difference, approximately \$900,000, for local engineering fees and for its own internal management costs. As of December 31, 2000, the entire \$9.8 million had been obligated and expenditures totaled \$5.1 million. Besides the USACE component, there were 30 approved activities being implemented—7 by PADF and 23 by other organizations.

Audit Objectives

As part of its fiscal year 2001 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following questions:

- Are USAID/Haiti's disaster reconstruction activities on schedule to achieve planned outputs?
- Has USAID/Haiti implemented an adequate monitoring system for its disaster reconstruction activities?

The audit scope and methodology is presented in Appendix I.

Audit Findings

Are USAID/Haiti's disaster reconstruction activities on schedule to achieve planned outputs?

Most USAID/Haiti's disaster reconstruction activities are on schedule to achieve planned outputs. However, there are four activities that are significantly—more than three months—behind schedule. One of these will not achieve its planned outputs by the end of the program, September 2001.

With the exception of the USACE activities, PADF is overseeing the timelines for the completion of all activities, including its own. The latest planned schedule for completing all 30 approved activities was included in its September 2000 work plan. In its December 31, 2000 quarterly progress report, PADF compared the actual progress for each activity with the planned schedule in its September 2000 work plan. We confirmed the accuracy of this information through audit site visits, interviews with implementers and Mission officials, and a review of project documentation. A table of all activities, including budget amounts by activity and the months that each activity is either ahead or behind schedule, is included in Appendix III. This Appendix also includes information on the USACE program.

The four activities that are significantly behind schedule are discussed separately below.

Winrock International—Schools

Winrock International submitted a proposal, which was approved by USAID/Haiti on June 8, 2000, for the reconstruction of two schools. The planned start and end dates for this activity were September 18, 2000 and January 30, 2001, respectively. Winrock's administrative costs for this activity were being covered under another USAID-funded activity in Haiti. The funding for this activity was halted by Congress in early 2000 and resumed at the end of June 2000. Because of this, Winrock did not begin work until November 2000. Therefore, instead of being 81 percent complete as of December 31, 2000, as planned, they were only 20 percent complete—or 3 months behind schedule. Nonetheless, it is a small project and PADF's engineer is monitoring Winrock's progress on a monthly basis. USAID/Haiti, PADF and Winrock are confident that work will be completed by the end of Winrock's sub-grant with PADF, June 30, 2001. Our audit work confirmed this belief, so we are not making any recommendations regarding this activity.

Winrock International—Technical Assistance to Farmers

Under this activity, Winrock is to send 15 volunteer consultants over an approximately two-year period to support the HGRP. These volunteer consultants will work with local Haitian organizations on activities relating to food production. The activity began in January 2000 and is scheduled to be completed by August 31, 2001. As of December 31, 2000, only four volunteer consultants had come to Haiti to work with local organizations. They were only 36 percent complete instead of the planned 58 percent—4.5 months behind schedule. While this delay was also caused by the funding freeze described above under the schools activity, a greater constraint was the inability of volunteer consultants to gain country clearances from the U.S. Embassy in Haiti. Since November 2000, the U.S. Embassy in Haiti had routinely denied country clearance to all temporary visitors due to security concerns in Haiti surrounding the presidential elections and repercussions thereof. Nonetheless, beginning in February 2001, country clearances started again for travel to Haiti and USAID, PADF, and Winrock officials are confident that they will be able to send the remaining 11 volunteers by the end of August 2001. Winrock had already revised a new timeframe for implementation that schedules all but 2 volunteers by June 2001. Therefore, we are not making any recommendations relating to this activity.

Florida Association of Voluntary Agencies for Caribbean Action (FAVA/CA)

The planned outputs for this activity include sending eight FAVA/CA consultants to provide technical assistance for disaster preparedness training, identifying partners in Florida and organizing seminars in the United States. Like the Winrock International Technical Assistance to Farmers program, this activity had been delayed because of travel restrictions invoked by the U.S. Embassy/Haiti. In addition, FAVA/CA consultants could not be spared for travel purposes during Florida's 2000 hurricane season. Hence, instead of being 52 percent complete as of December 31, 2000 as planned, they were only 20 percent complete—over 4 months

behind schedule. In talking with USAID, PADF, and FAVA/CA officials, they are confident that they will be able to complete all activities by the end of August 2001 and FAVA/CA had prepared a revised timeframe that illustrates that goal. Therefore, we are not making any recommendations relating to this activity.

