



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/COLOMBIA'S ALTERNATIVE DEVELOPMENT PROGRAM

AUDIT REPORT NO. 1-514-10-004-P
March 12, 2010

SAN SALVADOR, EL SALVADOR



Office of Inspector General

March 12, 2010

MEMORANDUM

TO: USAID/Colombia Mission Director, Ken Yamashita

FROM: Regional Inspector General/San Salvador, Catherine Trujillo /s/

SUBJECT: Audit of USAID/Colombia's Alternative Development Program (Audit Report No. 1-514-10-004-P)

This memorandum transmits our final report on the subject audit. We have carefully considered your comments on the draft report in finalizing the audit report and have included your response in appendix II of the report.

The report contains three recommendations for corrective action. On the basis of your written comments, in which you described actions already taken or initiated to address our concerns, we consider that final action has been taken on recommendation 1, while a management decision has been reached on recommendations 2 and 3. Determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective actions.

I want to express my sincere appreciation for the cooperation and courtesies extended to my staff during this audit.

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SUMMARY OF RESULTS

Despite the sustained effort of the U.S. Government and its counterpart in the Government of Colombia, the region continues its struggle to combat the production of illicit crops and narcotics trafficking. Colombia is the leading regional producer of these crops. The United Nations Office of Drugs and Crime 2008 annual survey identified 81,000 hectares of coca and reported an estimate of 394 hectares of opium found in Colombia. Colombia remains responsible for up to 90 percent of the cocaine and much of the heroin entering the United States. USAID/Colombia is the lead agency in the implementation of alternative development activities, and it implements its alternative development program primarily¹ through the following two 3-year contracts (each of which have been extended twice for 1-year periods) (see page 3).

- The Areas for Municipal-Level Alternative Development (ADAM) project, a \$190 million contract that implements agricultural and infrastructure activities (see page 3).
- The Additional Investment for Sustainable Alternative Development (MIDAS) project, a \$166 million contract that implements alternative development activities in four components: agribusiness, commercial forestry, small and medium enterprises, and policy (see page 3).

In May 2007, the Regional Inspector General/San Salvador issued Audit Report No. 1-514-07-009-P, which reported on several issues affecting implementation of USAID/Colombia's alternative development program and made 10 recommendations to improve the program (see page 14).

The Office of Inspector General conducted this audit as part of its fiscal year 2009 audit plan to determine whether (1) USAID/Colombia was achieving its main goals under the alternative development program, and (2) to determine if the actions taken by USAID/Colombia in response to the recommendations to its prior audit of the alternative development program were effective (see page 4).

The audit concluded that with respect to the first objective, USAID/Colombia's alternative development program has partially achieved its main goals. The program has contributed to expanding legitimate livelihoods in the agricultural sector, as well as expanding opportunities for small and medium enterprises, but in some areas the sustainability of these livelihoods is questionable. It has also contributed to promoting sustainable economic development in rural areas vulnerable to illicit crops. However, the program has not contributed to a significant reduction of illicit crop production and supply (see pages 5–6). The audit identified opportunities to strengthen program sustainability (see page 8) and to improve data quality and program monitoring (see

¹ USAID/Colombia's alternative development program also includes several smaller programs: (1) a 3-year, \$5.8 million cooperative agreement to ACDI/VOCA to increase the competitiveness and sustainability of the coffee sector; (2) a 3-year, \$12 million contract to the *Instituto Nacional de Vías* to improve and pave a portion of a main thoroughfare in the department (a political and administrative division similar to a "state" in the United States) of Putumayo; and (3) an 18-month, \$1.4 million contract to Associates in Rural Development to strengthen the institutional capacity and governance of Colombia's protected areas.

page 11). Also, the audit includes another matter regarding the aerial eradication performed by another U.S. Government agency, which sometimes negatively impacts beneficiaries of USAID/Colombia's alternative development program (see page 13).

With respect to the second objective, the audit concluded that USAID/Colombia responded effectively to 9 of the 10 recommendations in the original audit report (see page 14). The audit determined that although USAID/Colombia had taken action on the recommendation that it develop and implement a system to help ensure that it meets the requirement in USAID's Automated Directives System 203 to periodically sample and verify implementing partner data for completeness, accuracy, and consistency, opportunities exist to improve data quality and program monitoring (see page 17).

This audit makes the following three recommendations:

- Perform a sustainability review of existing projects to identify those that can optimize the impact of the alternative development program and direct remaining resources under the two contracts to the types of activities that have demonstrated a strong potential for sustainability (see page 10).
- Establish defined procedures to sample on a routine basis the accuracy of the contractor's estimating methodologies, quality, and accuracy of the underlying data that serves as the basis for reported results (see page 13).
- Require Associates for Rural Development to strengthen its internal controls to decrease the risk of errors in the data collected and results reported at the operating level (see page 13).

In response to our draft report, USAID/Colombia concurred with all three recommendations and outlined measures that its implementing partner had already initiated or proposed to carry out to ensure that appropriate procedures and controls were in place to address the auditors' concerns. On the basis of mission written comments, we consider that final action has been taken on recommendation 1, while a management decision has been reached on recommendations 2 and 3. Determination of final action will be made by M/CFO/APC upon completion of the planned corrective actions (See page 19). USAID/Colombia's comments are included in their entirety in appendix II.

BACKGROUND

Despite interventions by the U.S. Government through agreements such as the Andean Counternarcotics Initiative and Plan Colombia, the Andean region continues to struggle with the production of illicit crops, most notably coca leaf and opium poppy. Colombia is the leading regional producer of these crops. The United Nations Office of Drugs and Crime 2008 annual survey identified 81,000 hectares of coca and reported an estimate of 394 hectares of opium found in Colombia. Colombia remains responsible for up to 90 percent of the cocaine and much of the heroin entering the United States. Together, the governments of Colombia and the United States use a three-tiered counternarcotics strategy: interdiction, eradication, and alternative development. The U.S. Government and its counterpart in the Government of Colombia, Accion Social, work to strengthen the culture of legality and the social and economic development in areas whose populations are vulnerable to or already affected by the production of illicit crops and narcotics trafficking. The Government of Colombia has declared that the cultivation of illicit crops is prohibited and enforces a zero-illicit crops policy for all alternative development projects.