United States Army Corps of Engineers

In September 1999, USAID entered into an agreement with USACE to provide support to the HGRP in the form of two watershed studies and other technical assistance. However, as of March 2001, neither study had been completed. And, in consultation with USAID/Haiti, USACE is now planning to complete only some of its originally intended outputs.

More specifically, the main component of the activity was the analysis of two watersheds. In the agreement with USAID, USACE planned to deliver the report on one watershed by June 2000 and the second report by December 2000. However, as of April 2001, neither report had been delivered. The USACE project manager told us that this was primarily due to delays by its regional office to contract for the watershed studies. This contracting delay then caused other components to be setback as well. In addition, some components, such as the preparation of training manuals, will not be completed at all because of program revisions as agreed to by both the Mission and USACE.

USACE has performed work in Haiti on the watershed studies, however, the final reports on these studies are not expected until June 2001—six to twelve months after they were scheduled to be submitted. New time lines were agreed upon by the USACE and USAID/Haiti and the Mission received the first draft watershed study report in April 2001. Therefore, although delayed, USACE will complete all re-programmed activities by the end of the HGRP. Nonetheless, in light of these reprogramming decisions, an estimated \$36,000 in obligations will not be expended. Because this money is not needed for its originally intended purposes, we recommend the following:

Recommendation No. 1: We recommend that USAID/Haiti de-obligate all unexpended funds for United States Army Corps of Engineer activities that will not be completed by the end of the Hurricane Georges Recovery Program.

Has USAID/Haiti implemented an adequate monitoring system for its disaster reconstruction activities?

USAID/Haiti implemented an adequate monitoring system for its disaster reconstruction activities. It had developed an approval and monitoring system that included continuous reviews and oversight by several staff members of USAID/Haiti and other organizations. The system is discussed below in three stages—planning and approval, implementation and oversight, and monitoring and evaluation.

Planning and Approval

PADF and USAID/Haiti officials reviewed each individual activity proposal. This review consisted, if applicable, of technical reviews by Mission engineering, environment, contracting, financial, and education officials. Any necessary program changes were recommended by PADF and/or USAID and then followed-up on, either before final approval was granted or during activity implementation. In addition, Mission officials ensured that PADF and other implementers adhered to the administrative requirements included in their agreements.

Implementation and Oversight

Several reviews were made as activities were performed. One we thought particularly effective was a PADF practice of giving one-month advances to organizations each month. At the end of a month, PADF reviewed documentation of costs to assure that they were incurred for appropriate activities. The next advance was not made until PADF was satisfied. At the same time, an audit firm hired by USAID/Haiti performed a concurrent financial statement audit of PADF activities. And both the Mission and PADF performed site visits to activity locations to personally review the work being performed.

Monitoring and Evaluation

Quarterly progress reports were required and submitted by implementers. There were also regular meetings held with all HGRP implementers and USAID/Haiti. In addition, USAID/Haiti contracted with an independent organization to evaluate the HGRP. This organization was in the process of collecting, analyzing and reporting on the achievement of select HGRP objectives.

Management Comments and Our Evaluation

In its comments to the draft audit report, USAID/Haiti stated that it found the report useful and agreed with all findings. It also took action to address the recommendation, but did not specifically mention its plans to de-obligate funds, or how much would be de-obligated. Hence, no management decision has been reached on this recommendation.

**Scope and
Methodology****Scope**

We audited USAID/Haiti's HGRP in accordance with generally accepted government auditing standards. Although USAID/Washington funded some activities being managed under the HGRP in Haiti, such as the U.S. Department of Agriculture activities, this audit included only those activities funded by USAID/Haiti. Total obligations and expenditures at December 31, 2000, totaled \$9.8 million and \$5.1 million, respectively. We conducted the audit at USAID/Haiti and at the offices of HGRP implementers from January 16, 2001 through February 2, 2001. In addition, we visited several activities that were located throughout Haiti. The shaded activities in Appendix III indicate the sites that we visited.