Alternative development activities encourage the stimulation and viability of licit, rural economies. USAID/Colombia is the lead agency in the implementation of alternative development activities and it describes the strategic initiatives of its alternative development program as expanding legitimate livelihoods, promoting sustainable economic development in rural areas vulnerable to illicit crops, and contributing to a significant reduction of illicit crop production and supply. USAID/Colombia implements its alternative development program primarily through two contracts with Associates for Rural Development (ARD). ARD is responsible for the implementation of two projects under two 3-year contracts (each which are expected to be extended for two 1-year periods):

- The Areas for Municipal-Level Alternative Development (ADAM) project, a \$190 million contract awarded in October 2005 to provide the necessary technical expertise to design, manage, and evaluate various program activities that will (1) reduce illicit crop planting and production; (2) create an environment that will promote and enhance the viability of the overall level of political, economic, and social development; and (3) sustain programs based on the well-intentioned application of various resources. The ADAM project implements agricultural, infrastructure, and local governance activities.
- The Additional Investment for Sustainable Alternative Development (MIDAS) project, a \$166 million contract awarded in December 2005 to provide the necessary technical expertise to design, manage, and evaluate various program activities that will (1) eliminate illicit crop planting and production; (2) create an environment that will promote and enhance the viability of the overall level of political, economic, and social development; (3) sustain programs based on the well-intentioned application of various resources; (4) improve the administration and access to justice and the protection of human rights; and (5) reduce corruption. The MIDAS project implements activities in four components: agribusiness, commercial forestry, small and medium enterprises, and policy.

As of June 30, 2009, USAID/Colombia had obligated more than \$289 million for its alternative development program projects. Expenditures as of this date amounted to more than \$248 million.

In early 2007, the Regional Inspector General/San Salvador conducted an audit of USAID/Colombia's alternative development program to determine whether alternative development activities had achieved planned results and whether USAID/Colombia used performance-based contracting methods to the maximum extent possible in accordance with Federal Acquisition Regulation 37.102. The Regional Inspector General/San Salvador issued Audit Report No. 1-514-07-009-P, dated May 30, 2007, reporting on several issues affecting program implementation and made 10 recommendations to improve the program.

AUDIT OBJECTIVES

The Regional Inspector General/San Salvador conducted this audit as part of its fiscal year 2009 annual plan to answer the following questions:

- Has USAID/Colombia's Alternative Development Program achieved its main goals?
- Were the actions taken by USAID/Colombia in response to the recommendations in Audit Report No. 1-514-07-009-P effective?

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

AUDIT FINDINGS

Has USAID/Colombia's alternative development program achieved its main goals?

USAID/Colombia's alternative development program has partially achieved its main goals. In several areas, the program has expanded legitimate livelihoods and promoted sustainable economic development in rural areas vulnerable to illicit crops. In other areas, however, the sustainability of alternative livelihoods is questionable. Furthermore, the program has not contributed to a significant reduction of illicit crop production and supply.

USAID/Colombia's alternative development program has contributed to expanding legitimate livelihoods in the agricultural sector, as well as to those generated under small and medium enterprises. The program has offered its beneficiaries the opportunity to expand, diversify, and strengthen their sources of income. The program has also contributed to promoting sustainable economic development in rural areas vulnerable to illicit crops. Several of the activities, including the following, have demonstrated their potential to create significant, long-lasting impacts on local economies:

- Project beneficiaries in the department of Putumayo have increased their fish production through improved fish farming techniques. In training sessions conducted by project subimplementers, these beneficiaries learned proper feeding, cleaning, and harvesting techniques. With the increased fish production, the beneficiaries gained not only an improved food source for their personal consumption, but also an additional source of income from sales of fish in the local market.
- Beneficiaries in the department of Putumayo have improved their cattle raising techniques through the implementation of silvopasture practices. These improved practices help to rehabilitate the soil for future agricultural activities and provide improved nourishment for cattle. Through these practices, beneficiaries maintain fewer, but healthier, cattle and see increased milk production.
- The *Compañía Nacional de Empaques* in Medellín agreed to purchase 80 percent of the fique² produced by the growers' associations strengthened by USAID/Colombia's alternative development program. Additionally, the company's sustainability plan highlights the achievements attained in terms of technical and entrepreneurial formation that have given beneficiaries valuable entrepreneurial tools to manage their own crops. The alliance created with *Servicio Nacional de Aprendizaje* helped to accomplish this goal through the 48 agro-ecological management courses that this institution has taught thus far.
- An alternative development program-supported water treatment plant has spurred economic development in the municipality of Rivera, Huila. The water treatment facility provides clean water to families and to several small hotels that appeal to local tourists. The plant also provides clean water to a local boarding school that

² Fique is a natural fiber grown in the leaves of the fique plant, native to the Andean regions of Colombia.

attracts students from the nearby city of Neiva. Beneficiaries estimate that the plant will meet their needs for the next 20 years.

While the program had a positive impact on some beneficiaries, it has not significantly reduced illicit crop production and supply overall. According to the United Nations Office on Drugs and Crime (UNODC) June 2009 report, *Coca Cultivation Survey in Colombia*, there has been no significant change in the number of hectares used for coca cultivation for the 1-year periods ending December 2006 and December 2008.

Table 1 illustrates the total area under coca cultivation in Colombia by department along with the dollar volume of activities implemented by USAID/Colombia's alternative development program with each respective department. As of December 2006 and December 2008, the UNODC reported an overall 4 percent increase in the total area under coca cultivation in the 24 departments surveyed for its annual report. During the 2006–2008 timeframe, USAID/Colombia's main alternative development projects, ADAM and MIDAS, reported the implementation of 863 activities in 17 departments throughout the country, with a cumulative project value of \$307,473,748.³ However, as shown in the table, there is little correlation between the amount invested and reductions of coca. Despite large investments in Cauca and Santander, production increased by 158 percent and 107 percent, respectively. At the same time, in regions with no investment such as Arauca and Vichada, production dropped significantly.

³ Cumulative project value includes community and cost sharing contributions.

Table 1. Impact of US Assistance on Coca Production⁴

Department	No. Hectares 2006	No. Hectares 2008	% Change	Total Value of ADAM and MIDAS Projects in U.S. Dollars
Amazonas	692	836	21	6,042,000
Antioquia	6,157	6,096	-1	24,347,000
Arauca	1,306	447	-66	0
Bolívar	2,382	5,847	145	13,650,000
Boyacá	441	197	-55	1,167,000
Caldas	461	187	-59	791,000
Caquetá	4,967	4,303	-13	31,000
Cauca	2,104	5,422	158	41,752,000
Cesar	0	5		5,735,000
Chocó	816	2,794	242	1,541,000
Córdoba	1,216	1,710	41	10,756,000
Cundinamarca	120	12	-90	15,414,000
Guainia	753	625	-17	0
Guaviare	9,477	6,629	-30	0
La Guajira	166	160	-4	0
Magdalena	271	391	44	1,124,000
Meta	11,063	5,525	-50	0
N. de Santander	488	2,886	491	3,462,000
Nariño	15,606	19,612	26	30,496,000
Putumayo	12,254	9,658	-21	23,991,000
Santander	866	1,791	107	22,988,000
Valle del Cauca	281	2,089	643	1,691,000
Vaupés	460	557	21	0
Vichada	5,523	3,174	-43	0

This audit is making programmatic recommendations in other areas discussed below, which, if implemented effectively, could further impact the mission's contribution to reducing illicit crop production and supply. Specifically, the mission should focus on opportunities to strengthen program sustainability and to improve data quality and program monitoring. Furthermore, under the other matters section, the audit addresses and issue regarding the aerial eradication performed by another U.S. Government agency that sometimes negatively impacts the beneficiaries of USAID/Colombia's alternative development program. These issues are addressed in further detail below.

⁴ Unaudited data; source USAID/Colombia's alternative development program officials and UNODC's June 2009 report, *Coca Cultivation in Colombia*.

USAID/Colombia Should Strengthen Program Sustainability

Summary. USAID/Colombia's operational plans address the promotion of sustainable economic development. Furthermore, the contractual terms contained within both the ADAM and MIDAS projects require the contractor to design and implement strategies to create sustainable activities that can be continued after the expiration of USAID assistance. Despite the progress made in assisting a number of beneficiaries to identify viable projects, without continued USAID assistance, the future sustainability of several projects is questionable. This has happened because these projects lack elements of practicality, competitiveness, profitability, and sustainability. When project activities do not prove to be sustainable, beneficiaries become increasingly vulnerable to turning to illicit activities.

One of the goals addressed in USAID/Colombia's operational plans for fiscal years (FY) 2007 through 2009 is to promote sustainable economic development in rural areas vulnerable to illicit crops. To accomplish this, USAID/Colombia designed two contracts, ADAM and MIDAS, to support projects with the goal of creating sustainable activities that could be continued after the end of the USAID-assisted program. Per the terms in both the ADAM and MIDAS contracts, the contractor defined sustainability as follows:

- The ADAM project will design and implement approaches and strategies that promote clear, practical, sustainable, and profitable activities. These activities are to be oriented to the "Colombianization" of the program by strengthening national, departmental, and local organizations. By strengthening these public and nongovernmental organizations, Colombian "legacy institutions" can take over these activities after the close of the program.
- The MIDAS project is a dominantly private sector project development approach, with a focus on the development and implementation of sustainable agribusinesses, commercial forestry businesses, and small and medium enterprises. To be sustainable, a business must operate in a highly competitive manner in viable markets on an ongoing basis.

Both ADAM and MIDAS projects have assisted a number of beneficiaries to identify viable business opportunities in rural areas that otherwise might be vulnerable to illicit lifestyles. To measure and report on the success of each project, USAID/Colombia uses indicators,⁵ including the number of families benefitted and the total number of jobs created. As of June 30, 2009, USAID/Colombia reported it exceeded its combined targets for both of these indicators under the ADAM and MIDAS projects. During the course of the audit, Office of Inspector General auditors met several project beneficiaries successfully implementing USAID-supported project activities. However, as further described in the following examples, without continued USAID-assistance, the future sustainability of several projects is questionable.

⁵ A full table of the indicators is included in appendix III.

- A farmer in the department of Santander joined the alternative development program with an interest in participating for the first time in Colombia's lucrative rubber production industry. To join, the farmer sold his livestock and used his residences as collateral for a COP⁶ 60,000,000 credit (approximately \$30,000) to purchase enough saplings to populate 21 hectares of land. The program provided the beneficiary with 24 months of technical assistance that concluded in December 2009, although the trees will not produce for at least another 5 years. Without continued assistance from USAID/Colombia, the farmer does not believe it will be possible to continue cultivating his crop.
- USAID/Colombia has provided significant and long-standing support to a palm heart processing plant in the department of Putumayo. Although many local palm heart beneficiaries lack business and entrepreneurial skills, they are encouraged to become partners of the plant, which purchases much of its materials from local beneficiaries. Currently, the plant does not have an adequate plan to commercialize its products on local and international markets, has faced escalating operating costs, and has laid off a number of employees. The plant's manager stated that without continued USAID assistance, the plant's sustainability is in question. Presently, the survival of the plant rests on the sales from its bottled water division.
- Cacao producers in San Vicente de Chucuri, Santander, may not receive their desired certification, which relies on the construction of 120 sanitary units. Under the alternative development program, the project completed its contractual obligation to construct 50 units, and as a result, reports this project among its concluded projects. Although municipal officials understand the dilemma facing the local producers, one official stated that a contractual constraint does not allow the municipality to provide funds directly to the local cacao producers association. If the identified constraint is fixed, the municipality will need to bid the project to local construction companies, a process that will take up to 1 year and continue to stall or jeopardize the advance of the certification.
- Five families in the Sierra Nevada de Santa Marta received technical assistance to operate an inn and encourage tourism activities in the area. Beneficiaries received nine training seminars in hospitality, bird watching, water sports, and first aid, among other topics. However, the inn must compete with several other inns with more developed tourism potential. The families find it difficult to succeed in the area's developing tourism market and earned a total income of COP 600,000 (approximately \$300) in 2008. Each of the five families operating the inn received \$60, an insufficient amount to sustain either the business or their families. Therefore, alternative sources of income are still needed.
- Blackberry farmers in the department of Cauca received technical assistance through the alternative development program. To be sustainable, a blackberry farmer must produce approximately 2 to 3 tons of blackberries a week. Also, beneficiaries must make a significant upfront investment for a proper irrigation system. Given the appreciable effort needed to produce sustainable income through blackberry farming, the beneficiaries are losing enthusiasm for the activity and are scaling back the production of their crop.

⁶ Colombian pesos.

The project beneficiaries have received technical assistance under the alternative development program, and therefore are included in USAID/Colombia's reported results. However, owing to the uncertainty underlying the continued existence of these activities, without further USAID support, the possibilities of these projects becoming sustainable economic development projects is questionable.

These problems impacting sustainability occurred primarily because these projects lacked the elements of practicality, competitiveness, profitability, and sustainability in which the projects were to concentrate. Without these important factors, there is little impetus to search for financing alternatives that will allow the project to continue once USAID funding stops. In their current states, few of the projects described here are likely to produce continuing employment opportunities or provide much of a perceived benefit for the wider community apart from the independent producer.