Under the HGRP, there are several planned outputs to be completed by September 2001. These outputs include the repair or reconstruction of 24 schools, repairs on 7 irrigation systems and 5 potable water systems, the construction of 12 kilometers of road, 7 soil and water conservation activities, and several technical assistance and geographical studies and activities. A list of all activities is included in Appendix III. Our review focused on whether the HGRP activities were on schedule to achieve their planned outputs and whether USAID/Haiti had implemented an adequate monitoring system. In order to determine if an activity was on schedule, we used a benchmark of 3 months. If an activity was 3 months or more behind schedule at December 31, 2000, then we considered the activity to be "significantly" behind schedule.

Methodology

To answer the audit objectives, we interviewed responsible officials at USAID/Haiti, as well as the PADF and other implementing entities. In addition, we reviewed relevant documentation obtained from these organizations.

To determine whether the HGRP activities were on schedule to achieve planned outputs, we reviewed documentation at USAID/Haiti, which included project design documents and implementing agreements between parties. These documents provided the activities' outputs and funding. In addition, we reviewed PADF progress reports and work plans that showed planned and actual timeframes. We confirmed the plans and actual progress by performing site visits (selected judgmentally) of 11 of the 31 activities. Since we were satisfied from these site visits that PADF was correctly reporting on targeted outputs and accomplishments, we relied on its reporting for the remaining activities.

To determine whether USAID/Haiti had implemented an adequate monitoring system for the HGRP, we interviewed USAID/Haiti members of the HGRP special objective team to determine what monitoring mechanisms are in place. We then reviewed USAID/Haiti files to assess whether the monitoring mechanisms were being followed. In addition, in order to obtain reasonable assurance regarding the compliance with agreement terms, we judgmentally selected several compliance

requirements that were contained in the cooperative agreement with PADF and, by reviewing the appropriate Mission and PADF files, assessed whether they were observed.

**Management
Comments**

UNITED STATES GOVERNMENT
memorandum

DATE: April 16, 2001
REPLY TO ATTN OF: USAID/Haiti, Acting Director, Alex Newton
SUBJECT: Draft Report on the Audit of USAID/Haiti's Hurricane Georges Recovery Program
TO: RIG/San Salvador, Timothy E. Cox

USAID/Haiti appreciates the time and effort that your staff took to conduct the performance audit of USAID/Haiti's Hurricane Georges Recovery Program. After completing its review of the report, the Mission has no comments to make regarding the substance of the audit findings.

Your report has only one recommendation, as follows:

"Recommendation 1: We recommend that USAID/Haiti terminate the agreement with the United States Army Corps of Engineers and de-obligate all unexpended funds that do not support the Hurricane Georges Recovery Program."

USAID/Haiti has taken action to implement RIG's recommendation. Upon receipt of the draft report, the Mission contacted the U. S. Army Corps of Engineers (USACE). In a letter sent to USACE on April 6, 2001, the Mission requested that USACE reconfirm its ability to complete three activities, in accordance with the recently revised time schedule. If these timelines are strictly adhered to, we feel that these activities would be beneficial to the Hurricane Georges Recovery Program. In that same letter, the Mission requested information on all accrued expenditures to date in order to arrive at a detailed estimate of expenditures for each of the three activities.

The Mission intends to terminate the agreement with the U. S. Army Corps after these three currently ongoing activities are completed. These activities include two river basin studies of the Grande Rivière de Jacmel and the Marigot watersheds and a school mitigation activity. The river basin studies support the Hurricane Georges Recovery Program because they will provide valuable flood risk information to the disaster committees of Jacmel and surrounding communities as they develop and refine their emergency action plans. According to a new timeline submitted by USACE on March 8, 2001, the final reports for the river basin studies are due respectively by April 27 and May 25, 2001.

The schools mitigation studies will provide valuable information on the strength of the schools repaired under the Hurricane Georges Program. A workshop planned for June will inform Haitian architects and engineers about disaster resistant construction and the international building code. The school mitigation activity will end June 30, 2001.