The main goals of USAID/Colombia's alternative development program include expanding legitimate livelihoods and promoting sustainable economic development in rural areas vulnerable to illicit crops. If activities are not sustainable beyond USAID assistance, project beneficiaries become increasingly vulnerable to turning themselves and their lands to illicit activities. While it is unrealistic to expect every activity supported by USAID/Colombia to be sustainable, those activities that do demonstrate a strong potential for continued viability could, with the appropriate resources devoted to their implementation, significantly impact the local area.

Both the ADAM and MIDAS projects are entering their fifth and final year. As the projects move toward closeout, USAID/Colombia should reassess the potential impact of its alternative development project activities. By narrowing its focus to concentrate on strengthening the weak links in the value chain, USAID/Colombia may overcome barriers that damage the potential sustainability of its alternative development activities.

Recommendation 1. We recommend that USAID/Colombia perform a sustainability review of the projects to identify those that can optimize the impact of its alternative development program and direct its remaining resources under both contracts to the types of activities that have demonstrated a strong potential for sustainability.

USAID/Colombia Should Improve Data Quality and Program Monitoring

Summary. USAID's Automated Directive System (ADS) outlines five data quality standards that it deems useful to manage for results and to add credibility to reporting. It also describes how data quality assessments can be conducted when data from secondary sources must be relied upon. USAID/Colombia does not have an established formal process to require a routine independent verification of results reported by the contractor to the supporting records maintained at the operational⁷ level. Instead, the mission relies on consolidated information obtained from the contractor from numerous subimplementing partners. In several instances, the contractor deviated from the accepted data collection and reporting procedures it detailed in its project performance management plans. The errors in data collection and reporting occurred because many subpartners are unable to maintain an adequate monitoring and evaluation system. Also, the geographic disbursement of the program prevents routine data quality reviews. However, when reported results are not regularly verified, the mission risks basing decisionmaking on inaccurate and imprecise data.

USAID's ADS 203.3.5.1 outlines five data quality standards that it deems useful to manage for results and to add credibility to its reporting: validity, integrity, precision, reliability, and timeliness. Furthermore, ADS 203.3.5.3.b details how data quality assessments can be conducted when data comes from secondary sources. When data are not under USAID control, data quality assessments should place an increased focus on the accuracy and apparent consistency of the data. Missions should either compare central office records with those at field sites or meet regularly with implementing partners to determine the accuracy and credibility of data reported in periodic reports.

USAID/Colombia does not have a formal process in place requiring routine independent verification of the results data reported by the contractor to the supporting records maintained at the operational level. USAID/Colombia relies on the information supplied by the contractor to measure the progress of its alternative development program through performance indicators. As of July 2009, the ADAM and MIDAS projects reported working with a combined total of 1,051 activities in 25 departments throughout Colombia. Subimplementing partners, working at the operating level, enter the results of their activities directly into a Web-based project monitoring and evaluation system. According to contractor officials, there are 400 MIDAS project operators and more than 600 ADAM project operators who are responsible for entering collecting and reporting results information. This geographically disbursed data is then accumulated by the contractor, which consolidates the results for each performance indicator and reports to USAID/Colombia through quarterly progress reports.

USAID/Colombia relies on this consolidated data to report the accomplishments of the alternative development program. As discussed, the underlying details supporting the reported results are collected, archived, and initially entered into the monitoring and

⁷ Both the ADAM and the MIDAS projects conduct work through numerous subcontractors and subgrantees of USAID funds. These subrecipients are responsible for the oversight of the various activities under the projects, and are, for the purposes of this report, said to be working at the operational level.

evaluation system at the operating level by approximately 1,000 different system users. The decentralized method of data collection on a high volume of program data increases the risk of errors in data counting and reporting. For example, in several instances, the contractor did not follow the accepted data collection and reporting procedures, and in others, reported data could not be validated:

- USAID/Colombia reported that the ADAM and MIDAS projects together created a total of 284,622 jobs, as of June 30, 2009. A job, as defined in the projects' performance management plans, is an employment opportunity (for either full-time or part-time occupancy, for an indefinite or temporary term) generated primarily as a result of USAID assistance to individuals, micro, small, medium, or large private sector enterprises, cooperatives, and foundations. According to the indicator definition, a full-time equivalent position would be counted when an individual was paid for an equivalent 8-hour work day. However, in practice, the contractor did not discretely count the real number of full-time equivalent jobs, but rather computed the number of jobs using the Government of Colombia's published manpower estimates for the number of work days required to plant, maintain, or rehabilitate one hectare of several types of agricultural products. For example, one farmer in the program actually employed only one person to work his land. However, using the manpower estimates published by the Government of Colombia, working the area of land owned by the farmer would take five full-time equivalents. In this case the contractor is reporting having created five jobs when in actuality only one job was created.
- The number of hectares supported by the program, as outlined in one project's performance management plan, would be counted only after specific program support for those hectares began. However, in practice, the contractor counts not only the number of hectares receiving program support, but also the number of hectares that could be supported in the future. For example, if an activity supports 10 hectares of a 20-hectare farm, the contractor makes the presumption that the beneficiary may decide to expand his production, using the technical assistance received from the project, to the additional 10 hectares of land. As a result, the contractor reporting in this case will report having assisted a 20-hectare parcel of land.
- The audit conducted tests to validate the results reported to the contractor by the projects' subimplementing partners for 11 activities. The supporting documentation provided for 8 of the 11 activities was incomplete. Specifically, labor reports lacked employee signatures certifying the time, the number of days, and the dates worked. Also, other examples of supporting documentation disclosed that subimplementing partners reported some beneficiaries who had only attended one introductory class or had voluntarily withdrawn from an activity as having been benefitted through the project.
- With regard to project monitoring, the audit reviewed the results that the contractor's monitoring and evaluation staff reported to USAID/Colombia for the ADAM project for the indicator "number of families benefiting from alternative development activities." In its quarterly report for the period ending June 30, 2009, the ADAM project reported that a cumulative total of 65,036 families had benefitted from its activities. This reported amount differed from the data maintained in the project's Web-based monitoring and evaluation database of 72,789—an understatement of approximately

11 percent. According to ADAM officials, it is not possible to recalculate the result reported. Instead, the number is reached solely through the use of a mathematical formula. Furthermore, the audit deemed that much of the documentation provided to support the total number of families benefitted was incomplete or inadequate.

These errors occurred because many subimplementing partners lacked the necessary training to maintain an adequate monitoring and evaluation system, and according to USAID/Colombia and contractor officials, the sheer magnitude of the alternative development program activities made it difficult to collect, accumulate, and report discrete activity outputs. Also, the geographic disbursement of the program's activities prevented regional offices from conducting routine data quality reviews.

When reported results are not verified regularly, the accuracy, precision, and integrity of the data cannot be assessed with a great degree of certainty and reported results may not reflect actual results. Therefore, USAID/Colombia risks basing its decisionmaking, resource allocation, and results reporting on inaccurate and imprecise data.

Some actions are underway to increase the verification of the results reported by the subimplementing partners; for example, through a contract with the University of Antioquia, a team of university students are implementing a system to verify reported results at the operating level. To ensure that this issue continues to receive appropriate attention, this audit makes the following recommendations.

Recommendation 2. We recommend that USAID/Colombia, establish defined procedures to sample on a routine basis the accuracy of the contractor's estimating methodologies and quality and accuracy of the underlying data that serves as the basis for reported results.

Recommendation 3. We recommend that USAID/Colombia, require Associates in Rural Development to strengthen its internal controls, such as providing training to its subimplementing partners, to decrease the risks of errors in the results data collected and reported at the operating level.

Other Matter

In addition to the audit findings discussed above, the audit identified one area where increased coordination with another U.S. Government agency could reduce the erroneous eradication of alternative development program beneficiary lands. According to a protocol agreement between USAID/Colombia and its counterpart in the Government of Colombia, Acción Social, any community that would like to be considered for mission alternative development assistance must be certified as being free of illicit crops prior to its qualification for assistance. In doing so, the alternative development program adheres to the Government of Colombia's policy that the cultivation of any illicit crop is strictly prohibited. The UNODC, acting on the behalf of the Government of Colombia, delineates project boundaries and verifies, using a combination of satellite and ground monitoring, that the area is free of illicit crops.

Despite these measures taken, beneficiaries do not have a guarantee that they will not be subject to aerial eradication. Officials from USAID/Colombia and the Department of State's Narcotics Affairs Section acknowledge that occasionally, land that the

Government of Colombia has certified as being illicit free and has come under the alternative development program has been subject to fumigation (eradication). The audit interviewed beneficiaries from two alternative development activities in the department of Putumayo who lost their licit agricultural crops because of aerial eradication efforts.

Beneficiaries are still at risk despite demonstrating that their land is illicit free because the different goals and objectives that the U.S. Government is trying to achieve under its three-tiered counternarcotics strategy (interdiction, eradication, and alternative development) do not always complement each other. For example, a key U.S. Government's counternarcotics objective is to assist the Government of Colombia in its efforts to eliminate the cultivation of illicit drug crops. Under the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs, the Office of Aviation supports the Colombian National Police's efforts to eradicate coca through aerial fumigation. As part of those efforts, the Office of Aviation uses airborne digital cameras to photograph suspected coca fields. If coca is identified, these fields become targets for aerial fumigation.

According to officials from both USAID/Colombia and the Department of State's Narcotics Affairs Section, the routes used for aerial fumigation are based on predetermined global positioning system coordinates. However, while in the air, if the pilot is able to visibly identify coca outside of the predetermined area, then a decision to eradicate can be made. Unfortunately, some licit crops share an appearance similar to that of the coca leaf, creating a possibility for human error in the decision to eradicate.

According to USAID/Colombia and Narcotics Affairs Section officials, there is a complaint process established for anyone who believes that their land has been fumigated erroneously. The complaint process can be lengthy, and if beneficiaries cannot provide the correct global positioning system coordinates of their land and the date of the alleged fumigation, any damages resulting from the fumigation can be difficult to prove. Adding to the challenge is that the effects of aerial fumigation are not immediately visible but appear days or weeks after the field was sprayed. If a complaint is successful, the beneficiary is compensated for the loss. However, it is doubtful that the beneficiary can truly recover the time and effort invested in the cultivation of the licit agricultural crops on the land. And having lost their investment once, the beneficiary may decide not to continue with the production of licit crops.

Officials from both USAID/Colombia and the Narcotics Affairs Section state that interagency coordination has improved and more sharing of information is helping to ensure that alternative development program beneficiaries are better identified and considered prior to instances of aerial fumigation. Nevertheless, the protection of these beneficiaries cannot be guaranteed. Therefore, we suggest that USAID/Colombia continue to strengthen its interagency coordination with the Narcotics Affairs Section to work for the mutual benefit of the two organizations.

Were the actions taken by USAID/Colombia in response to the recommendations in Audit Report No. 1-514-07-009-P effective?

USAID/Colombia responded effectively to 9 of the 10 recommendations detailed in the original audit report. Despite the mission's action to address recommendation no. 7, the

audit concluded that more effort is necessary to monitor the quality of the contractor reported performance data. The following paragraphs discuss each recommendation and the mission's actions along with conclusions concerning the effectiveness of the mission's actions.

Original Recommendation No. 1: The report recommended that USAID/Colombia require Associates in Rural Development to develop an action plan to shorten the time it takes for implementation to begin.

In response to the recommendation, USAID/Colombia and Associates in Rural Development streamlined the process for the formulation of municipal initiatives for the ADAM project. The mission eliminated the requirement to select project activities and beneficiaries through a public bid of subimplementing partners, which significantly reduced the average processing time of municipal initiatives from 22 weeks in 2006 to an average of 9 weeks.

At the time of the previous audit, the MIDAS project had only begun to initiate its activities and had not established an implementation timeline. MIDAS took actions to streamline its operational processes and provide training to grantees. As a result, MIDAS established a timeframe of approximately 8 months for the processing of activity proposals down to the execution of the subaward. Based on this information, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 2: The report recommended that USAID/Colombia establish guidelines on investment per hectare of licit crop and ensure that the implementing partners adhere to those standards by notifying them in writing or by modifying their contracts.

In response to the recommendation, USAID/Colombia updated its guidance for investment per hectare of licit crop. The mission based this guidance on a series of factors: (1) the difference in cost structures between crops and regions, considering such factors as labor and transportation costs; (2) the difference in cost structures between the establishment of new crops and supporting existing crops to encourage higher productivity; and (3) the community assistance model used by the program. Any activity that exceeded the newly-updated guidelines for investment per hectare of licit crop must receive USAID/Colombia contracting officer technical representative approval prior to the implementation of the program.

USAID/Colombia established limits on the investment per hectare of licit crops for MIDAS-type activities between \$0 and \$500. The audit verified that for MIDAS activities implemented after September 2008, most fell within the established guidelines. Those that exceeded the limit received the necessary approval. Investment limits for ADAM-type activities were set between \$0 and \$1,400. For ADAM activities implemented after September 2008, the audit verified that most fell within the established guidelines. Those that exceeded the limit received the necessary approval. Based on this information, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 3: The report recommended that USAID/Colombia enter into a formal verification agreement and plan with Acción Social that specifically addresses (1) the areas where USAID is working and includes a schedule of verification to be carried out by Acción Social and reported to USAID, and (2) actions to be taken if coca is found.