We feel strongly that, if the USACE adheres to the timelines, they will deliver a viable, useful series of reports that will contribute to the HGRP. If there is any slippage in the schedule, USAID/Haiti will seek a termination of the PASA, in accordance with the RIG recommendation.

USAID/Haiti again expresses its appreciation for the manner in which the audit was conducted and the usefulness of the RIG report.

Hurricane Georges Recovery Program Activities¹

No.	Implementing Organization	Budget ²	Type of Project	Percentage of Completion at 12/31/00	No. of Months Ahead or (Behind) Schedule
1	Organization for the Rehabilitation of the Environment	\$1,239,210	Seed Production	53 percent	(>1)
2	Centro Internacional de Agricultura Tropical	400,000	Technical Assistance for Seed Production	55	(1)
3	Winrock International	200,025	Technical Assistance to Farmers	36	(4.5)
4	Centre de Developpement des Ressources Humaines	512,197	Training in Disaster Mitigation	31	(>2)
5	Florida Association of Voluntary Agencies for Caribbean Action	48,000	Technical Assistance for Disaster Mitigation	20	(>4)
6	Pan-American Development Foundation	130,440	Irrigation System Repair	100	N/A
7	Pan-American Development Foundation	236,770	Soil & Water Conservation	100	N/A
8	Pan-American Development Foundation	152,237	Irrigation System Repair	100	N/A
9	Pan-American Development Foundation	440,341	Construction of Road	80	(<1)
10	Pan-American Development Foundation	155,092	Irrigation System Repair	100	N/A
11	Catholic Relief Services	121,822	Soil & Water Conservation	80	>1
12	Plan International	124,366	Soil & Water Conservation	75	0

No.	Implementing Organization	Budget ²	Type of Project	Percentage of Completion at 12/31/00	No. of Months Ahead or (Behind) Schedule
13	Centre Canadien d'Etude et de Coopération Internationale	\$116,359	Irrigation System Repair	70 percent	(1)
14	Winrock International	53,042	Reconstruction/Repairs of Schools	20	(3)
15	Catholic Relief Services	66,000	Soil & Water Conservation	50	0
16	Cooperative Housing Foundation	34,160	Reconstruction/Repairs of Schools	100	N/A
17	Catholic Relief Services	112,930	Soil & Water Conservation	25	(1)
18	Catholic Relief Services	159,597	Irrigation System Repair	50	>1
19	Plan International	104,832	Repair of Potable Water System	15	(<2)
20	Pan-American Development Foundation	76,052	Soil & Water Conservation	20	(<1)
21	Pan-American Development Foundation	93,842	Soil & Water Conservation	25	<1
22	Centre Canadien d'Etude et de Coopération Internationale	100,910	Irrigation System Repair	50	<1
23	Cooperative Housing Foundation	36,311	Reconstruction/Repairs of Schools	100	N/A
24	Cooperative Housing Foundation	86,807	Reconstruction/Repairs of Schools	40	1
25	Cooperative Housing Foundation	12,558	Repair of Potable Water System	15	(1.5)
26	Cooperative Housing Foundation	16,682	Repair of Potable Water System	15	(1.5)

Appendix III

No.	Implementing Organization	Budget ²	Type of Project	Percentage of Completion at 12/31/00	No. of Months Ahead or (Behind) Schedule
27	Cooperative Housing Foundation	\$14,532	Repair of Potable Water System	15 percent	(<2)
28	Cooperative Housing Foundation	12,292	Repair of Potable Water System	15	(<2)
29	Centre Canadien d'Etude et de Coopération Internationale	88,262	Irrigation System Repair	10	0
30	Cooperative Housing Foundation	33,778	Reconstruction/Repairs of Schools	0	0
31	U.S. Army Corps of Engineers	500,000	Geographical Studies and Related Technical Assistance	27	(6)

¹ Activities for which we performed site visits are shaded. For those activities, we confirmed reported progress.

² Unless the activity is the only activity that the implementing organization is undertaking for the HGRP, these amounts do not include administrative or other indirect budgeted amounts.