In response to the recommendation, USAID/Colombia entered into negotiations with its Government of Colombia counterpart, Acción Social, to develop a formal protocol for the verification of the zero-illicit crops component of USAID-supported alternative development projects. The approved protocol includes formal requirements for all communities seeking assistance. Specifically, all agreements must be signed by both the government and the beneficiaries, communities in a predefined geographical area can participate, and all participating communities must be free of illicit crops. The approved protocol also defines (1) the procedures to initially certify a community's status as free of illicit crops, (2) procedures to monitor the community's continued compliance with the zero illicit crop requirements, (3) actions required if illicit crops are identified in a project community, and (4) steps to remove a community from the alternative development project.

The Government of Colombia contracted the verification responsibilities to UNODC. UNODC representatives verified that the protocol is in place and being used. Based on these actions, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 4: The report recommended that USAID/Colombia (1) establish clear boundaries on the types of infrastructure works that contribute to economic growth or meet community basic needs and therefore would be permissible under the program, and (2) provide this guidance to its implementing partners.

In response to the recommendation, USAID/Colombia's ADAM program updated its selection criteria and methodology for social infrastructure fund projects. The MIDAS project does not carry out infrastructure-related projects. In its updated guidance, USAID/Colombia states that ADAM infrastructure projects should be decided upon after the careful and comprehensive assessment of economic, social, and governance conditions of each municipality. Chosen infrastructure projects should respond to specific and particular community needs, and projects that support productive activities or satisfy municipal infrastructure needs and services will be preferred. The contractor updated its grants and contracts manual to include this guidance.

USAID/Colombia and its contractor have largely adhered to this criteria based on the type of activities that have been approved. Approved projects include the improvement of school classrooms, the construction of water treatment facilities, and the construction of additional rooms in hospitals. Based on this action, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 5: The report recommended that USAID/Colombia establish limits or standards on the amounts that can be invested in each community for social infrastructure projects.

In response to the recommendation, USAID/Colombia updated its guidance on the limits and standards for investments in community social infrastructure projects. The ADAM project—the primary contract working to develop social infrastructure projects—updated

its grants and contracts manual to outline a set of 12 criteria that must be met prior to the receipt of USAID/Colombia funding. USAID/Colombia set a general funding guideline between \$25,000 and \$350,000 for projects meeting these criteria. The mission strongly suggests that projects provide a cost-sharing component of approximately 35 to 50 percent of the total cost.

A review of ADAM social infrastructure projects showed that USAID funding levels generally fall in between the established limits of \$25,000 to \$350,000 per project. No projects exceeded the limit, and some were smaller than \$25,000. Additionally, cost-sharing with private or public funds was a component of the majority of the projects reviewed. Based on the actions taken, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 6: The report recommended that USAID/Colombia establish guidelines on cost-sharing requirements.

In response to the recommendation, the mission agreed to develop and disseminate cost-sharing and contribution guidelines for USAID activities. In doing so, USAID/Colombia requests at least a 25 percent cost-sharing with its recipients but strives for at least a 50 percent cost-share. However, according to USAID/Colombia, this is not possible with all recipients. USAID/Colombia reserves the right to approve projects with little to no cost-sharing.

A review of both the ADAM and MIDAS projects showed that for most projects, either private or public funds were used as cost-sharing funds. However, USAID/Colombia also approved some projects without a cost-sharing component. Based on this information, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 7: The report recommended that USAID/Colombia develop and implement a system to help ensure that the existing requirement in ADS 203, which requires its Alternative Development Office to periodically sample and verify its implementing partners' data for completeness, accuracy, and consistency is met.

In response to the recommendation, USAID/Colombia hired the National University to conduct a data quality assessment for all mission programs. Alternative development program indicators generally received a rating of "acceptable"; however, some weaknesses were noted in some indicators. Also, USAID/Colombia contracted the University of Antioquia to conduct field verification of results, monitoring of activities, and environmental compliance of selected alternative development projects or activities. USAID/Colombia's original 1-year contract with the university expired in April 2009. The mission extended the contract for an additional 18 months. Since the beginning of the contract, university students have visited more than 70 alternative development projects.

Reviews of several of the summary reports submitted to USAID/Colombia by the University of Antioquia showed that the contractor, in conducting assigned tasks, is assisting with the periodic sampling and verification of implementing partners' data to ensure completeness, accuracy, and consistency. However, as stated earlier in this report, opportunities exist to improve data quality and program monitoring. Based on this information, USAID/Colombia has not effectively implemented this recommendation.

Original Recommendation No. 8: The report recommended that USAID/Colombia (1) ensure that performance indicators and their corresponding targets are developed annually and are consistent among the various program documents, and (2) modify implementing partner contracts to reflect the same indicators and corresponding targets.

In response to the recommendation, USAID/Colombia's partners reflected their revised performance indicator targets in their calendar year 2008 annual work plans. USAID/Colombia included these revised figures in its 2008 performance management plan. As a result, these documents are consistent. According to the contracts for both ADAM and MIDAS projects, the work plans state the established anticipated results. Therefore, although the October 2009 modification of the ADAM contract did not include updates to the performance indicator targets, the contractor fulfilled its contractual obligation by updating the annual work plans. Based on the actions taken, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 9: The report recommended that USAID/Colombia amend its contracts with Associates in Rural Development to include more performance-based elements such as adding incentives for meeting goals, structuring payment based on performance, and specifying penalties or reductions in fee for not meeting results.

In response to the recommendation, USAID/Colombia modified its contracts with the contractor for both ADAM and MIDAS. With these modifications, the mission reduced the contract period from 5 to 3 years and added two 1-year options for extension. The mission also modified the contracts from cost-plus-fixed-fee contracts to cost-plus-incentive-fee contracts. In both instances, the total of the possible fee earned during each program year now consists of a 70 percent base fee and a 30 percent incentive fee that is tied to the successful achievement of the stated performance indicators. If the implementing partner successfully achieves 100 percent of the targets for a given quarter, the entire incentive fee will be paid. Should the implementing partner fall short of the targets, the incentive fee will be prorated based on performance.

USAID/Colombia took additional action to ensure improved performance for the alternative development program. For example, it posts annual contractor performance reports to an internet-based database. As well, the contractor primarily awards firm-fixed-price subcontracts or fixed-obligation grants. Under these instruments, all work must be completed satisfactorily before payment can be received. Furthermore, USAID/Colombia, in its approval system, implemented a tracking system that will determine the length of time needed to approve subawards. Based on the actions taken, USAID/Colombia effectively implemented this recommendation.

Original Recommendation No. 10: The report recommended that USAID/Colombia reprogram excess obligations totaling \$18,018,502 to activities that are more urgent by entering into additional commitments or reallocating funds among the subcommitments and subobligations.

In response to the recommendation, USAID/Colombia prepared a pipeline analysis showing that excess obligations would be used to fund alternative development activities. Consequently, USAID/Colombia did not reprogram any excess obligations and expended the funds by the end of FY 2008. Based on the actions taken, USAID/Colombia effectively implemented this recommendation.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Colombia concurred with the findings and recommendations contained in the audit report and outlined specific actions that the mission and the contractor have completed or are planning to implement to correct the identified deficiencies.

To address the first recommendation, relating to the need to perform a sustainability review of existing projects, USAID/Colombia stated that the contractor completed reviews of existing projects and developed “watch lists” for projects that currently face sustainability challenges. These lists were designed to identify risks and provide solutions for each activity. Additionally, USAID/Colombia has put in place detailed sustainability action plans for the projects, in coordination with the departing contractor, beneficiaries, and other partners. Based on our review of the watch lists and the sustainability action plans, we consider that USAID/Colombia has taken appropriate action, and consider this recommendation closed upon report issuance.

To address the second and third recommendations, concerning procedures to improve program monitoring and strengthen internal controls, USAID/Colombia stated that the mission has designed a new monitoring and evaluation program. This scope of work for this program will be contracted by the mission. The proposals are being evaluated through a full and open competitive process and the estimated award date for the monitoring and evaluation contract is July 2, 2010. According to the mission, the new monitoring and evaluation program will provide continued performance monitoring, verification, and impact evaluation of program results for all USAID/Colombia programs, including new alternative development programs, for up to 5 years. Based on our review of the statement of work for the monitoring proposal, we consider that USAID/Colombia’s actions represent management decisions on recommendations 2 and 3. Determination of final action will be made by the Audit Performance and Compliance Division upon the completion of the planned corrective actions.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/San Salvador 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to determine whether (1) USAID/Colombia's alternative development program achieved its main goals, and (2) the actions taken by USAID/Colombia in response to the recommendations in Audit Report No. 1-514-07-009-P were effective.

In planning and performing the audit, we assessed the mission's internal controls related to its alternative development program activities. The management controls identified included the mission performance plan, mission operational plans, partner agreements and contracts, partner performance management plans, the mission data quality assessment, partner progress reports, the daily interaction between mission staff and program implementers, and the mission's annual self-assessment of management controls as required by the Federal Managers' Financial Integrity Act of 1982.

The audit covered the alternative development program activities under the foreign assistance objective, "Peace and Security." The audit was conducted in Colombia, in and around the cities of Bogota, Bucaramanga, Medellin, Neiva, Popayan, Puerto Asis, and Santa Marta, from August 31 to September 25, 2009. The audit primarily focused on alternative development program activities performed under the ADAM and MIDAS projects during FYs 2007, 2008, and the first three quarters of FY 2009. These two projects represent approximately 95 percent of the total costs under the USAID/Colombia alternative development program.

Methodology

To answer the audit objectives, we met with personnel from USAID/Colombia and its contractor. We reviewed relevant documentation produced by USAID/Colombia's alternative development program team such as annual operational plans, project performance management plans, and award documents. We also reviewed partner-prepared documentation such as annual work plans and quarterly progress reports.

To determine whether USAID/Colombia's alternative development program achieved its main goals, we interviewed mission and contractor personnel and reviewed documentation to determine how results are collected for the selected indicators. We validated the cumulative reported results as June 30, 2009, by tracing mission-reported results back to the monitoring and evaluation systems developed by the contractor.

The contractor maintains a Web-based monitoring and evaluation system, which can only be accessed by authorized users. The contractor provided the auditors with access to the Web site during the fieldwork stage to evaluate the internal controls of the system.

We conducted tests to validate the supporting documentation that served as the basis for data input from the field which was eventually accumulated and used to report progress against particular indicators for 11 activities.

Also, we determined what monitoring was done by the contracting officer's technical representative, the monitoring and evaluation official, and their contractor. We determined the degree of monitoring conducted by USAID/Colombia contractors over their subimplementing partners by reviewing available award documents and interviewing officials of these organizations. To determine the impact of USAID/Colombia's alternative development program, we interviewed officials from USAID, the contractor, subpartners, the Government of Colombia, and United Nations Office of Drugs and Crime.

To assess whether the actions taken by USAID/Colombia in response to the recommendations in Audit Report No. 1-514-07-009-P were effective, we conducted interviews with mission personnel, contractor officials, and personnel from the United Nations Office of Drugs and Crime. We also reviewed contractor-generated data, such as updated guidance to partners, partner manuals, and documentation supporting investment levels per hectare of licit crops.

MANAGEMENT COMMENTS

TO: Catherine Trujillo, RIG/San Salvador

FROM: Ken Yamashita, Mission Director /s/

DATE: February 25, 2010

SUBJECT: USAID/Colombia response to Regional Inspector General/San Salvador's Audit of USAID/Colombia's Alternative Development Program

Thank you for sending the draft report from the Regional Inspector General's audit of USAID/Colombia's Alternative Development Program. This letter conveys our response to the three recommendations made by the audit.

Sustainability:

The recommendation states: "Perform a sustainability review of existing projects to identify those that can optimize the impact of the alternative development program and direct remaining resources under the two contracts to the types of activities that have demonstrated a strong potential for sustainability."

The Alternative Development (AD) team has done this review, and has put detailed sustainability action plans in place for both the ADAM and MIDAS projects in coordination with the departing contractor, beneficiaries and other partners. These plans, shown in Attachments 1 and 2, not only address the sustainability of specific activities, but also the sustainability of key agricultural and commercial sectors, that are related to the model of intervention. At the activity level, the MIDAS and ADAM projects have developed "watch lists" of projects that are currently facing sustainability challenges (Attachments 3 and 4). This is an active management tool designed to identify risks and provide solutions for each one of the activities listed.

We also tackle the problem of sustainability at the sectoral level. By designing projects that fit into national GOC sectoral strategies and have a high component of participation from other parties, including the private and public sector and civil society, we aim to find sustainable funding, technical support and community ownership beyond the conclusion of the projects. This helps bridge the gap between USAID's five year activity time frame and the need to work in long term crops that usually take 10 to 25 years to reach their full potential.

Our strategy addresses sustainability at the "model" level as well. Both MIDAS and ADAM have been setting-up new intervention models in several fields. One example is the MIDAS small and medium-sized enterprise (SME) component, which is currently being transferred to the Government of Colombia (GOC) after proving its success in leveraging private sector resources to fund expert technical advice for small businesses expansion. Another example is the ADAM Community Infrastructure Model, whereby communities manage their infrastructure projects, participating in all levels of project implementation and accountability. In these models, the programs are developing manuals, evaluations and papers to ensure these best practices are well documented

and available for future programs.

Based on the above, we request that this recommendation be closed upon report issuance.

Monitoring:

The recommendation states: "Establish defined procedures to sample on a routine basis the accuracy of the contractor's estimating methodologies, quality, and accuracy of the underlying data that serves as the basis for reported results."

USAID/Colombia has defined procedures to sample on a routine basis the accuracy of the contractor's estimating methodologies, quality and accuracy of the underlying data. A data quality analysis was conducted in 2008 through a contract with the National University of Colombia, which analyzed the quality and accuracy of the indicators and data collected. In addition to the work of the contractors' monitoring and evaluation (M&E) regional teams, there are other mechanisms that we have put in place to undertake independent spot checks of activity results. MIDAS, for example, has a contract with an independent firm called "Jairo Perez" which undertakes site visits in order to verify the results supporting documentation, the existence of the number of hectares reported, the fulfillment of USAID environmental regulations, the execution of the zero-illicit commitment, and the overall impression of the quality of the technical assistance provided. Every MIDAS activity is visited at least twice a year and a sample of 7 to 10 percent of beneficiaries per activity is randomly selected to undertake these verifications.

A second mechanism the AD has put in place is the contract with Universidad de Antioquia. Through this contract the ADO team undertakes field verification of reported results and verifies the fulfillment of USAID environmental regulations. Since the contract started in 2008, more than 107 visits have been performed. In addition, it is also worth mentioning that the verification of the information is not only a task of the M&E teams, but also of the technical person responsible for each activity. Field visit reports are on file in the AD office.

Conscious of the need to create a more comprehensive data quality verification system, the AD has designed a new USAID/Colombia M&E Program which will be contracted in early 2010 and for which proposals are already being evaluated through a full and open competitive process. The new M&E Program will provide continued performance monitoring, verification, and impact evaluation of program results for all USAID/Colombia programs, including new AD programs, for up to five years. Specifically, the M&E Program will directly address the issue of data quality by undertaking periodic activity-level verification of results in the field. This will ensure that USAID implementing partners' data is effective, complete, accurate and consistent with contractual agreements. The Statement of Work for the program appears in Attachment 5.

Based on the above, we request that this recommendation be closed upon report issuance.

Internal controls:

The recommendation states: "Require Associates for Rural Development to strengthen

its internal controls to decrease the risk of errors in the data collected and results reported at the operating level.”

As described above, the Alternative Development office has strengthened the internal controls of the departing current contractor, Associates for Rural Development. In addition, we will require the implementers for the incoming programs to use pre-determined and rigorous internal controls in data collection and results reporting. This will be verified through the new USAID/Colombia M&E Program mentioned under the previous point. The M&E Program will be implemented by an independent contract (not a subcontract under any of the new implementers) and will directly address the issue of data quality by undertaking periodic activity-level verification of results in the field and by issuing concise guidelines for data collection, maintenance, processing and reporting procedures as described in USAID's policy ADS 203.3.5 for all implementing partners. This will ensure that USAID implementing partners' data is effective, complete, accurate and consistent with contractual agreements.

Based on the above, we request that this recommendation be closed upon report issuance.

We look forward to hearing from you at your earliest convenience regarding the contents of this letter.

Table 2.—Combined ADAM and MIDAS Program Indicator Results FY 2007 – June 30, 2009 (Unaudited)

Indicator	Project	FY 2007 Target	FY 2007 Reported Actual	FY 2008 Target	FY 2008 Reported Actual	Reported Cumulative Actual June 30, 2009	Life of Project Goal
Number of Jobs Created	ADAM/MIDAS	81,596	50,556	168,897	179,231	284,622	243,713
Total New Hectares	ADAM/MIDAS	116,165	91,917	336,823	317,557	441,215	461,844
Total Hectares Supported	ADAM/MIDAS	112,763	53,621	97,463	121,305	153,724	138,588
Total Number of Families Benefited (ACI)	ADAM/MIDAS	77,661	52,684	254,434	256,148	177,425	167,330
Number of Families Benefited (internal)	MIDAS	194,093	76,172	269,439	226,364	270,670	156,425
Total Natural Forest Hectares Supported	MIDAS	62,302	16,728	60,122	86,382	343,023	340,677
Total Number of Producer Associations / Processors Strengthened	MIDAS	N/A	N/A	134	391	397	119
Private Sector Firms Formed or Strengthened	MIDAS	3,036	3,268	1,124	10,504	10,699	10,495

Table 2.—Combined ADAM and MIDAS Program Indicator Results FY 2007 – June 30, 2009 (Unaudited)

Indicator	Project	FY 2007 Target	FY 2007 Reported Actual	FY 2008 Target	FY 2008 Reported Actual	Reported Cumulative Actual June 30, 2009	Life of Project Goal
Number of consensus accords signed	MIDAS	N/A	N/A	N/A	N/A	62	60
Number of productive ethnic territories supported	MIDAS	N/A	N/A	N/A	N/A	33	30
Social and Productive Infrastructure Projects Completed	ADAM	75	24	84	66	104	162
Strengthened Municipalities	ADAM	N/A	N/A	48	31	63	71
Social Organizations Strengthened	ADAM	N/A	N/A	415	472	1,016	890
People Benefited by National Programs	ADAM	N/A	N/A	16,326	18,995	45,207	32,436
Public Sector Funds Leveraged (US\$)	ADAM	1,250,000	1,687,105	6,713,501	8,142,821	15,262,060	11,651,100
Private Sector Funds Leveraged (US\$)	ADAM	13,740,000	1,939,101	77,637,883	64,580,140	106,445,400	88,664,575

Table 2.—Combined ADAM and MIDAS Program Indicator Results FY 2007 – June 30, 2009 (Unaudited)

Indicator	Project	FY 2007 Target	FY 2007 Reported Actual	FY 2008 Target	FY 2008 Reported Actual	Reported Cumulative Actual June 30, 2009	Life of Project Goal
Communities/Producer Associations Signing Illicit-Free Agreements	ADAM	N/A	N/A	952	1,341	1,712	1,534
Families Under Illicit-Free Agreements	ADAM	21,763	35,495	94,379	100,084	123,230	106,818
Sales or GMV of Licit Production (US\$)	ADAM	1,443,000	2,119,095	58,836,126	44,888,260	104,524,500	72,192,516

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave., NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig