



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/HAITI'S FEED THE FUTURE NORTH PROJECT

AUDIT REPORT NO. 1-521-16-001-P
OCTOBER 21, 2015

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Office of Inspector General

October 21, 2015

MEMORANDUM

TO: USAID/Haiti Acting Mission Director, Christian Barratt

FROM: Regional Inspector General/San Salvador, Jon Chasson /s/

SUBJECT: Audit of USAID/Haiti's Feed the Future North Project
(Report No. 1-521-16-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix III.

The report contains 33 recommendations to help USAID/Haiti strengthen its Feed the Future North Project. Included in those are opportunities to address \$10,028 in unsupported questioned costs and \$9.93 million in funding that could be put to better use. After reviewing information provided in response to the draft report, we acknowledge management decisions on all 33 recommendations and final action on Recommendations 1 through 9, 11, 13 through 18, 20, 24 through 26, 31, and 33. We disagree with the mission's management decision on Recommendation 20. Please provide evidence of final action on the open recommendations to the Audit Performance and Compliance Division.

Thank you and your staff for the cooperation and assistance extended to us during this audit.

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
CBA	cost-benefit analysis
CFR	Code of Federal Regulations
COR	contracting officer’s representative
CPAR	contractor performance assessment report
DAI	Development Alternatives Inc.
FMFIA	Federal Manager’s Financial Integrity Act of 1982
FTFN	Feed the Future North
FY	fiscal year
IR	intermediate result

M&E	monitoring and evaluation
MEO	mission environmental officer
OIG	Office of Inspector General
WASH	water, sanitation, and hygiene

SUMMARY OF RESULTS

The World Bank considers Haiti to be the poorest country in the Western Hemisphere and one of the poorest in the world. Agriculture employs about 60 percent of the population and supports the nation's stagnant economy. Yet Haiti still needs to import more than half of the food its population consumes, and the average Haitian eats less than 75 percent of the minimum calories needed each day. Deforestation and poor farming practices on the country's steep hillsides have led to erosion, exacerbated flooding in the fertile lowland plains, and affected the agricultural productivity of northern watersheds.¹ Improvements in agriculture are necessary to grow Haiti's economy and reduce poverty and hunger.

USAID/Haiti developed the Feed the Future North (FTFN) Project² to address this situation in Haiti's northern corridor, one of three regions targeted for U.S. Government support since the January 2010 earthquake. The project aims to double agricultural incomes for at least 43,500 rural households and double the amount of cacao exported that is produced by FTFN-supported farmers. These goals are to be achieved through four intermediate results (IRs):

1. Agricultural productivity increased through improved farming techniques and management practices, increased access to agricultural inputs like seeds and fertilizer, and improved irrigation.
2. Watershed stability above selected plains improved through better hillside terracing techniques, infrastructure, and management practices; increased access to erosion-reducing plants with economic benefits like fruit trees; and strengthened local capacity to manage watersheds.
3. Agricultural markets strengthened through relationships with the private sector; increased access and capacity for post-harvest storage, processing, and finance; and road rehabilitation to connect farmers to markets.
4. Capacity of local organizations strengthened through training, capacity-building grants-under-contract,³ and subawards to implement project activities.

USAID/Haiti envisioned implementing the project from April 1, 2013, to March 31, 2018, for a total estimated cost of \$87.8 million. The cost-plus-fixed-fee contract⁴ established a 3-year base implementation period (April 1, 2013, to March 31, 2016) and two 1-year options (April 1, 2016, to March 31, 2018). USAID would decide whether to execute the option years before the end of

¹ A watershed is an area of land in which all sources of water, like rivers and accumulated rain, drain to the same place, like a sea. Watersheds in Haiti encompass mountains, hillsides, plains, and coastal areas. Agricultural productivity and rural incomes are tied to proper watershed management, including irrigation and drainage.

² FTFN is known also as AVANSE, an abbreviation for the project's French title, *Appui à la Valorisation du Potentiel Agricole du Nord, à la Sécurité Économique et Environnementale*.

³ Per Automated Directives System (ADS) 302, "USAID Direct Contracting," a grant-under-contract is a grant issued to a local nongovernmental organization by a contractor as part of its direct contract with USAID.

⁴ Title 48 of the Code of Federal Regulations (CFR), Part 16, Section 306 defines a cost-plus-fixed-fee contract as "a cost-reimbursement contract that provides payment to the contractor of a negotiated fee that is fixed at the start of the contract. The fixed fee does not vary with actual costs."

the base implementation period. As of September 30, 2014, USAID/Haiti had obligated \$30 million. Its contractor, Development Alternatives Inc. (DAI),⁵ had spent \$16.7 million and earned \$1.5 million of its \$4.2 million fixed fee.

The project incorporated two U.S. Government priorities. The first was Feed the Future, an initiative to combat hunger and food insecurity worldwide by boosting agricultural productivity. The second was USAID Forward, the Agency's reform agenda that included increasing the number of awards given to local organizations, often called Local Solutions; to address that, FTFN included plans to create a cadre of local organizations that could meet USAID's eligibility criteria for direct funding by the project's third year. These organizations would become the primary implementers of USAID's future agriculture projects in the northern corridor.

The Regional Inspector General in San Salvador (RIG/San Salvador) conducted this audit to determine whether USAID/Haiti's FTFN Project was achieving its goals of doubling agricultural incomes for at least 43,500 rural households and doubling the amount of cacao exported that was produced by FTFN-supported farmers.

The audit found that FTFN was not achieving these goals. While we observed some positive activities in the field pertaining to farming and hillside stabilization, the project had not expanded the activities as planned and fell far short of targets. The contract emphasized the importance of irrigation as the foundation for increasing agricultural productivity, but the project had not started any irrigation construction at the time of the audit. DAI also continued to implement most activities directly despite fundamental objectives to transfer this role to local organizations. These shortfalls and others are summarized in Appendix I. As of September 30, 2014, only 7 of DAI's 42 performance indicators for measuring progress met at least 80 percent of the established targets.

The audit found significant problems with the design and management of the FTFN contract that undercut implementation, and they are listed below.

- DAI did not work with local organizations as planned (page 7). Not as many local organizations as anticipated had the interest, qualifications, and experience to implement FTFN's activities through subawards. Additionally, DAI was late in issuing grants-under-contract because of delays in getting USAID's approval for its grants manual and implementation plan and other internal issues.
- USAID assigned contract design and administration staff to inexperienced staff (page 8). Shortages in the contracting office and inadequate supervision exacerbated the situation, and resulted in contract flaws that complicated project implementation and management.
- USAID did not fulfill its project management responsibilities (page 13). The staff was slow to process approvals that were necessary for project implementation and waited too long to formally elevate performance concerns. The mission also did not portray DAI's performance accurately in the contractor performance assessment report (CPAR). Poorly defined roles and responsibilities and inadequately managed personnel conflicts contributed to the problem.

⁵ DAI has been working in Haiti since 1975 and implemented similar Feed the Future projects for USAID in six other countries at the time of the audit. It also ranked eighth on USAID's list of top 40 vendors in fiscal year (FY) 2014, receiving obligations of more than \$262 million for the year.

- DAI did not staff the project appropriately (page 15). Officials said it was difficult to recruit and keep qualified staff in the northern corridor, and USAID/Haiti's requirement to approve all professional staff added to the challenge.
- DAI did not complete the required environmental assessment (page 17). Without it, USAID is at risk of harming the environment and beneficiaries.
- Focus on roads detracted from more important irrigation projects (page 20). Despite contract plans to prioritize irrigation, DAI started working on roads first.
- Project materials were mismanaged and at risk of waste and misuse (page 22). DAI distributed plants and tools worth at least \$1.85 million to farmers to increase agricultural productivity and stabilize hillsides.
- The baseline study was not valid (page 24). Therefore, managers could not set meaningful targets or measure impact and outcomes.
- Some performance data were not valid, reliable, or timely (page 25). Some reported results were not supported with documentation, and data collection tools were inconsistent.

DAI also reported that a severe, unexpected drought hampered some activities. Because of that, some farmers were reluctant to accept the free plants the project offered or to purchase equipment at a reduced price through the project's voucher activity.

The drought undeniably affected agricultural productivity in the project's implementation zone, and lack of irrigation exacerbated its effects. Nevertheless, we feel that the concerns discussed in the audit report would have occurred irrespective of the drought.

In addition to these problems, the audit found that USAID/Haiti attributed \$7.9 million of its fiscal years 2012 and 2013 earmarks for water, sanitation, and hygiene (WASH) activities to FTFN, but the project did not meet the earmark's criteria (page 27).

To address these concerns, we recommend that USAID/Haiti:

1. Through the FTFN contracting officer, identify activities that will have the greatest impact on project objectives given the remaining time and resources in the base implementation period, and reduce the scope of the contract accordingly (page 8).
2. Require DAI to revise its strategy for implementing FTFN activities to address the dearth of capable local organizations in the northern corridor (page 8).
3. Formally communicate to DAI the actual opportunities that exist for local organizations to bid on and receive direct USAID funding (page 8).
4. Report problems with staffing in the contracting office in its next Federal Manager's Financial Integrity Act of 1982 (FMFIA) annual certification (page 12).
5. Through the FTFN contracting officer, amend the project contract to define deliverables and results (page 12).

6. Establish criteria for determining whether to exercise the option years of FTFN (page 12).
7. Through the FTFN contracting officer, realign the remaining fixed fee attributed to intermediate results 1, 2, and 3 to demonstrate “best-effort” toward achieving the deliverables and results defined in response to Recommendation 5 (page 12).
8. Through the FTFN contracting officer, determine whether the fixed fee attributed to IR 4 should allow for making 2 local organizations eligible for direct USAID funding and 12 local organizations eligible for fixed-obligation grants, and modify the contract if necessary (page 13).
9. Reflect concerns with project implementation, schedule, and staffing in its next CPAR for DAI for FTFN, including revising the previous report as necessary, and maintain documentation to support the assessments (page 15).
10. Begin a performance evaluation of FTFN by September 30, 2015 (page 15).
11. Remind contracting officer’s representatives (CORs) of their designated responsibilities to document performance concerns, elevate them to the contracting officer for timely resolution, and maintain complete documentation in the official project file (page 15).
12. Document clear procedures, responsibilities, and timelines for requesting and approving waivers for restricted goods (page 15)
13. Document clear procedures for resolving internal conflicts promptly and disseminate them to mission staff (page 15).
14. Document clear procedures designating the COR, or alternate COR as applicable, as the sole liaison between USAID and contractor staff unless otherwise specified, with procedures to document justification for any exceptions (page 15).
15. Document clear roles and responsibilities for managing complex Feed the Future projects, and implement a plan to make sure these roles and responsibilities are respected and enforced (page 15).
16. Establish a deadline for DAI to correct critical staffing deficiencies for FTFN and take formal corrective action if this deadline is not met (page 17).
17. Review its requirement to approve all professional staff for FTFN, determine whether the requirement is in the best interest of the U.S. Government, and, through the FTFN contracting officer, revise the requirement in the contract if necessary (page 17).
18. Establish a deadline for DAI to finalize the project-level environmental assessment for FTFN and take formal corrective action if the deadline is not met (page 20).
19. Identify ongoing FTFN activities that do not comply with environmental requirements, and direct DAI to stop all identified activities until the required level of environmental review is completed (page 20).
20. Incorporate procedures in Mission Order 204-1 to document at the start of the award agreement between the COR; mission-, regional-, and bureau-level environmental officers;

and the contractor the procedures and timelines to meet environmental compliance requirements (page 20).

21. Modify its initial environmental examination (IEE)⁶ for the food security and economic growth portfolio to remove any ambiguity about the required level of environmental review for its projects, programs, and activities, and ask the bureau environmental officer to approve the IEE (page 20).
22. Develop a timeline with milestones for DAI to complete irrigation activities for FTFN and take formal corrective action if the milestones are not met (page 21).
23. Develop procedures to make sure contracts for infrastructure projects include clear specifications for cost-benefit analyses (CBAs) (page 21).
24. Through the FTFN contracting officer, modify the contract to remove road rehabilitation activities and put \$9.93 million to better use (page 21).
25. Include an in-depth review of DAI's internal controls for procurement and distribution of project materials in its upcoming financial review of FTFN (page 23).
26. Through the FTFN contracting officer, determine the allowability of \$10,028 in unsupported questioned costs (\$9,746 from unsupported distributions from our test sample and \$264 from the banana plants delivered to cacao farmers), and recover from DAI any amount determined to be unallowable (page 24).
27. Implement alternative measures to estimate the impact of FTFN and the progress of outcome indicators in the absence of a valid baseline study (page 24).
28. Implement a plan to make sure its future Feed the Future projects establish valid baselines at the start of the awards (page 25).
29. Establish a timeline with milestones for DAI to bring performance data for FTFN in line with USAID's data quality standards and take formal corrective action if the milestones are not met (page 26).
30. Determine whether its strategy for increasing food security in Haiti should include WASH activities, document the decision, and modify the strategy accordingly (page 28).
31. In consultation with the FTFN contracting officer, determine whether the contract should be modified to meet criteria for the WASH earmark, document the decision, and modify the contract accordingly (page 28).
32. Incorporate reporting progress toward meeting earmarks into its biannual portfolio reviews, add a section on earmarks to its portfolio review project data sheet template, and include

⁶ An IEE is the first review of the reasonable, foreseeable effects a proposed action could have on the environment. Its purpose is to establish a "threshold decision" (the mission's determination whether a proposed action will affect the environment significantly) and specify what level of subsequent environmental review would be required.

earmark criteria in the guidance disseminated to mission staff in preparation for its biannual portfolio reviews (page 28).

33. Provide to USAID/Washington details on its WASH earmark allocations for fiscal years 2012 and 2013 so USAID/Washington can notify Congress as appropriate as to overall Agency execution of the earmark (page 28).

Detailed findings appear in the following section. The audit scope and methodology is described in Appendix II. Management comments are included in their entirety without attachments in Appendix III, and our evaluation of management comments begins on page 29.

AUDIT FINDINGS

Contractor Did Not Work With Local Organizations as Planned

According to the contract, the intent of IR 4 was to develop the capacity of Haitian organizations to become eligible for direct USAID funding. Through subawards and grants-under-contract, DAI planned for these local organizations to “implement directly or indirectly the vast majority of project activities” by September 30, 2014, and expected to complete the transition by the end of the third year. In the two option years, if executed, DAI planned to limit its role to supporting the local organizations with oversight and quality control. DAI officials said subawards with local organizations would account for at least 50 percent of the overall budget; these subawards and capacity-building activities also would help sustain the project’s efforts after USAID funding ended.

However, DAI did not work with local organizations as planned. As of September 30, 2014, it still was implementing most activities directly. Financial reports showed that DAI spent less than 25 percent of the \$6 million it had planned to spend on subawards and none of the \$7 million it had planned to spend on grants-under-contract.

In its technical proposal, DAI said it found more than 25 potential local organizations that had technical competencies in IRs 1, 2, and 3, and could implement activities through subawards. However, after it sent out the first solicitation for subawards in June 2014, DAI reported that many of those organizations were not actually interested in working with FTFN. Moreover, some that applied did not have enough experience or skill to implement activities. DAI reported that just 15 organizations applied and only 4 had the minimum qualifications.

In addition, DAI had subcontracted previously with two Haitian organizations with strong qualifications and experience—AgriDev and AgroConsult—in the FTFN contract with USAID/Haiti. Because these organizations were already involved in various aspects of FTFN design, implementation, and administration, they could not bid on the other subawards to expand activities under IRs 1, 2, and 3. For example, staff from AgroConsult led IR 1 efforts for FTFN, so they could not bid on IR 1 subawards or grants-under-contract because they had helped design the solicitations and had continued responsibility for coordinating all IR 1 activities.

The IR 4 team said local organizations also did not have any incentive to become eligible for direct USAID funding. Meeting the Agency’s eligibility criteria was tough and often required significant time and resources. For example, many organizations needed to improve their workspaces and hire additional employees, like accountants, to meet the requirements for separation of duties and internal controls. Many organizations could not afford to do this before first receiving USAID funding—but they could not receive USAID funding until they made the required changes.

The IR 4 team said overcoming these challenges would be difficult. They said grants-under-contract could provide funds to make required changes in the short term, but organizations needed long-term opportunities to make lasting changes like hiring full-time personnel. DAI officials said they were not aware of any actual opportunities for local organizations to bid on or

receive direct USAID funding, even though USAID officials said the mission had set aside up to \$40 million for this purpose. The project's former COR said she discussed these opportunities with the former chief of party and IR 4 team leader, but they left without telling their successors about them.

Another concern was the length of time USAID/Haiti took to approve the FTFN grants program manual and implementation plan because of required revisions, staff turnover, and other priorities. DAI could not start issuing grants-under-contract until USAID approved the manual in February 2014, 6 months after submitting it for approval.

DAI still had not issued any grants-under-contract at the time of this audit because of internal problems. DAI terminated its IR 4 team leader for poor performance in May 2014, and the new team leader did not start until August 2014. DAI officials also said they had trouble recruiting qualified staff for other positions on the grants-under-contract and subaward teams. They also attributed delays to the complex process they needed to follow to issue grants-under-contract and the length of time it had taken to identify priorities for each technical area. The IR 4 team said they were supposed to concentrate on local organizations that were implementing activities for IRs 1, 2, and 3 for the capacity building grants-under-contract, but, because DAI was behind in issuing subawards for these activities, there were few organizations for them to work with.

Not implementing these activities as planned prevented DAI from achieving overall FTFN objectives and specific objectives for Local Solutions. Without subawards and grants-under-contract to local organizations, DAI could not expand activities for agricultural productivity, hillside stabilization, and market access, or complete capacity-building activities. DAI staff said they could not build relationships with the private sector and attract investment in targeted crops until they could guarantee a steady, high-quality supply through increased agricultural productivity. They said the delay issuing capacity-building grants to local nurseries affected the supply of plants the project needed to reach agricultural productivity goals.

To address this concern, we make the following recommendations.

Recommendation 1. We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, identify activities that will have the greatest impact on project objectives given the remaining time and resources in the base implementation period, and reduce the scope of the contract accordingly.

Recommendation 2. We recommend that USAID/Haiti direct Development Alternatives Inc. to revise its strategy for implementing Feed the Future North Project activities to address the dearth of capable local organizations in the northern corridor.

Recommendation 3. We recommend that USAID/Haiti formally communicate to Development Alternatives Inc. the actual opportunities that exist for local organizations to bid on and receive direct USAID funding.

USAID Assigned Contract Design and Administration to Inexperienced Staff

USAID's Automated Directives System (ADS), Chapter 302, "USAID Direct Contracting," gives contracting officers responsibility for entering into and administering contracts on behalf of the U.S. Government. Activity managers are responsible for preparing the contract's scope of work,

and the Contract Review Board is responsible for assessing the quality of solicitations and award documents for acquisitions worth more than \$25 million. Together, these employees make sure that contracts are adequate to achieve U.S. Government objectives and protect taxpayers' dollars.

The audit found that USAID assigned contract design and administration to inexperienced staff. The contracting officer responsible for developing the solicitation and award documents was a junior officer on his first overseas tour, and this was his first assignment for USAID. He also was not qualified to enter into contracts legally on behalf of the U.S. Government; a more senior contracting officer from Washington ultimately signed the award.

The junior officer got this task because USAID/Haiti's contracting office was short-staffed, which also limited the supervision the junior officer received. Short-term contracting officers from Washington helped somewhat, but inconsistency and frequent turnover prevented any one individual from overseeing the award or identifying and correcting any of its deficiencies discussed below; USAID/Haiti reassigned responsibility for this contract eight times since its design.

Mission officials said they asked the Office of Acquisition and Assistance in Washington several times for help, but they still struggled to find a long-term solution. An official from USAID's Human Capital and Talent Management Division said the Agency does not have enough experienced contracting officers. In the last bidding cycle, only 59 people bid for 66 overseas contracting officer positions, and some of them did not have the ideal level of experience for the positions they were assigned. This official said USAID continues to hire contracting officers to fill these gaps, but it will take time for the new hires to get the necessary experience.

USAID/Haiti did not report staffing gaps or any other concerns as significant deficiencies or material weaknesses in its fiscal years 2013 or 2014 FMFIA annual certifications. The mission's internal assessments showed that adequately staffing the contracting office was a high-risk area in FY 2013 and an area of medium vulnerability in FY 2014. At that time, mission officials felt the problem was not significant enough to be reported to the next level, the leaders of USAID's Latin America and the Caribbean Bureau.

The activity manager responsible for designing the contract's scope of work also was new to the mission. Staff said he did not have experience in Haiti or agriculture, and worked with two of the mission's agriculture officers to mitigate this limitation.

He explained that he inherited the basic project design when he arrived at the mission in December 2010, but at that time only IRs 1, 2, and 3 were included. The mission asked him to incorporate IR 4 into the existing design. However, he said, the employees he worked resisted adding Local Solutions to the already complex award, in part because they were familiar with Haitian organizations and recognized the risks and challenges of meeting Local Solutions objectives in Haiti. In addition, Local Solutions did not become part of the mission's food security strategy until August 2011, so it was a new concept for USAID/Haiti.

Inexperience Delayed Procurement Process. USAID/Haiti began designing FTFN in 2010, released the first solicitation for bidders on February 14, 2012, and signed the contract with DAI on April 1, 2013. The mission's inexperienced staff said the process was delayed because they did not know how to prepare the contract documents or address comments from the Contract Review Board. USAID/Haiti ultimately amended the solicitation for FTFN eight times to clarify bidding requirements and correct errors. The last two amendments occurred after the

solicitation's April 20, 2012, closing date and the mission's initial technical evaluation of submitted proposals on May 14, 2012. Because of the late amendments, USAID/Haiti allowed bidders to resubmit proposals until November 30, 2012.

In early February 2013 the USAID Administrator and State Department Special Envoy to Haiti visited the mission. Employees from USAID's Office of Acquisition and Assistance reviewed the FTFN solicitation the following month and reported that it was not until the visit "that the priority for [FTFN] became highly visible and was elevated to critical."

The Office of Acquisition and Assistance's review raised other concerns. For example, it was unclear to the reviewers whether USAID/Haiti had addressed all of the Contract Review Board's mandatory comments, a requirement of ADS 302. It also found that the board rejected the contract package the mission submitted on February 20, 2013, as generic, incomplete, and insufficient to justify selecting DAI, whom USAID had identified as offering the best value to the U.S. Government considering cost and technical merit.

USAID sent a team of specialists from Washington down to take over the procurement. A contracting officer said the specialists may have made some errors in the final award because of the short time they had to issue it by April 1, 2013, a new deadline, but he felt that the document was nevertheless complete and enforceable. Moreover, he said, the specialists did not have time to question or revise the contract's deliverables and results, fixed-fee payment schedule, implementation period, and other elements discussed below.

Contract Did Not Have Clear Deliverables or Results for Achieving Project Objectives.

Deliverables and results are essential elements of a cost-plus-fixed-fee completion type contract,⁷ and they establish the conditions a contractor must meet to receive the fixed fee.

The contract's "Deliverables and Results" section referred to Tables 1 and 2 in an annex of DAI's technical proposal, but neither was sufficient to establish the project-oriented deliverables or results that DAI was contractually held to completing. Table 1 outlined the reports that DAI would submit throughout the project, like work plans and progress reports, but they had no bearing on the objectives. Table 2 listed draft performance indicators, some of the targets of which DAI later revised.

In addition to the tables, the contract incorporated DAI's entire general technical approach, staffing plan, management plan, and approach to performance management largely by referring to the technical proposal. ADS 302 prohibits contracting officers from "incorporating an entire, successful competitive proposal into the contract by reference." A USAID contracting officer explained that this limitation was to prevent different interpretations of the contract, adding that good contracts include all necessary information directly in the document and lead different readers to the same conclusion. While ADS 302 does allow contracting officers to mention portions of technical proposals that are of "substantial importance to the contract" through clearly delineated citations, incorporating 58 pages of the technical proposal exceeded the intent of this guidance and violated best practice.

Fixed Fee for IRs 1, 2, and 3 Was Not Associated With Project Implementation. DAI attributed 75 percent of its fixed fee for the 3-year base implementation period to IRs 1, 2, and

⁷ According to 48 CFR 16.306, cost-plus-fixed-fee completion type contracts should outline a definite goal, target, or specific end product in the scope of work that the contractor must complete within the estimated cost for payment of the entire fixed fee.

3. Instead of basing payment on completing project objectives or key activities, DAI tied payment to submitting annual work plans, quarterly reports, and annual reports that were included as deliverables in Table 1 of the technical proposal.

This payment structure enabled DAI to receive \$1.5 million of its fixed fee as of September 30, 2014, despite project delays and performance concerns. Moreover, the fee associated with each report decreased each year, enabling DAI to recover more in the first years of the project. A quarterly report in the first year, for example, was worth \$270,429 compared with \$14,559 in the third year.

The junior contracting officer said he asked DAI to propose a payment structure as part of the cost proposal. He said he did not know to question it and approved it without objection from his supervisor. His former direct supervisor said the entire fixed fee should have been tied to completing project objectives, not reports, and did not realize that it was not.

Fixed Fee for IR 4 Was Not Clear. During audit interviews, DAI staff said the organization had two options to earn the 25 percent fixed fee attributed to IR 4. The first was to make five local organizations eligible for direct USAID funding, like a contract or cooperative agreement. The second was to make 2 local organizations eligible for direct funding and 12 eligible for fixed-obligation grants.⁸ The staff said they were working toward the second option because it was more realistic, and the first option would not be possible.

However, the contract included only the first option. The second option was included in the original solicitation, and USAID/Haiti and DAI staff were unaware until the audit that it was omitted from the contract.

Because of the different fixed-fee payment structures for IRs 1, 2, and 3 versus 4, a USAID contracting officer said it was not a true cost-plus-fixed-fee completion type contract. The portion attributed to IRs 1, 2, and 3 was a “best-effort” approach, meaning that DAI would earn this portion for giving its “best effort” to completing specified deliverables, which in this case was submitting the specified reports. This was consistent with a cost-plus-fixed-fee completion type contract. The portion attributed to IR 4 was performance-based because DAI would earn it only for meeting specific performance milestones—in this case making local organizations eligible for direct USAID funding. This aspect of the contract had cost-plus-award-fee characteristics.

Contract Did Not Specify Parameters for Deciding Whether to Exercise Option Years. USAID officials who planned the contract said they established the 3-year base period to mitigate the risks of working with local organizations. They said the option years should be exercised only if DAI transferred activities to local organizations by the third year. An official added that DAI’s proposed approach for working with local organizations was a major factor in awarding DAI the contract. If it did not succeed, officials said USAID should terminate the contract at the end of the base period.

These important decision-making criteria were not documented in the contract or negotiation

⁸ USAID gives fixed-obligation grant recipients a set amount of funding, normally a small amount compared with other types of awards, to achieve a specific activity or milestone. A supplement to ADS 303, “Fixed Amount Awards to Non-Governmental Organizations,” states that this type of award is useful for building capacity because it can be awarded to grantees with any level of experience and financial and management capacity. Thus, the requirements for making local organizations eligible for fixed-obligation grants are must less rigorous than for direct funding.

memo. DAI staff said they assumed the option years would be exercised so they could meet agriculture targets, which they had 5 years to achieve. Mission officials at the time of the audit did not have the same understanding as their predecessors and disagreed with the decision to design the contract with option years.

Contract Objective, Strategy, and Structure Were Not Aligned. The contract's objectives were based on agriculture, but DAI based its strategy and budget on the Local Solutions concept—local organizations expanding agriculture activities and taking over implementation by the project's third year. USAID officials said they chose a cost-plus-fixed-fee completion type contract—typically used for research and development projects—because Local Solutions was a new concept for Haiti and gave the mission more control.

USAID officials said they set a 3-year base period so USAID could exercise the two option years if local organizations could not take over implementation as planned; projects with agriculture-oriented objectives like the FTFN's to increase agricultural incomes and export volumes normally get 5-year base periods. The performance indicators also were not aligned; only 3 measured the progress of Local Solutions compared with 38 indicators for agriculture-oriented activities and objectives.

This situation directly contributed to FTFN's performance concerns. Conflicting objectives, structure, and strategies complicated implementation of an already complex project, and progress toward agriculture objectives faltered when DAI could not work with local organizations as planned. Without concrete deliverables and results in the contract, USAID lacked a well-defined, enforceable blueprint for project management.

The fixed-fee payment structure meant that DAI would be paid the majority of its fixed fee for the 3-year base period—the \$2.3 million allocated to IRs 1, 2, and 3—regardless of the work it performed. The utility of the fixed fee as a management tool for USAID was therefore limited, and it did not double as an incentive for DAI to perform. USAID/Haiti officials said the mission had based its follow-on Feed the Future projects for two other corridors on FTFN and issued two awards for them worth a total of \$38.6 million in April and May 2015. This put USAID at risk of investing in other high-visibility, high-priority, and high-cost projects with unstable foundations.

To address these concerns, we make the following recommendations.

Recommendation 4. *We recommend that USAID/Haiti report problems staffing its contracting office in its next Federal Manager's Financial Integrity Act of 1982 annual certification.*

Recommendation 5. *We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, amend the contract to define deliverables and results.*

Recommendation 6. *We recommend that USAID/Haiti establish criteria for determining whether to exercise the option years for the Feed the Future North Project.*

Recommendation 7. *We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, realign the remaining fixed fee attributed to intermediate results 1, 2, and 3 to demonstrating "best-effort" toward achieving the deliverables and results defined in response to Recommendation 5.*

Recommendation 8. *We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, determine whether the fixed fee attributed to intermediate result 4 should allow for making 2 local organizations eligible for direct USAID funding and 12 local organizations eligible for fixed-obligation grants, and modify the contract if necessary.*

USAID Did Not Fulfill Its Project Management Responsibilities

USAID/Haiti officials were responsible for managing FTFN to make sure DAI met objectives and contract requirements. These responsibilities included monitoring the contractor's performance; providing technical direction and guidance within the parameters of the contract; documenting any material deficiencies in performance and bringing them to the immediate attention of the contracting officer for resolution; and maintaining an official file. CORs are delegated many of these responsibilities as the primary liaisons between contracting officers and contractors, but mission managers, supervisors, activity managers, and technical officers also each play a role.

The audit found that USAID/Haiti did not fulfill these responsibilities, as discussed below.

USAID/Haiti Did Not Document DAI's Performance Accurately in CPAR. The CPAR system is the U.S. Government's tool for documenting contractor performance. USAID uses it to track contractors' performance over time and evaluate past performance for new awards.

In June 2014 for the project's first year USAID rated DAI "Exceptional" for schedule, "Very Good" for staffing, and "Satisfactory" for management of key personnel, despite known performance and staffing concerns. USAID officials said there was pressure internally not to rate DAI too harshly because the Agency was also at fault for some issues. A USAID official said it was not unusual to be lenient in the first year, and another official said it was difficult to give contractors lower than a "Satisfactory" rating unless the deficiencies had been documented consistently, which USAID/Haiti had not done.

USAID/Haiti Waited Too Long to Formally Elevate Concerns or Take Corrective Action. USAID officials said issues with performance and staffing were clear early in the project. They said they discussed these problems with DAI in meetings and through e-mails. The COR gave us an e-mail he sent to DAI in September 2014 that cited persistent noncompliance with USAID's branding and marking policies as an example. DAI took steps to correct the problems by the time we made our site visits in December 2014.

However, the officials acknowledged, discussions and e-mails were not always enough to address the project's problems. The COR did not elevate concerns to DAI until March 2015 with a formal memo that demanded adherence to the contract on specific issues and outlined corrective action that would be taken if the issues were not addressed promptly. In addition, records of these important communications also were not always stored in the COR's official file.

USAID/Haiti Cancelled Planned Impact Evaluation. For accountability and learning, USAID's 2011 evaluation policy recommends that employees conduct impact evaluations for projects that are large or that cover new topics and implementation methods. USAID started planning FTFN's impact evaluation in June 2013, but deliberations between the mission, DAI, and the Washington-based management team caused delays. USAID/Haiti said information requests

from Washington were becoming a burden for DAI and cancelled the evaluation in December 2014 because it was too late in the project for meaningful results. The mission did not reschedule the impact evaluation because it needed to collect the required data at the beginning of the project to be useful for measuring impact.

Moreover, at the time of the audit, the mission had not completed any performance evaluations for either FTFN or the mission's previous Feed the Future project implemented in two other corridors, which ended in May 2014. USAID's budget for these was \$216 million.

Mission officials said they planned to begin a performance evaluation of FTFN in May or June 2016, following the base implementation period. We think the mission would benefit from an evaluation earlier, however, and apply lessons learned to future projects. The final evaluation for the previous Feed the Future project was not due until May 2015, too late to incorporate lessons learned into FTFN or the design of the follow-on project for which the mission had already issued awards.

USAID/Haiti Was Slow to Process Approvals. USAID officials were responsible for approving DAI's annual work plans, requests for waivers for restricted goods, payment vouchers, and other items. They said heavy workloads, constant meetings, and urgent requests from Washington kept them from processing the approvals on time, however. In addition, some items required numerous approvals, and this took more time.

The officials said DAI also submitted items late or forgot to resubmit revised items. These delays affected implementation and prevented DAI from hiring needed staff, starting some activities, and purchasing some project materials.

USAID officials said the process for requesting and approving waivers for restricted goods was particularly onerous and confusing, which compounded the delays. For example, USAID did not approve DAI's December 2013 requests for fertilizer and pesticides until May 2014, or July 2014 requests for plants for the fall season until November 2014. DAI procured some at its own risk, which meant that USAID would not reimburse it if the Agency denied the waiver.

USAID/Haiti Accepted Inadequate Work Plans, Quarterly Reports, and Annual Reports. The documents DAI submitted did not meet USAID's needs, but the mission accepted them to avoid additional delays. The plans did not have important details and estimated cost information for planned activities. A 69-page quarterly report far exceeded the 15-page limit specified in the contract and did not have the tables that were required to help people understand the project. The FY 2014 annual report's table for tracking progress against the work plan only showed progress against subresults, not activities, and did not include the actual costs of activities implemented during the year. USAID thus lacked critical tools for managing the project.

USAID/Haiti had significant problems with staffing. As discussed in the previous finding, the mission's contracting office chronically lacked experienced officers and faced excessive turnover. The mission also did not comply with ADS 302 requirements for COR designation; FTFN did not have an alternate COR for several months, which left the COR without adequate support when she was away from the office. Moreover, the mission designated several CORs to the project at the same time for an extended period, which ADS 302 specifically prohibited. USAID officials said this would help reduce the backlog of outstanding approvals, but instead it caused additional confusion and delays because the mission did not delineate roles and responsibilities clearly.

The mission did not manage internal conflicts appropriately. Employees described intense personal and professional conflicts between USAID supervisors and subordinates, between technical staff and those with decision-making authority, and between Haitian staff and expatriates. They said some managers, who had left the mission by the time of the audit, did not react effectively to their concerns and did not clarify, formalize, or enforce roles and responsibilities despite numerous requests. They said this resulted in an unproductive work environment that one person described as hostile. Because of this situation, employees said they sometimes took steps to avoid working with colleagues. In some cases, employees other than the COR communicated directly with DAI when the COR should have been the primary liaison between DAI and USAID. This led to inconsistent messaging and unclear priorities for project implementation.

USAID did not uphold its responsibilities for project management because of these issues. Implementation suffered as a result, reducing the impact of project activities and the \$16.7 million DAI spent as of September 30, 2014. To address these concerns and improve project management, we make the following recommendations.

Recommendation 9. We recommend that USAID/Haiti reflect concerns with project implementation, schedule, and staffing in its contractor performance assessment reports for Development Alternatives Inc. for the Feed the Future North Project, including revising the previous report as necessary, and maintain documentation to support the assessments.

Recommendation 10. We recommend that USAID/Haiti begin a performance evaluation of the Feed the Future North Project by September 30, 2015.

Recommendation 11. We recommend that USAID/Haiti remind contracting officer's representatives of their designated responsibilities to document performance concerns, elevate the concerns to the contracting officer for timely resolution, and maintain complete documentation in the official project file.

Recommendation 12. We recommend that USAID/Haiti document clear procedures, responsibilities, and timelines for requesting and approving waivers for restricted goods.

Recommendation 13. We recommend that USAID/Haiti document clear procedures for resolving internal conflicts promptly and disseminate them to mission staff.

Recommendation 14. We recommend that USAID/Haiti document clear procedures designating the contracting officer's representative, or alternate contracting officer's representative as applicable, as the sole liaison between USAID and contractor staff unless otherwise specified, with procedures to document justification for any exceptions.

Recommendation 15. We recommend that USAID/Haiti document clear roles and responsibilities for managing complex Feed the Future projects, and implement a plan to make sure these roles and responsibilities are respected and enforced.

Contractor Did Not Staff Project Appropriately

In its technical proposal, DAI described a staffing plan that was "flexible and focused to lead [the

project] to achieve programmatic targets, ensure integration of technical areas, and adhere to program timelines.” It identified highly qualified individuals to fill key positions and others that DAI considered essential to the project’s success. It proposed filling more than 86 percent of its long-term technical positions with Haitians.

Yet DAI did not dedicate appropriate staff to the project. It dismissed the chief of party, who was responsible for overall leadership, just a few months into the project for nonperformance. Someone from DAI’s head office filled in temporarily until the new chief of party started in January 2014. The deputy chief of party, responsible for technical leadership, resigned in September 2014 and had not been replaced at the time of the audit.

DAI dismissed the leaders for IRs 3 and 4—both key positions—after 1 year for poor performance. IR teams had other extended vacancies in critical positions, including specialists for watershed management, agricultural processing, access to finance, and financial capacity-building. DAI also did not have full teams for environment, gender, infrastructure, grants management, and monitoring and evaluation (M&E).

DAI officials said it was difficult to recruit and keep qualified staff in Cap-Haitien, a city in the northern corridor where the project office was located, because of limited opportunities for schools, housing, and jobs for family members. They said Haitian employees preferred to keep their families in Haiti’s capital and left the project for jobs there at the first opportunity. USAID worked with DAI to offer a small incentive package to Haitian staff, but officials were not certain that it would be enough to offset the challenges of working in Cap-Haitien.

DAI officials said USAID’s requirement to approve all professional staff also caused problems. The people it recruited found other jobs while waiting for USAID’s often delayed approval. USAID also rejected several candidates for not meeting minimum qualifications for experience or education. DAI officials said the people they found were the best available and could be groomed for the positions with minimal training.

USAID/Haiti employees responded that DAI should have managed staff challenges better, given the “17 years of continuous operation of USAID projects in Haiti” that DAI mentioned in its technical proposal. USAID officials also questioned the real magnitude of the problem since DAI did not report staffing challenges for a \$20.6 million USAID-funded agriculture and watershed management project it implemented in the same area from 2008 to 2012. An Agency official said the morale of Haitian staff declined from the beginning of the project because of unresolved conflicts with expatriates in supervisory roles.

While USAID officials said they discussed staffing concerns with DAI managers, they did not formally direct them to resolve the problems or take corrective action.

USAID officials disagreed internally about the requirement to approve all professional employees. One said the Agency should not assume this responsibility because in doing so USAID accepted all of the risk associated with staffing; for example, DAI could blame USAID for any vacancies caused by delayed approvals or for incompetence of any employees approved by USAID.

Furthermore, the contract specified that positions other than key personnel would not be subject to USAID approval—a requirement that went against the contract. A different official said USAID should approve all positions because staffing was the project’s primary cost and it was USAID’s responsibility to taxpayers to control those costs under a cost-reimbursement contract.

Some of FTFN's implementation challenges are directly attributable to incompetent personnel and vacancies in critical leadership positions. DAI's environment team could not complete the environmental assessment required by 22 CFR 216, its infrastructure team could not complete prerequisites for construction that met USAID/Haiti's standards, and its M&E team could not establish a valid baseline or produce useful performance data.

This situation also had financial implications for the project. DAI filled gaps temporarily with short-term staff from the home office and independent consultants who were considerably more expensive than local hires. As of September 30, 2014, DAI spent nearly three times as much on home office salaries, U.S.-based independent consultants, and associated expenses (\$2.6 million) than it did on staff salaries, allowances, and consultants in Haiti (about \$968,000). Moreover, because DAI based its indirect cost calculations on the cost of labor, higher labor costs augmented the amount of overhead DAI charged USAID (\$1.4 million). This left less funding available for other project activities.

To make sure FTFN has enough employees in the future, we make the following recommendations.

Recommendation 16. We recommend that USAID/Haiti set a deadline for Development Alternatives Inc. to correct critical staffing deficiencies for the Feed the Future North Project and take formal corrective action if this deadline is not met.

Recommendation 17. We recommend that USAID/Haiti review its requirement to approve all professional staff positions for the Feed the Future North Project, determine whether the requirement is in the best interests of the U.S. Government, and, through the project contracting officer, revise the requirement in the contract if necessary.

Contractor Did Not Complete Required Environmental Assessment

According to 22 CFR 216, USAID's environmental procedures are designed to make sure that the Agency considers the effects its actions have on the environment; incorporates mitigating factors into project design; and avoids causing inadvertent harm to beneficiaries and the environment. The required level of environmental review must be completed as early as possible in the project before beginning activities that might affect the environment and before USAID irreversibly commits funds.

Because of the vast size and scope of FTFN and the potential to significantly affect the environment, USAID required DAI to complete an in-depth, project-level environmental assessment for all of its agriculture productivity, hillside stabilization, and infrastructure activities. This requirement was specified in the mission's IEE for its food security and economic growth portfolio and in the contract.

DAI still had not completed the required environmental assessment at the time of the audit, nearly 2 years into the project. Moreover, USAID allowed DAI to implement potentially risky activities despite noncompliance. For example, DAI trained farmers and distributed plants and tools to them for small-scale agriculture and hillside stabilization. It launched a voucher system that enabled farmers to purchase restricted agricultural products, like pesticides and fertilizers, at a reduced price. In July 2013 USAID also gave DAI permission to plant fruit trees and

perform infrastructure work to prepare for a visit from Haitian President Michel Martelly. These activities required additional environmental reviews before starting implementation.

Disagreement on Environmental Requirements Caused Delays. The contract required DAI to submit an “Environmental Mitigation Plan and Report for the overall project in line with the USAID Agriculture Program [IEE] and project-level Environmental Assessment (to be completed concurrently).” An environmental officer explained that the purpose of these was to help DAI gauge potentially costly mitigation measures and set the basis for further review, including the environmental assessment that the contract also required. He preferred this method to an in-depth, project-level environmental assessment at the start, because in his experience those were not actually specific enough since activities were not always well defined until later in implementation.

Other environmental officers and mission staff disagreed and said the contract’s requirements were misleading, or even incorrect. They said the mitigation plan and report should have come after the environmental assessment, not before or concurrently with it. They said they also did not have the same understanding of the purpose of the mitigation plan and report; one official said it was the only review DAI needed to do. The staff then disagreed about the format of the environmental assessment after they decided one was required.

ADS 204, “Environmental Procedures,” gives the COR responsibility for ensuring compliance with 22 CFR 216. But this responsibility was not clear when several CORs were assigned to the project. Some environmental officers from the mission and bureau- and regional-level offices also were heavily involved; a few of them communicated directly with DAI at times, which contributed to the confusion.

The staff also debated whether the mission’s IEE was valid for FTFN. Some said it was because the intent was to cover the mission’s entire food security and economic growth portfolio. Others said it was too general and needed to be amended specifically to include the project by name.

Even though the project’s activities were similar to those included in the IEE, it was not clear how the IEE’s threshold decisions for environmental review applied to it. They could be interpreted two ways with different outcomes: DAI could proceed with certain activities as long as they were covered by the mitigation plan and report, or it needed to complete the environmental assessment before starting any activities. The mission amended the IEE in December 2013 to specifically include the project and clarify that an environmental assessment was required for all of the project’s activities. The bureau environmental officer approved the amendment in May 2014, but mission staff said some elements were still unclear.

Correspondence shows these debates were ongoing from April 2013 through August 2014. The focus shifted away from the environmental assessment as DAI finalized its mitigation plan and report, USAID worked on amending the IEE, and staff debated the format of the assessment. USAID could not provide clear direction to DAI until staff agreed on the requirements and what would come next.

Moreover, DAI asked for a template to help the staff complete the environmental assessment, but DAI and some USAID employees felt that the one USAID provided in June 2014 was not complete or appropriate for FTFN. USAID approved DAI’s scoping statement for the project-level environmental assessment—a 22 CFR 216 requirement—on December 12, 2014. The Agency then agreed to a March 31, 2015, deadline for DAI to submit a draft project-level environmental assessment. Following audit fieldwork, USAID officials said DAI submitted the

draft by the deadline, but it was not sufficient for key activities like irrigation and needed revision.

USAID Allowed DAI to Implement Activities to Mitigate Initial Delays. USAID officials recognized that the internal conflicts and confusion caused by the IEE, mitigation plan, and report requirement slowed DAI's start. So they allowed the contractor to start implementing activities because it agreed in July 2013 to complete a project-level environmental assessment promptly. However, the schedule for completion progressively slipped from May 2014 to October 2014 to January 2015 and finally to March 2015 at the time of the audit. Throughout this time, DAI continued to implement activities with USAID's approval.

DAI Did Not Have Appropriate Environmental Employees. The contract listed an environmental compliance/natural resource specialist as "Other Required Personnel," indicating the importance of this position. The person DAI first hired left in April 2013, however, and it did not fill the position with a qualified long-term person until September 2014. In the interim, it hired a short-term consultant in April 2013 who focused on finalizing the mitigation plan and report even though his scope of work said he also was responsible for completing environmental assessments as needed.

During audit interviews, USAID officials said the consultant was not experienced enough to lead the complicated environmental compliance process from start to finish. Correspondence shows that USAID officials frequently asked DAI about the status of hiring a senior environmental specialist, but they did not take other steps to make sure DAI filled the position promptly.

Lack of an environmental assessment has already affected some activities. In a trip report from October 2014, for example, environmental officers wrote that DAI would need to redesign some flood control activities because the environmental risks were too great to be mitigated. Auditors observed flooding firsthand at one of these project sites, where beneficiaries said the 1,000 banana plants they received from the project would likely die from standing water. As of October 31, 2014, DAI had paid more than \$23,000 for at least 60,000 banana plants to distribute to beneficiaries in this neighborhood and surrounding area, which was prone to flooding.

Another environmental concern was the voucher activity that allowed farmers to buy certain agricultural equipment at a reduced price. In June 2014 USAID field monitors found that two of the six stores where farmers could redeem their vouchers did not meet Agency environmental and safety standards because the locations posed "serious safety threats to children and nearby residents" and sold chemicals that the U.S. Government prohibited (although farmers could not purchase these chemicals with vouchers). At USAID's request, DAI immediately halted work with all six stores until they could be brought into compliance. This was a setback for the project because these stores were an important conduit for improving access to agricultural goods and equipment. DAI said the stores were willing to comply with the regulations but most lacked the resources to do so.

In March 2015 USAID/Haiti approved Mission Order 204-1, "Mission Environmental Procedures." This supplements Agency-wide environmental procedures, clarifies roles and responsibilities at the mission, and provides guidance on the requirements to include in future contracts. To strengthen the mission's procedures for environmental compliance and ensure that USAID/Haiti and FTFN comply with environmental regulations, we make the following recommendations.

Recommendation 18. *We recommend that USAID/Haiti set a deadline for Development Alternatives Inc. to finalize the project-level environmental assessment for the Feed the Future North Project and take formal corrective action if the deadline is not met.*

Recommendation 19. *We recommend that USAID/Haiti identify ongoing Feed the Future North Project activities that do not comply with environmental requirements and direct Development Alternatives Inc. to stop all identified activities until the required level of environmental review is completed.*

Recommendation 20. *We recommend that USAID/Haiti incorporate procedures in Mission Order 204-1 to document, at the start of the award, agreement between the contracting officer's representative; mission-, regional-, and bureau-level environmental officers; and the contractor on procedures and timelines to meet environmental compliance requirements.*

Recommendation 21. *We recommend that USAID/Haiti modify its initial environmental examination for the food security and economic growth portfolio to remove any ambiguity about the required level of environmental review for its projects, programs, and activities, and request approval of the initial environmental examination from the bureau environmental officer.*

Focus on Roads Detracted From More Important Irrigation Projects

In the contract, DAI said improved irrigation was “crucial to achieving [the project’s] objectives, changing unproductive lands into zones of high-production for staple crops.” The contract also specified that, “given the importance of irrigation to increasing production, [FTFN would] prioritize irrigation improvements.” They included drainage in areas prone to flooding.

To do this, the contract specified that certain irrigation structures would be “fast-tracked to promote specific crop production activities.” DAI said it would identify and prioritize irrigation investments in the project’s first two quarters (between April 1 and September 30, 2013), and begin contracting construction in the third (beginning October 1, 2013). DAI also said it would wait until the second year to begin other infrastructure work, like roads and large hillside stabilization activities.

However, the audit found that DAI and USAID/Haiti focused significantly more on roads than irrigation. Because of this, DAI had not repaired any of the targeted 28 kilometers of irrigation systems or brought any of the targeted 1,400 hectares under improved or rehabilitated irrigation and drainage by September 30, 2014, as planned.

DAI officials gave several reasons for the shift. First, USAID and the Ministry of Agriculture provided DAI only with a list of roads to rehabilitate at the start of the project. This meant that DAI could start prerequisite studies for the road segments right away but had to wait on irrigation studies until they identified target areas for agricultural productivity.

In addition, the Haitian President and the U.S. Ambassador to Haiti inaugurated a road during the official FTFN launch, and USAID/Haiti staff said this added pressure to get roadwork under way quickly. DAI officials also said USAID/Haiti emphasized roads as a priority during planning and oversight meetings, especially in the first 6 months of the project.

DAI officials said delays completing prerequisites for road construction, particularly CBAs, prevented them from refocusing attention on irrigation. The analyses DAI completed did not meet USAID/Haiti's expectations and needed to be revised several times. Early versions, for example, had such extreme variations in cost data that the mission questioned the data's integrity. Officials from DAI and USAID/Haiti said the contract, which included a general requirement for CBAs but no specifications, should have been more specific.

USAID/Haiti still had not approved DAI's CBAs at the time of the audit, and DAI officials said they did not want to start irrigation studies until they had resolved the problems with roads. An additional delay lasted from January to June 2014 when a USAID/Haiti contracting officer halted all roadwork until staff resolved a potential conflict of interest and responded to additional questions on CBAs and environmental studies.

In addition to these problems, USAID/Haiti had not clearly defined roles and responsibilities between the COR and two activity managers, who had implied responsibility for infrastructure. The COR said she relied on the activity managers to oversee infrastructure activities. One of them said they worked with DAI on CBAs and provided other input as requested, but otherwise deferred to the COR to enforce contract requirements to prioritize irrigation.

DAI reported spending about \$70,000 on road studies out of the \$10 million budgeted for road rehabilitation, but had not rehabilitated any of the targeted 40 kilometers of rural roads it had planned to by September 30, 2014. Some USAID/Haiti and DAI staff questioned whether road rehabilitation was a necessary element of FTFN, even though it was part of the Haitian Government's post-earthquake agriculture strategy. Haiti is a small country, and the distance to markets is not great, so the risk of spoilage, though real for some, is not a debilitating factor for economic growth. Moreover, the roads selected for rehabilitation already existed, so farmers did have some level of market access.

USAID/Haiti and DAI employees and FTFN beneficiaries said the lack of irrigation was the single biggest barrier to agricultural productivity in Haiti. Not completing key irrigation activities at the start of the project as planned contributed to falling short of FTFN's objectives. To make sure USAID maximizes the benefit of project funds and staff focus, we make the following recommendations.

Recommendation 22. *We recommend that USAID/Haiti develop a timeline with milestones for Development Alternatives Inc. to complete irrigation activities for the Feed the Future North Project and take formal corrective action if they are not met.*

Recommendation 23. *We recommend that USAID/Haiti develop procedures to make sure contracts for infrastructure projects include clear specifications for cost-benefit analyses.*

Recommendation 24. *We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, modify the contract to remove road rehabilitation activities and put \$9.93 million to better use.*

Project Materials Were Mismanaged and at Risk of Waste and Misuse

The Government Accountability Office's Standards for Internal Control in the Federal Government explains that internal controls help achieve desired results and serve as the "first line of defense in safeguarding assets and preventing and detecting errors and fraud." Maintaining adequate documentation of all transactions and significant events is an important internal control. This documentation should be readily available for examination and properly managed and maintained.

DAI procured and distributed materials, including plants and tools worth more than \$1.85 million, to farmers to help them increase agricultural productivity and stabilize hillsides. The audit found that these materials were mismanaged and at risk of waste and misuse.

DAI Lacked Supporting Documentation for Distributions. DAI explained that farmers placed a signature, thumbprint, or other mark on a distribution form to confirm the quantity and type of materials they received from the project. Auditors tested a small sample of the forms to verify that materials were distributed to beneficiaries as reported. About 6 percent of the tested sample was unsupported overall, but about 18 percent of a large quantity of trees that DAI reported distributing lacked support. According to supporting documentation, unsupported materials in our test sample overall were worth approximately \$9,746.

Auditors also met a group of cacao farmers during site visits who received more than 600 banana plants by mistake. This incident was not included in the sample tested above. The farmers said the driver of the truck transporting the plants intended to deliver them to banana farmers in a different area, but he could not get there before nightfall. The farmers said they did not sign to receive the delivery and distributed the bananas among themselves when the plants started to die though they had not received any training to care for them. The farmers reported the incident to one of DAI's field technicians, but he did not follow up; so managers did not know it occurred. According to supporting documentation, these banana plants were worth approximately \$264.

Documentation Was Not Readily Available. DAI needed several weeks to gather the information we requested for our test sample. It could not provide a complete list of materials distributed. Staff said the database was incomplete and the information was not available at the time of the audit.

Distribution Forms Were Incomplete and Inconsistent. DAI staff omitted information they were supposed to document on the distribution forms, like identity numbers and plot size. They said they relied on firsthand knowledge of the beneficiaries to determine the quantity and type of materials to distribute. Some forms showed discrepancies, like farmers receiving the same number of plants regardless of plot size, or farmers with smaller plots receiving more plants than farmers with more land. Field technicians were supposed to verify that every farmer prepared their land properly before distributing materials to them, but this also was not documented.

Moreover, DAI staff did not document whether the farmers they distributed materials to were actually participating in FTFN. Field technicians said they habitually distributed materials to farmers who were not registered to avoid causing conflicts in small communities and to encourage participation in the project. DAI staff said they factored this type of distribution into

their procurement requests and had those farmers sign distribution forms, too. However, they said they only reported registered farmers to USAID as participants.

Some Procurements Lacked Specifications. DAI's procurement packages were supposed to include detailed specifications for needed material. Auditors found that specifications were not always documented adequately. For example, we reviewed a \$76,800 purchase order for farming tools. The "detailed technical specifications" included "4-gallon sprayers," "pesticide masks," and "protective clothing," but these were not adequate to ensure that the procured materials were appropriate for the intended activity. During site visits, different groups of farmers said their 4-gallon sprayers broke soon after receiving them.

Some Time-Sensitive Materials Were Not Delivered on Time. Since plants are sensitive to agriculture seasons, the timing of delivery was important. DAI emphasized this importance in its FY 2013 annual report, stating that plants were "time-sensitive procurements and must be available to [farmers] for the requisite seasonal planting windows in order for the project to keep on track to attaining its expected results."

Auditors compared the planned delivery schedule with actual delivery dates for 147 purchase orders and found that DAI received only 35 percent of its orders on time. Deliveries outside of the optimal window put the plants at risk, since conditions might not have been appropriate for planting at the time of delivery.

DAI officials acknowledged that the organization had not enforced internal controls well. Employees said the technical and procurement teams refined processes recently for collecting and maintaining documentation from the field, including updating and standardizing distribution forms and following up with field technicians for missing records. The M&E team was updating the project's database with supporting documentation but was behind because of staff shortages. The staff added that internal administrative problems and vacancies affected procurements and their ability to maintain documentation adequately.

USAID officials said they had not reviewed internal controls for procurement and distribution for FTFN yet. The mission's standard site visit checklist included a section on end-user testing, but technical officers said their site visits and meetings with DAI had focused on project implementation and resolving challenges instead. The financial officers said it was too early for a financial review before the audit and planned to conduct one after our fieldwork. They agreed that the results of our small test sample were significant enough to warrant a more in-depth review of DAI's internal controls for procurement and distribution.

Procuring materials and distributing them directly to farmers was central to DAI's strategy for increasing agricultural productivity and stabilizing hillsides. Materials are at risk of theft or misuse if not supported with adequate documentation. They might be wasted if they are distributed to farmers who do not have appropriate training or resources to care for them, like the 600 banana plants given to cacao farmers, or they are delivered at the wrong time of the year. These weaknesses led to poor results and inefficient use of USAID resources.

To address these issues, we make the following recommendations.

Recommendation 25. We recommend that USAID/Haiti include an in-depth review of Development Alternative Inc.'s internal controls for procurement and distribution of project materials in its upcoming financial review of the Feed the Future North Project.

Recommendation 26. *We recommend that USAID/Haiti, through the Feed the Future North Project contracting officer, determine the allowability of \$10,028 in unsupported questioned costs (\$9,746 from unsupported distributions in our test sample and \$264 from the banana plants delivered to cacao farmers) and recover from Development Alternatives Inc. any amount determined to be unallowable.*

Baseline Study Was Not Valid

ADS 203, “Assessing and Learning,” requires baseline studies to allow USAID and its implementers to assess and learn from changes in performance over time. Baselines must be established as early as possible; otherwise it becomes difficult to gauge the changes that have resulted from a project’s activities and the resources allocated to it. USAID/Haiti’s Mission Order 203-B, “Monitoring,” adds that officials should use baseline data to set meaningful targets. DAI set a plan in its technical proposal to establish the baseline within the first 6 months of the project.

As of September 30, 2014, DAI still had not finalized the baseline for FTFN. USAID officials said the last revision DAI submitted in February 2015, nearly 2 years into the project, was not valid. They explained that the sample size for each target crop was not large enough to generate a statistical analysis with the margin of error that DAI reported. In addition, DAI used “farmers” and “households” interchangeably as the unit of analysis, when DAI’s sample had included only farmers. Using farmers as the unit of analysis also was inconsistent with the project’s objectives, which targeted households.

At the start of the project, USAID officials suggested that DAI use a joint baseline the mission had already prepared for its food security projects in the three economic corridors targeted for U.S. Government assistance in Haiti. However, DAI found that the baseline was not sufficient for FTFN mainly because it did not break down key variables by corridor or reflect variances in local conditions adequately.

USAID officials said they agreed in July 2013—3 months into the project—that DAI should conduct its own baseline. However, DAI officials said USAID did not authorize the baseline launch until late November 2013, almost 9 months into the project. DAI officials also said they had to register farmers with the project before they could pull the baseline sample, which did not happen for some crops until the middle of FY 2014. DAI reported problems processing and analyzing the data it later collected in February and March 2014 and revised the baseline several times before submitting it to USAID for approval.

Without a valid baseline, USAID and DAI could not set meaningful targets for some indicators, accurately measure FTFN’s progress, or assess the changes that have occurred from the project’s interventions. USAID officials said it was too late in the project to require a revised baseline since some activities were already under way and the data would not reflect a true starting point. To address these concerns and make sure valid baselines are established for the mission’s future Feed the Future projects, we make the following recommendations.

Recommendation 27. *We recommend that USAID/Haiti implement alternative measures to estimate the impact of the Feed the Future North Project and the progress of outcome indicators in the absence of a valid baseline study.*

Recommendation 28. We recommend that USAID/Haiti implement a plan to confirm that its future Feed the Future projects establish valid baselines at the start of the awards.

Some Performance Data Were Not Valid, Reliable, or Timely

ADS 203, “Assessing and Learning,” establishes USAID’s five data quality standards. Performance data must meet them to be useful for monitoring and credible for reporting.

Auditors reviewed a sample of DAI’s performance data for FTFN and found that some did not meet USAID’s quality standards for validity, reliability, and timeliness.

Some data were not valid because they were not accurate and supported. Auditors reviewed the documentation supporting results of three indicators DAI reported in its FY 2014 annual report and found errors with each one. For example, DAI told auditors it reported 4,032 cacao farmers and 650 hillside farmers as part of the indicator that measures application of new technologies and management practices; yet the documentation for cacao farmers supported only 3,181. Documentation for hillside farmers, on the other hand, was excessive for the number reported and was not organized in any way that would support the reported result. DAI employees said they only reported the hillside farmers they had formally registered, but they could not tell who those farmers were in the large stack of documentation.

Some data were not reliable because they did not reflect consistent collection methods between sources and over time. Each IR team developed their own data collection tools, making it difficult for the M&E team to aggregate the data without error for reporting. Moreover, DAI did not calculate quarterly data consistently. The staff said they based quarterly data on the growing and harvest seasons of target crops that loosely coincided with the reporting period. For example, staff said the cacao season corresponded to the second quarter, so they reported all cacao activities then regardless of when they occurred.

Some data were not timely because they were not available when needed to influence management decisions. DAI had not collected data for several key indicators in time for the FY 2014 annual report. These indicators included two that directly informed progress toward the project’s overall goals: *Number of beneficiary households with increased agricultural incomes* and *Volume of cacao exports as a result of [U.S. Government] assistance*.

All of these problems occurred because DAI’s M&E team was not adequate. Officials there said the team lead position had been vacant, and they relied on short-term and existing staff to fill in. At the time of audit fieldwork, the team still did not have a team leader for database management and reporting, a second M&E specialist, and a database management specialist. Without a full team, DAI had fallen behind on entering data in its database and verbally got numbers from IR team leads that they did not verify before reporting.

DAI did not collect data for some indicators because the staff decided not to complete the required post-harvest surveys after each major crop cycle as planned. They skipped the first ones because a drought prevented many farmers from planting and harvesting. The timing was also difficult because it coincided with another survey the staff needed to conduct for the baseline, which had been rescheduled. DAI revised its plan to finalize the post-harvest surveys

for reporting in the second quarter of FY 2015—much too late to be included in the project’s first or second annual reports.

USAID’s COR and M&E specialist said they reviewed DAI’s performance data regularly. They said they spot-checked data during site visits and after each quarterly report submission. They also performed detailed data quality assessments on selected indicators in October 2014 to meet Government Performance Results and Modernization Act requirements. The assessments identified these same weaknesses and listed the huge backlog of data as a limitation. The COR and specialist said problems persisted during audit fieldwork, 2 months after the assessment, because DAI’s M&E team did not have the authority to correct the problems and needed to rely on the IR teams.

Further, they said DAI’s technical staff focused on implementing activities for each of their IRs rather than collecting and reporting good data. DAI reorganized some staff at the end of FY 2014 to improve data quality, coordination, and reporting, but USAID officials could not say whether that worked yet.

Good performance data are essential to account for resources, help make decisions, and adapt projects as needed to improve development outcomes. Moreover, with the Assessing Progress in Haiti Act of 2014, USAID/Haiti has an added responsibility to provide quality data to Congress and the public.

We believe Recommendation 16 will address the critical staffing deficiencies in DAI’s FTFN M&E team. To address the concerns with data quality, we make the following recommendation.

Recommendation 29. *We recommend that USAID/Haiti establish a timeline with milestones for Development Alternatives Inc. to bring performance data for the Feed the Future North Project in line with USAID’s data quality standards and take formal corrective action if they are not met.*

OTHER MATTER

Project Did Not Meet Criteria for Congressional Earmark

In fiscal years 2012 and 2013, USAID/Haiti received Congressional earmarks worth \$20.5 million for WASH activities. According to the earmarks, a WASH activity had to meet the following criteria.⁹

- The activity must specifically identify improvements in WASH, like increased access to clean drinking water or better quality sanitation services, as a primary or secondary objective.
- The activity must establish targets for WASH objectives and track progress towards them with verifiable performance indicators.
- For programs that include a mix of WASH and non-WASH activities, only the portion supporting WASH is eligible for the earmark.

The mission then attributed \$7.9 million to FTFN.¹⁰ Yet the project's technical proposal and work plans did not include WASH activities, and the M&E plan and quarterly and annual reports did not include any WASH-specific performance indicators. Employees for USAID and DAI said the project had not planned nor implemented any WASH activities at the time of the audit. The chief of party said he was not aware that the WASH earmark applied to FTFN or that it should have been implementing WASH activities to meet the earmark's criteria.

Moreover, the mission did not include WASH activities in its strategy for food security in Haiti, and the activity approval document that outlined its approach to increase food security from fiscal years 2011 through 2014 did not include WASH activities at all.

The mission attributed a portion of the earmark to FTFN because some of the project's activities were tangentially related to WASH. In its FY 2012 Operational Plan, for example, USAID/Haiti rationalized that the project's soil conservation and watershed interventions would improve the quality and quantity of water available for drinking, and that its irrigation activities would improve "hygienic conditions" for agriculture. Nevertheless, activities specific to WASH were not part of the mission's underlying strategy for food security or FTFN.

USAID/Haiti officials acknowledged that the contract would need to be modified to make sure that earmark criteria can be met. They said none of the WASH-earmarked funds attributed to FTFN had been spent at the time of the audit. This meant that the mission had not spent nearly 40 percent of WASH earmarks for fiscal years 2012 and 2013 as intended, and Congress'

⁹ *USAID's Water Supply, Sanitation, and Hygiene (WASH) Course Participant Handbook*, prepared by Training Resources Group, Washington D.C., for USAID's Bureau for Economic Growth, Education, and Environment, and Bureau for Global Health in March 2013.

¹⁰ In FY 2014 USAID/Haiti received a new WASH earmark of \$11.6 million and initially attributed \$1 million to FTFN. On March 12, 2015, the mission notified the Office of U.S. Foreign Assistance Resources that it would not be able to spend the full amount and reallocated more than \$4 million to other USAID missions in the Latin America and the Caribbean region. It also reallocated the \$1 million planned for FTFN to another USAID/Haiti project that met the earmark's criteria.

intentions to further objectives for WASH with this funding were not realized. Given the project's significant performance challenges, adding more requirements to the contract specifically to meet earmark criteria may be unrealistic.

This is not the first time this mission allocated an earmark to a project that did not meet the earmark's criteria. A RIG/San Salvador audit issued in FY 2012¹¹ (No. 1-521-12-003-P) found that USAID/Haiti's previous Feed the Future project did not meet criteria for a biodiversity earmark it had been allocated.

In accordance with ADS 203 and Mission Order 203-C, "Portfolio Review," USAID/Haiti holds biannual portfolio reviews to inform mission management of the results, achievements, challenges, and financial status of its projects. Mission officials said it would be possible to incorporate reporting progress toward meeting earmarks into the reviews and add a project data sheet template to it to track progress. Officials said it would also be important to remind staff of earmark criteria regularly because of the mission's high turnover and other priorities.

To confirm that the mission attributes earmarks appropriately and spends funds as intended by Congress, we make the following recommendations.

Recommendation 30. *We recommend that USAID/Haiti determine whether its strategy for increasing food security in Haiti should include water, sanitation, and hygiene activities, document the decision, and modify the strategy accordingly.*

Recommendation 31. *We recommend that USAID/Haiti, in consultation with the contracting officer for the Feed the Future North Project, determine whether the contract should be modified to meet criteria for the water, sanitation, and hygiene earmark, document the decision, and modify the contract accordingly.*

Recommendation 32. *We recommend that USAID/Haiti (1) incorporate reporting progress toward meeting earmarks into its biannual portfolio reviews, (2) add a section on earmarks to its portfolio review project data sheet template, and (3) include earmark criteria in the guidance disseminated to mission staff in preparation for its biannual portfolio reviews.*

Recommendation 33. *We recommend that USAID/Haiti provide to USAID/Washington details on its water, sanitation, and hygiene earmark allocations for fiscal years 2012 and 2013 so that USAID/Washington can notify Congress as appropriate as to overall Agency execution of the earmark.*

¹¹ *Audit of USAID/Haiti's Watershed Initiative for National Natural Environmental Resources Program (No. 1-521-12-003-P).*

EVALUATION OF MANAGEMENT COMMENTS

The mission agreed with 30 of 33 recommendations and partially agreed with Recommendations 3, 20, and 33. We revised Recommendation 33 based on management comments on the draft report and subsequent correspondence. We acknowledge management decisions on all 33 recommendations and final action on Recommendations 1 through 9, 11, 13 through 18, 20, 24 through 26, 31, and 33. Our evaluation of management comments, subsequent correspondence, and supporting documentation follows.

Recommendation 1. The mission agreed and reduced the scope of the contract. The mission finalized the contract modification on September 30, 2015. We acknowledge the mission's management decision and final action.

Recommendation 2. The mission agreed that there was a dearth of capable local organizations working in the northern corridor and removed IR 4 pertaining to local organizations from the contract's scope of work. The mission finalized the contract modification on September 30, 2015. The mission said the project would continue to work with local organizations in other ways. We acknowledge the mission's management decision and final action.

Recommendation 3. The mission agreed that local organizations should be informed of opportunities to bid on and receive direct USAID funding. However, the mission determined it was more appropriate to work with local organizations directly rather than through DAI in light of the mission's decision to remove IR 4 from the contract. So the mission held a conference for local organizations to discuss available opportunities and how to apply for them on August 24 and 25, 2015. We acknowledge the mission's management decision and final action.

Recommendation 4. The mission agreed and reported the lack of warranted contracting officers as a significant deficiency in its August 5, 2015, FMFIA to Washington. We acknowledge the mission's management decision and final action.

Recommendation 5. The mission agreed, and clarified deliverables and results as part of the contract modification finalized on September 30, 2015. We acknowledge the mission's management decision and final action.

Recommendation 6. The mission agreed and documented its decision to partially exercise the option years and extend the contract implementation period to July 1, 2017. The mission documented this decision in a letter to DAI dated June 17, 2015, and formalized the decision in the contract modification signed September 30, 2015. We acknowledge the mission's management decision and final action.

Recommendation 7. The mission agreed and realigned the fixed-fee as part of the contract modification finalized on September 30, 2015. The mission explained that the fixed fee schedule depends on the submission and approval of work plans and progress reports, and the mission will approve the documents only if they demonstrate "best efforts" toward the achievement of anticipated results. We acknowledge the mission's management decision and final action.

Recommendation 8. The mission agreed and determined that none of the fixed fee should be attributed to IR 4. This is based on the management decisions for Recommendation 1 to remove IR 4 from the contract's scope of work and Recommendation 7 to realign the remaining fixed fee. We acknowledge the mission's management decision and final action.

Recommendation 9. Mission officials agreed. On September 16, 2015, they gave us a copy of the new CPAR posted on the external CPAR Web site. The mission maintained documentation in the COR file to support the new report and decided not to revise the previous one, stating that it could not be changed once posted to the Web site. We acknowledge the mission's management decision and final action.

Recommendation 10. The mission agreed and decided to complete the performance evaluation by February 28, 2016. We acknowledge the mission's management decision.

Recommendation 11. The mission agreed and provided us a copy of the mission-wide e-mail sent August 14, 2015. We acknowledge the mission's management decision and final action.

Recommendation 12. The mission agreed and said it will develop basic guidance on waivers by March 30, 2016. The new guidance will be presented during post-award discussions and will supplement existing guidance issued by the Bureau for Food Security and the ADS. We acknowledge the mission's management decision.

Recommendation 13. The mission agreed. On September 16, 2015, it gave us a copy of the new supplementary guide it developed for resolving internal mission conflicts that it provides to all new staff. We acknowledge the mission's management decision and final action.

Recommendation 14. The mission agreed and determined that updates and clarifications made to the Agency's "Model Letter and Procedures for Designating the COR" on June 30, 2015, are sufficient to address concerns noted during the audited period. We acknowledge the mission's management decision and final action.

Recommendation 15. The mission agreed and streamlined the management structure for the project. The mission provided documentation from February 2, 2015, that disbanded the previous advisory team and clarified the roles of the COR and technical specialists. We acknowledge the mission's management decision and final action.

Recommendation 16. The mission agreed. As part of the contract modification signed September 30, 2015, DAI replaced its chief of party and senior financial manager, and recruited a director of the restructured Information Analysis and Environmental Compliance Unit. Additional changes in the IR teams will take place because the contract now focuses on targeted value chains instead of IRs. We acknowledge the mission's management decision and final action.

Recommendation 17. The mission agreed and removed the requirement to approve all professional staff positions in a contract modification signed August 3, 2015. We acknowledge the mission's management decision and final action.

Recommendation 18. The mission agreed and established an August 7, 2015 deadline. The mission provided support that DAI submitted the revised project-level environmental assessment by this date. We acknowledge the mission's management decision and final action.

Recommendation 19. The mission agreed and decided to allow noncompliant activities to continue until the mission reviewed and approved the project-level environmental assessment received August 7, 2015. The mission planned to approve the assessment by September 30, 2015, and to stop any activities that continued to be noncompliant after that date. In subsequent correspondence, the mission extended the proposed date to November 7, 2015. We acknowledge the mission's management decision.

Recommendation 20. The mission agreed to clarify environmental requirements at the start of an award through mission environmental officer (MEO) participation in the post-award discussion. The mission specified this procedure in Mission Order 204-1 approved March 11, 2015.

However, we disagree with this management decision. While the mission stated that the MEO would issue a summary memo identifying key issues, clarifications and recommendations, Mission Order 204-1 does not require the MEO to do this. We believe that a formal requirement is necessary to ensure that the MEO consistently documents all relevant information. We acknowledge the mission's management decision and final action.

Recommendation 21. The mission agreed and decided to revise its IEE for approval by September 30, 2015. In subsequent correspondence, the mission revised the target date to December 30, 2015. We acknowledge the mission's management decision.

Recommendation 22. The mission agreed and said it will require DAI to include a timeline with milestones for irrigation activities in its new work plan by November 14, 2015. We acknowledge the mission's management decision.

Recommendation 23. In subsequent correspondence, the mission agreed to clarify the CBA process and said it will develop basic guidance by March 30, 2016, for use during post-award discussions. We acknowledge the mission's management decision.

Recommendation 24. The mission agreed and removed road activities from the contract's scope of work in the contract modification signed September 30, 2015. We acknowledge the mission's management decision and final action.

Recommendation 25. The mission agreed and included the procedures in the scope of work for the financial review. The mission provided a copy of the final financial review report, dated May 29, 2015, which questioned \$64,307 in unaccounted-for commodities identified through procurement and distribution testing. We acknowledge the mission's management decision and final action.

Recommendation 26. The mission agreed and determined the questioned costs to be allowable on September 30, 2015, based on review of supporting documentation and discussions with the technical office. We acknowledge the mission's management decision and final action.

Recommendation 27. The mission agreed and decided to estimate the impact of the project using qualitative and quantitative data collected during the performance evaluation. The mission will complete the performance evaluation by February 28, 2016. We acknowledge the mission's management decision.

Recommendation 28. The mission agreed and said it will update Mission Order 203-B on monitoring to include requirements on baseline data collection by November 30, 2015. We acknowledge the mission's management decision.

Recommendation 29. The mission agreed and said it will conduct a series of data quality assessments by November 30, 2015. The mission will provide DAI instructions and a timeline to correct the system based on the assessments' findings. In addition, mission officials said changes to DAI's Information Analysis and Environmental Compliance Unit discussed in response to Recommendation 16 would help address data quality concerns significantly. We acknowledge the mission's management decision.

Recommendation 30. The mission agreed and plans to revise its activity approval document to more explicitly and formally include WASH activities by February 28, 2016. We acknowledge the mission's management decision.

Recommendation 31. The mission agreed and in management comments provided on August 14, 2015, documented the decision not to modify the project contract to include WASH activities. We acknowledge the mission's management decision and final action.

Recommendation 32. The mission agreed and said it will implement the recommendation by November 30, 2015. We acknowledge the mission's management decision.

Recommendation 33. The mission agreed with the revised recommendation and provided the necessary information on June 6, 2015, after discussions with USAID/Washington's Water Program adviser. We acknowledge the mission's management decision and final action.

Summary of Planned Key Activities and Reported Results by Intermediate Result as of September 30, 2014 (Audited)

Planned Activities to Be Implemented by September 30, 2014	Reported Result as of September 30, 2014
<i>IR 1: Agricultural Productivity Increased</i>	
Finalize improved crop packages and establish farmer field schools to enable 19,200 farmers and others to apply new technologies and management practices.	DAI reported that 7,007 farmers and others (36 percent of the target) had applied new technologies and management practices.
Distribute plant materials and tools directly to farmers and develop a voucher program to provide 19,200 farmers with access to improved agricultural inputs.	DAI reported that 5,446 farmers (28 percent of the target) had access to improved agricultural inputs by September 30, 2014.
Start irrigation construction by October 1, 2013, and repair 28 kilometers of irrigation systems by September 30, 2014.	No construction on irrigation or drainage had started by September 30, 2014.
<i>IR 2: Watershed Stability Improved</i>	
Bring 5,000 hectares of biological significance and/or natural resources under improved natural resource management.	DAI reported bringing 863 hectares (17 percent of the target) under improved natural resource management by September 30, 2014.
Provide training and implement a capacity-building program for 12 new and 5 existing local groups to manage specific watersheds. DAI identified these groups as key partners for activities under this intermediate result, including ensuring the sustainability of larger infrastructure projects.	DAI reported forming and reactivating the groups but had not yet started the capacity-building program for all groups as of September 30, 2014.
<i>IR 3: Agricultural Markets Strengthened</i>	
Strengthen the capacity of agro-enterprises to improve access to storage, processing, and finance through training and grants.	DAI officials said it had not made any progress in these areas as of September 30, 2014. No processing facilities were established or improved against a target of 5, and DAI had not issued any agro-enterprise grants yet.

Planned Activities to Be Implemented by September 30, 2014	Reported Result as of September 30, 2014
<p>Improve links between farmers and the private sector by establishing two public-private partnerships and securing \$500,000 in new private-sector investments in the agricultural sector and food value chain, which link farmers to end markets and add value to agricultural products.</p>	<p>DAI formalized relationships with two private-sector cacao companies, but called them “collaborative agreements” instead. DAI explained that the agreements lacked certain elements to meet USAID’s definition of a public-private partnership. As of September 30, 2014, DAI had not secured any new private-sector funds and reported that relationships with the private sector for value chains for other crops, like bananas and rice, were behind.</p>
<p><i>IR 4: Capacity of Local Organizations Improved</i></p>	
<p>Build the capacity of local organizations implementing activities under IRs 1, 2, and 3, and help five of them become eligible for direct USAID funding through grants or cooperative agreements. DAI planned for these organizations to begin implementing all key activities by September 30, 2014.</p>	<p>DAI officials said it made limited progress on these capacity-building activities and continued to implement most activities directly as of September 30, 2014.</p>
<p>Issue \$7 million in grants-under-contract to strengthen the capacity of local organizations and implement hillside soil conservation (IR 2), agro-enterprise (IR 3), and other activities.</p>	<p>DAI had not issued any grants-under-contract as of September 30, 2014.</p>

SCOPE AND METHODOLOGY

Scope

RIG/San Salvador conducted this performance audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

We conducted this audit to determine whether USAID/Haiti's FTFN was achieving its objectives of increasing agricultural incomes for 43,500 rural households and doubling the amount of cacao exported that is produced by FTFN-supported farmers. The mission implemented this project through a cost-plus-fixed-fee completion type contract with DAI, with a total estimated cost of \$87.8 million and planned implementation period from April 1, 2013, to March 31, 2018. The audit focused on activities and performance results from April 1, 2013, through September 30, 2014. As of September 30, 2014, USAID/Haiti had obligated \$30 million and disbursed \$16.7 million for the project.¹² The disbursed amount represents the amount tested during this performance audit.

We performed fieldwork at USAID/Haiti from November 17, 2014, to March 12, 2015. We held meetings with DAI staff at the FTFN office in Cap-Haitien from December 2 to 6, 2014, and again from December 15 to 18, 2014. As part of these meetings, we reviewed DAI's database and tested supporting documentation for three performance indicators that DAI reported on in its FY 2014 annual report. We also reviewed documentation supporting the procurement and distribution of a small sample of project materials, including trees and farming tools. We completed our tests of this documentation at USAID/Haiti.

We visited selected activity sites in Acul du Nord, Bas Limbé, Grison Garde, Limbé, Port Margo, and Sainte-Suzanne. We observed ongoing activities, spoke with beneficiaries about USAID/Haiti and FTFN, examined the condition of materials distributed to them, and confirmed adherence to the project's branding and marking plan.

As part of the audit, we identified and assessed the mission's significant internal controls for project management. These included controls for monitoring performance in accordance with the contract terms and ensuring compliance with environmental regulations. We reviewed the following documents to identify internal control weaknesses significant to the audit objective:

- FTFN contract and modifications

¹² The amounts reported come from the Agency's financial systems. On November 17, 2014, OIG issued *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013* (No. 0-000-15-001-C) disclaiming an opinion because of material unsupported adjustments USAID made to reconcile its general and subsidiary ledgers. We did not perform any additional tests during this evaluation to verify the accuracy of the reported amounts. In FY 2015 OIG anticipates testing USAID's adjustments to determine whether they were accurate and appropriate. USAID intends to provide explanations and other support to demonstrate the validity of the adjustments.

- Summary report from the USAID Office of Acquisition and Assistance's review of FTFN procurement from March 2013
- COR designation letters
- Annual work plans for FTFN from fiscal years 2013 and 2014
- Quarterly and annual progress reports for FTFN from fiscal years 2013 and 2014
- Site visit reports and data quality assessments prepared by mission staff
- The mission's IEE for the food security and economic growth portfolio from November 2010 and amendment from May 2014
- FTFN's environmental mitigation plan and report and scoping statement for the project-level environmental assessment
- FTFN's approved plans for branding and marking and M&E
- *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity*, January 2011
- *Feed the Future FY 2011-2015 Multi-Year Strategy for Haiti*, May 2011
- Activity approval document for USAID/Haiti's food security program from August 2011
- USAID/Haiti's FMFIA certifications from fiscal years 2013 and 2014
- USAID/Haiti's internal mission management assessment from January 2014
- USAID/Haiti mission orders, including 203-B, "Monitoring," from January 2014, 203-C, "Portfolio Reviews," from January 2014, and 204-1, "Mission Environmental Procedures," from March 2015
- Federal and Agency regulations, including 22 CFR 216, 48 CFR 16, and ADS chapters 203, 204, and 302.

We also considered past findings from *Audit of USAID/Haiti's Watershed Initiative for National Natural Environmental Resources Project*, the mission's previous Feed the Future project implemented in the other two corridors targeted for U.S. Government assistance from June 1, 2009, to May 31, 2014 (No. 1-521-12-003 P).

Methodology

To answer the audit objective, we obtained an understanding, through document review and interviews, of the project's objectives and key activities for meeting those objectives. To assess progress, we reviewed annual work plans and reported results, and discussed implementation with USAID/Haiti and DAI staff. We corroborated our conclusions with site visits and additional interviews and document review. We inquired about allegations of fraud or other potential illegal

acts or noncompliance with laws and regulations during interviews.

We interviewed current and former USAID/Haiti officials who were involved in the development, administration, and management of the FTFN contract. This included contracting officers, CORs, and activity managers. We also interviewed staff who provided environmental oversight at the mission, regional, and bureau levels; a mission M&E specialist; controllers from USAID/Haiti and USAID/Dominican Republic, which processes payments for FTFN; and an official from USAID's Human Capital and Talent Management Division in Washington, D.C.

At DAI, we interviewed the chief of party and teams for each of the project's IRs. We also interviewed staff overseeing environmental compliance, infrastructure, M&E, and branding and marking. We held additional discussions with financial management and procurement staff to discuss internal controls for procurement and distribution and other elements of financial oversight. Managers from DAI's head office in Washington, D.C., participated in several meetings and responded to follow-up requests on behalf of FTFN's staff in Haiti. This included a DAI director, internal audit manager, and project manager.

To verify that beneficiaries received project materials as intended, we reviewed supporting documentation for a sample of procurements from the initial request to final distribution to the end-user. We judgmentally selected our sample from a list of procurements from April 1, 2013, to September 30, 2014, prepared by DAI. We used a judgmental sample because we wanted to review a mix of items procured for IRs 1 and 2.

DAI had difficulty producing complete procurement packages for some items because of staff shortages and disorganized files. So in the interest of time we replaced some of the items we selected initially with others for which documentation was more readily available. We also included the 99,300 trees DAI reported distributing in the FY 2014 annual report because of the importance of that activity to IR 2.

To verify performance data, we reviewed three indicators that DAI reported on in its FY 2014 annual report:

- *Number of farmers and others who have applied new technologies or management practices as a result of USG assistance (Target: 19,200 Result: 7,007)*
- *Number of farmers who have access to improved agricultural inputs due to USG assistance (Target: 19,200 Result: 5,446)*
- *Number of hectares of biological significance and/or natural resources under improved natural resource management as a result of USG assistance (Target: 5,000 Result: 863).*

We discussed all of the project's 42 performance indicators with USAID/Haiti officials and identified 10 that managers felt best captured the key activities and would help us answer the audit objective. We chose these three for testing because they were the only ones from the list that DAI had reported results on as of September 30, 2014.

To observe ongoing activities and discuss the project with beneficiaries, we visited 17 activity sites in areas around Cap-Haitien. We judgmentally selected these sites based on activity type, location, and accessibility given travel time and conditions.

Since we judgmentally selected our samples for procurement and distribution testing, performance data verification, and site visits, our results and conclusions were limited to the items and areas tested and cannot be projected to the entire population. We believe our substantive testing was sufficient to support the audit's findings.

To answer the audit objective, we considered but did not rely extensively on computer-processed data in DAI's Excel-based database. As discussed in the audit report, that database was incomplete at the time of the audit. Our review of system controls and the results of data tests showed weaknesses that cast doubt on the data's validity. However, when these data are viewed with other available evidence obtained during interviews, document review, and site visits, we believe the opinions, conclusions, and recommendations in the report are valid.

MANAGEMENT COMMENTS



TO: John Chasson, Regional Inspector General /s/

FROM: Jonathan Conly, Interim Mission Director

DATE: August 14, 2015

SUBJECT: Mission response to the Draft Report of USAID/Haiti's Feed the Future North Project (Report No. X-XXX-XX-XXX-X)

This memorandum represents USAID/Haiti's actions taken to address and reach management decisions in response to the recommendations reported in the draft OIG Report Np. X-XXX-XX-XXX-X for USAID/Haiti's Feed the Future North Project. This mission provides below its responses to the recommendations.

Recommendation 1: *We recommend that USAID/Haiti identify activities that will have the greatest impact on project objectives given the time and resources remaining through the three-year base implementation period and reduce the scope of the contract accordingly.*

Mission Response:

USAID Haiti concurs with OIG Recommendation 1. The USAID Mission Director approved the Action Memo "Request to De-Scope the Feed the Future-North AVANSE Program" on 22 May 2015 in which underperforming components of the program were specified for de-scoping. On 2 June 2015, the Contracting Officer's Representative (COR) for the AVANSE program issued a request to the contracting officer to take the actions approved by the Mission Director and on 17 June 2015 the contracting officer informed the president of Development Alternatives, Inc. (DAI) of the "Partial Contract Termination for Convenience" and USAID's "Intent to Exercise Options and Extend the Contract Period of Performance". The Economic Growth and Agriculture Development Office (EGAD) contacted the Bureau for Food Security for assistance with development of a revised Statement of Work for the program and a BFS consultant in conjunction with the COR completed the proposed revised draft SOW for the AVANSE program on 3 Aug 2015. The contacting officer forwarded the SOW to DAI on 13 August 2015 with a request for their revised technical and budget proposal for the necessary contract modification.

Plan of Action and Timeline:

USAID Haiti requests this recommendation be closed. On 17 June 2015 the contracting officer informed DAI of the “Partial Contract Termination for Convenience” and USAID’s “Intent to Exercise Options and Extend the Contract Period of Performance” and provided DAI with specific areas to de-scope from their activities and DAI is already reducing staff and activities as outlined by the contracting officer. The EGAD Office continues to work with the Office of Acquisition and Assistance (OAA) on the de-scoping modification of this contract, however the new detailed statement of work was already provided to DAI by the contracting officer on 10 August 2015. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 2: *We recommend that USAID/Haiti require Development Alternatives, Inc. to revise its strategy for implementing project activities to address the dearth of capable local organizations in the northern corridor.*

Mission Response:

While USAID/Haiti concurs that there is a dearth of capable local organizations in the northern corridor, the de-scoping and contract modification discussed under the Mission Response to Recommendation 1 has eliminated the relevant component (IR) from the statement of work and is in negotiations for the related contract modification.

Plan of Action and Timeline:

USAID/Haiti has completed this action and eliminated the relevant component (IR) from the de-scoped statement of work for the contract modification. Per Mission Response to Recommendation 1, on 17 June 2015 the contracting officer informed DAI of the “Partial Contract Termination for Convenience” and USAID’s “Intent to Exercise Options and Extend the Contract Period of Performance” and provided DAI with specific areas to de-scope from their activities and DAI is already reducing staff and activities as outlined by the contracting officer. The EGAD Office continues to work with the Office of Acquisition and Assistance (OAA) on the de-scoping modification of this contract, however the new detailed statement of work was already provided to DAI by the contracting officer on 10 August 2015 which eliminates this IR from the program. Per Mission Response to Recommendation 1, if the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 3: *We recommend that USAID/Haiti formally communicate to Development Alternatives, Inc. real opportunities for local organizations to bid on and receive direct USAID funding.*

Mission Response:

While USAID/Haiti concurs with part of Recommendation 3, i.e. for local organizations to be informed of real opportunities to bid on and receive direct USAID funding,

USAID/Haiti believes this task is better performed by the Mission itself. Given the relevant component (IR) is being removed in the contract modification currently underway, this task will be beyond the scope of the AVANSE contract.

Plan of Action and Timeline:

From 24-25 August 2015, USAID/Haiti's Local Solutions team will engage in out-reach to local organizations in the Northern Corridor who had previously engaged with the AVANSE program and provide them complete information on available opportunities. USAID/Haiti requests that this recommendation be closed.

Recommendation 4: *We recommend that USAID/Haiti report problems staffing its contracting office in its next Federal Manager's Financial Integrity Act annual certification.*

Mission Response:

The Mission concurs with OIG Recommendation 4. The Mission's 4 Aug 2015 FMFIA report to Washington, both in its cover letter and in the Deficiency Description section of its FMFIA Corrective Action Plan form specifically highlight this issue: "Particularly, lack of warranted Contracting Officers has directly hindered the Mission's ability to move urgent procurement actions and effectively manage its large pipeline."

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

Recommendation 5: *We recommend that USAID/Haiti through the FTFN contracting officer, amend the contract to clearly define deliverables and results.*

Mission Response:

The Mission concurs with OIG Recommendation 5. As part of the contract modification, the contract will include clearly defined activity results. These will then be reflected in the detailed new work plan and new Monitoring and Evaluation Plan (MEP) related to this modification that Development Alternatives, Inc. will submit to USAID 30-45 days after the modification of the contract.

Plan of Action and Timeline:

Through the revised contract, the AVANSE COR, and the EGAD monitoring and evaluation specialist, USAID/Haiti will clearly communicate to the contractor the newly defined deliverables and results. Per Mission Response to Recommendation 1, USAID/Haiti has completed key actions required to de-scope and revise the AVANSE contract and targets finalizing the amendment of the contract by on or about 30 September 2015 and the submission by DAI of a new one year work plan and a new MEP by on or about 31 October 2015.

Recommendation 6: *We recommend that USAID/Haiti establish clear criteria for determining whether to exercise the option years of FTFN*

Mission Response:

The Mission concurs with OIG Recommendation 6. Typically prior to exercising an option on the contract, the Contracting Officer requires a memorandum from the requesting office describing the necessity of exercising the option. Options will not be exercised without CO approval of the recommending memorandum. Per Mission Response to Recommendation 1, in the case of FTF-N the EGAD office gained Front Office concurrence through an action memorandum, and provided the Contracting Officer with a memorandum requesting the partial termination for convenience ("de-scoping") that included a request for the program continue for two years (until on or about July 2017), i.e. the final year plus exercise of one of the option years.

Plan of Action and Timeline:

Per Mission Response to Recommendation 1, USAID/Haiti has completed key actions required to de-scope and revise the AVANSE contract and targets finalizing the amendment of the contract by on or about 30 September 2015. If the documentation of actions to date is sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification.

Recommendation 7: *We recommend that USAID/Haiti through the FTFN contracting officer, realign the remaining fixed-fee attributed to intermediate results 1, 2, and 3 to demonstrating "best-effort" towards achieving the deliverables and results defined in response to Recommendation 5.*

Mission Response:

The Mission concurs with OIG Recommendation 7. As part of a contract modification discussed in the Mission Response to Recommendation 1, the fixed fee will be aligned towards best efforts made toward achieving defined results.

Plan of Action and Timeline:

The EGAD Office continues to work with OAA on the de-scoping modification of this contract. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 8: *We recommend that USAID/Haiti through the FTFN contracting officer, determine whether the fixed-fee attributed to intermediate result 4 should allow for making 2 local organizations eligible for direct USAID funding and 12 local organizations eligible for fixed-obligation grants, and modify the contract if necessary.*

Mission Response:

This Recommendation has been made immaterial given the relevant component (IR) is being removed in the contract modification currently underway and this recommendation will be beyond the scope of the revised AVANSE contract.

Plan of Action and Timeline:

The EGAD Office continues to work with OAA on the de-scoping modification of this contract. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 9: *We recommend that USAID/Haiti reflect concerns with project implementation, schedule, and staffing in its next Contractor Performance Assessment Report for Development Alternatives, Inc. for FTFN, including revising the previous report as necessary, and maintain documentation to support the assessments.*

Mission Response:

The Mission concurs with OIG Recommendation 9. USAID/Haiti completed and uploaded a CPARS reflecting concerns with the implementation of the AVANSE project in April 2015. In addition, after DAI returned comments and clarifications to USAID in May 2015, USAID completed related revisions. The USAID Deputy Mission Director subsequently approved final revisions to the CPARS on 5 August 2015 and transmitted this to the contracting officer. The final CPARS will be uploaded to the system (provided again to DAI) by 30 August 2015.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed. The initial CPARS was uploaded to the system (and thus provided to DAI) in April 2015. The revised CPARS will be uploaded to the CPARS system (and thus provided to DAI) by the contracting officer by 30 August 2015.

Recommendation 10: *We recommend that USAID/Haiti conduct a performance evaluation of the Feed the Future North Project by September 30, 2015.*

Mission Response:

The Mission concurs with OIG Recommendation 10. USAID/Haiti's Policy Coordination and Program Support Office (PCPS) will work closely with OAA to get the necessary Request for Task Order Proposals (RFTOP) for this evaluation issued by September 30, 2015.

Plan of Action and Timeline:

PCPS will work closely with OAA to get the RFTOP issued by September 30, 2015. The performance evaluation should be completed by 28 February 2016.

Recommendation 11: *We recommend that USAID/Haiti remind contracting officer's representatives of their designated responsibilities to document performance concerns, elevate the concerns to the contracting officer for timely resolution, and maintain complete documentation in the official project file.*

Mission Response:

The Mission concurs with OIG Recommendation 11. OAA issued a broad mission announcement via email to remind CORs and Agreement Officer's Representatives (AOR) of their responsibilities as outlined in their COR/AOR letter and also provided this reminder to their supervisors and colleagues. Also, OAA will continue to meet with the technical staff to go over their COR/AOR responsibilities at the start of each new award and again impress on them the importance to document performance concerns and to notify the contracting officer when problems arise.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that the recommendation be closed. On 14 August 2015, the contracting officer sent an email to all USAID/Haiti COR/AOR staff and their supervisors (also copying other technical and support staff) to remind them of COR/AOR responsibilities and especially the need to document performance concerns in the official project files and to elevate any concerns as they arise to the contracting officer for a timely resolution.

Recommendation 12: *We recommend that USAID/Haiti document clear procedures, responsibilities, and timelines for requesting and approving waivers for restricted goods.*

Mission Response:

While the Mission concurs with OIG Recommendation 12, this process is formally outlined as part of the ADS. As documented in ADS 302 and 303, the contracting officer or agreement officer must provide a post-award orientation to the implementing partner and to the COR/AOR to clarify all roles and responsibilities of USAID officials who administer the award. During all post-award orientations, the contracting/agreement officer coordinates and provides guidance to our implementing partners on the procedures that must be followed, per the ADS 302 and 303, for restricted goods. Also, during these post-award briefings, expectations and appropriate timelines are developed in consultation with the OAA, the RLA and the COR/AOR for requesting and approving waivers for restricted goods.

Plan of Action and Timeline:

The Mission requests that this action be closed effective immediately since this is an ongoing action with no end date and since it is documented in ADS 302 and 303. The Mission will continue to provide guidance for requesting and approving waivers for restricted goods to implementing partners and COR/AORs as part of the post-award orientation debriefing.

Recommendation 13: *We recommend that USAID/Haiti document clear procedures for resolving internal conflicts promptly and disseminate them to mission staff.*

Mission Response:

The Mission concurs with OIG Recommendation 13. EXO/HR should be notified of

internal conflicts that have not been addressed/resolved within the Team. EXO/HR is the contact point for EEO complaints, staff or supervisory issues that are not resolved within the Team and for further guidance related to Personnel matters. EXO/HR will develop a guide to supplement the Employee Handbook and will disseminate to all staff.

Plan of Action and Timeline:

The EXO will create a sheet that explains the procedures for any employee that has an EEO complaint, or staff or supervisory issues that are not resolved within the team. EXO is expected to complete the action by 1 September 2015.

Recommendation 14: *We recommend that USAID/Haiti document clear procedures designating the COR, or alternate COR as applicable, as the sole liaison between USAID and contractor staff unless otherwise specified, with procedures to document justification for any exceptions*

Mission Response:

The Mission concurs with OIG Recommendation 14. Per the ADS, the CO must designate the COR (and alternate, if applicable) as early in the acquisition process as practical. COR/AOR letters of delegation are signed prior to award. Letters clearly outline the responsibilities of the COR/AOR. A copy of this letter is given to the partner so they understand which person in the technical office holds these responsibilities for their instrument (and if applicable, who the designated alternate is in their absence).

Plan of Action and Timeline:

The Mission requests that this action be closed effective immediately since this is an ongoing action with no end date and since these requirements are documented in ADS 302 and 303.

Recommendation 15: *We recommend that USAID/Haiti clearly document roles and responsibilities for managing complex Feed the Future projects and implement a plan to ensure these roles and responsibilities are respected and enforced.*

Mission Response:

The Mission concurs with OIG Recommendation 15. EGAD Management restructured the process by which we manage large projects and clarifying the necessary guidelines for communication with the implementing partner and within the Office. EGAD is also restructuring COR/Alternate COR and AOR/Alternate AOR teams so they benefit from the experience of both local and U.S. staff. On 29 July 2015, the EGAD Office Chief forwarded a list of proposed new or revised COR/AOR designations to the contracting officer. The new structure and guidelines are in place and in practice.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

Recommendation 16: *We recommend that USAID/Haiti establish a deadline for Development Alternatives, Inc. to correct critical staffing deficiencies for the Feed the*

Future North Project and take formal corrective action if this deadline is not met.

Mission Response:

The Mission concurs with OIG Recommendation 16. In light of the changes wrought by the forthcoming modification of the contract, wholesale staffing changes are taking place. Most importantly a new and highly qualified Senior Financial Manager was approved by the contracting officer 28 July 2015. DAI also proposed a new and highly qualified Chief of Party on 28 July 2015, an action that received COR concurrence on 4 August 2015 and is pending formal contracting officer approval as part of the AVANSE contract modification process. The approval of newly hired staff and staff reductions related to the de-scoping have addressed other outstanding issues.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed. The change in the Senior Financial Manager was the primary personnel change identified by USAID/Haiti as critical to immediately improving project performance and this action has been completed by DAI. (Additional personnel changes have been made or are in process but these relate to the de-scoping of the contract and not this specific Recommendation).

Recommendation 17: *We recommend that USAID/Haiti review its requirement to approve all professional staff positions, determine whether the requirement is in the best interests of the U.S. Government, and revise the contract requirement if necessary.*

Mission Response:

While the Mission concurs with the OIG Recommendation 17 that not all professional staff positions should be formally approved by USAID/Haiti, the level of scrutiny applied to each award is different depending on the size and type of award. For example, in the case of AVANSE, as a cost control measure, local staff above the grade of the FSN-10 level are given technical concurrence and rate approval by the COR and the contracting officer. This ensures that these more expensive technical staff are indeed required to meet the objectives of the contract and that costs to meet these goals are not excessive. USAID/Haiti, through its contracting officer(s), typically determines what levels of approval will be needed for professional staff positions (which is separate from ADS requirements concerning Key Personnel) as part of the contracting process and this is stipulated in the specific award. While in the case of AVANSE this stipulation was not made clear in the original contract, this stipulation will be clarified in the upcoming contract modification due on or about 30 September 2015.

Plan of Action and Timeline:

USAID/Haiti requests that Recommendation 17 be closed given that USAID/Haiti through the development of each award does typically review requirements for the level of formal professional staff approvals which varies depending on the size and type of each award. In the case of AVANSE specifically, lack of clarity on this issue will be resolved though the upcoming contract modification due to be completed on or about 30 September 2015.

Recommendation 18: *We recommend that USAID/Haiti establish a deadline for Development Alternatives, Inc. to finalize the project-level environmental assessment and take formal corrective action if the deadline is not met.*

Mission Response:

The Mission concurs with OIG Recommendation 18. As a result of the partial termination letter sent to DAI on 17 June 2015, the COR sent a technical direction to DAI on 24 June 24 2015. This technical direction specified that DAI had to submit the final Programmatic Environmental Assessment by 29 July 2015. However, in consultation with the Mission Environmental Officer and DAI, on 21 July 2015, the COR changed the deadline to 7 August 2015 to accommodate the ongoing de-scoping of the AVANSE program. On 7 August 2015, DAI submitted the revised project-level environmental assessment (PEA) to the COR.

Plan of Action and Timeline:

USAID/Haiti completed this action on 21 July 2015 (and DAI met the deadline on 7 August 2015) and requests that this recommendation be closed.

Recommendation 19: *We recommend that USAID/Haiti identify ongoing activities that are not in compliance with environmental requirements and direct Development Alternatives, Inc. to stop all identified activities until the required level of environmental review is completed.*

Mission Response:

The Mission concurs with OIG Recommendation 19. Mission established a 7 August 2015 deadline for the submission of a revised and final draft PEA which was met by DAI. The Mission recommends allowing activities not in compliance to continue until the PEA has been reviewed and approved by the COR, the Mission Environment Officer (MEO), the Regional Environment Advisor (REA) and the Bureau Environment Officer (BEO) , unless this process extends beyond 30 September 2015 at which point the Mission would order a stop to all activities that are not environmentally compliant. This would allow for the program to continue in the interim as almost all activities are technically non-compliant at the moment. However, no irrigation work will proceed until a final PEA is approved.

Plan of Action and Timeline:

The MEO is waiting for the PEA received 7 August 2015 to be approved by the COR before the subsequent reviews/approvals by the MEO, REA and BEO. The PEA is anticipated to be approved by the COR, MEO, REA and BEO by on or about 30 September 2015.

Recommendation 20: *We recommend that USAID/Haiti incorporate procedures in Mission Order 204-1 to document, at the start of the award, agreement between the contracting officer's representative; mission-, regional-, and bureau-level environmental officers; and the contractor on procedures and timelines to meet environmental*

compliance requirements.

Mission Response:

The Mission concurs with OIG Recommendation 20. The Environmental Procedures Mission Order requires that the MEO attend all post-award meetings, at which point he now issues a Regulation 216 summary memo identifying key issues, clarifications, and recommended timelines vis-a-vis Regulation 216 requirements. This allows for a case-by-case approach to each award based on environmental requirements specific to that award and specific to the role of the MEO, REA, and BEO given to those requirements.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

Recommendation 21: *We recommend that USAID/Haiti modify its Initial Environmental Examination for the food security and economic growth portfolio to remove any ambiguity about the required level of environmental review for its projects, programs, and activities and request approval from the Bureau Environmental Officer.*

Mission Response:

The Mission concurs with OIG Recommendation 21. The MEO has issued a memo clarifying ambiguities in the existing food security and economic growth IEE (LAC-IEE-14-17). Furthermore, a new IEE is being prepared and is expected to be approved by 30 September 2015. The IEE will recommend that the BEO include more precise language to remove future ambiguities about the required level of environmental review, including a listing of specific programs covered by the IEE and a clause requiring an amendment for any programs not listed by name.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

Recommendation 22: *We recommend that USAID/Haiti develop a timeline with milestones for DAI to complete irrigation activities for FTFN and take formal corrective action if the milestones are not met*

Mission Response:

The Mission concurs with OIG Recommendation 22. The contracting officer issued a partial termination for convenience (de-scoping) letter for the AVANSE project on 17 June 2015 that will reduce some irrigation activities. A new (modified) statement of work has been completed by USAID/Haiti and was sent to DAI AVANSE 13 August 2015. DAI will prepare a new work plan when they receive the modified statement of work and this will be part of the current contract modification. The timeline and milestones for DAI to complete irrigation activities will be negotiated through the work plan that DAI will provide to USAID 30-45 days after the contract modification is completed on or about 30 September 2015.

Plan of Action and Timeline:

Failure by DAI to meet timelines and milestones under the contract modification and new workplan will negatively affect subsequent annual CPARS reporting by USAID/Haiti. The EGAD Office continues to work with OAA on the de-scoping modification of this contract. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 23: *We recommend that USAID/Haiti develop procedures to make sure contracts for infrastructure projects include clear specifications for cost-benefit analyses.*

Mission Response:

USAID/Haiti does not concur with Recommendation 23 that it develop mission-specific procedures for cost-benefit analyses (CBA). The Mission consulted with the Agency's CBA Team in Washington on 24 July 2015 (teleconference) and 3 August 2015 (email) for best practices and guidance on whether there can be clear specifications for cost-benefit analyses. The CBA team informed the Mission that the Agency has been grappling with this issue more broadly and beyond encouraging the use of CBA's where appropriate, even for infrastructure projects, in terms of specifying the need for CBAs in contracts: "[there] are no hard and fast rules for when a CBA could or should be done". They provided the Mission with "several broad guidelines that can help to determine if conducting a CBA is practical and/or useful" but for example noted that in the case of infrastructure that it "could be very difficult to monetize the benefits of some infrastructure projects. While roads, power and water have very specific methodologies, it can be difficult to accurately monetize the benefits to society of small scale social infrastructure like painting a classroom or refurbishing a clinic". The guidelines the CBA Team provides to the Agency also note that one must consider in each instance if "the data necessary to complete a CBA is readily available at no or reasonable cost or if the cost of data collection in order to complete the CBA is reasonable; "reasonable cost" is a necessary consideration because there are situations where the costs of data collection and/or cost of analysis alone outstrip any benefit to completing such an analysis" and for Haiti the Mission is aware that these necessary data are not consistently or frequently available. The Mission will continue to use the Agency's CBA guidelines when working to determine if a CBA should be specified for any award.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

Recommendation 24: *We recommend that USAID/Haiti modify the Feed the Future North Project contract to remove road rehabilitation activities and put \$9.93 million to better use.*

Mission Response:

The Mission concurs with OIG Recommendation 24. The Mission has removed road building from the revised statement of work for FTFN-AVANSE and will remove it from the DAI contract in the ongoing modification. However, USAID believes that this recommendation needs rewording. Instead of saying "to better use" it should say to be put into another mechanism.

Plan of Action and Timeline:

The EGAD Office continues to work with the Office of Acquisition and Assistance (OAA) on the de-scoping modification of this contract. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015.

Recommendation 25: *We recommend that USAID/Haiti include an in-depth review of Development Alternative, Inc.'s internal controls for procurement and distribution of project materials as of September 30, 2014, in its upcoming financial review of the Feed the Future North Project.*

Mission Response:

The Financial Review of the local costs incurred and paid by DAI under the AVANSE project for the period April 1, 2013 through September 30, 2015 was recently completed by a RIG-approved local CPA firm. The scope of the Financial Review included an evaluation of the internal controls for the procurement and distribution of commodities, materials, and equipment. The CPA firm reported a material weakness in the inventory management control systems of DAI -AVANSE and questioned \$64,307 for commodities unaccounted for. DAI Management concurred that the distribution confirmation sheets were not systematically returned to the project office. DAI further affirmed that a database has been developed to capture distribution information including prior distribution data which will show the cumulative distributions on an ongoing basis. DAI stated that the reconciliation of commodities purchased, distributed and in inventory will be completed by mid-September 2015 and a Commodity Accountability Report will be submitted to the Mission.

Plan of Action and Timeline:

DAI will finalize the reconciliation of commodities purchased, distributed and in inventory by 14 September 2015 and will submit a Commodity Accountability Report to the Mission by 18 September 2015.

Recommendation 26: *We recommend that USAID/Haiti through the FTFN contracting officer, determine the allowability of \$10,028 in unsupported questioned costs (\$9,746 from unsupported distributions from our test sample and \$264 from the banana plants delivered to cacao farmers), and recover from DAI any amount determined to be*

unallowable

Mission Response:

The Mission concurs with OIG Recommendation 26. Upon receipt of DAI's Commodity Accountability Report on 18 September 2015 the contracting officer will determine the allowability of the costs.

Plan of Action and Timeline:

Per Mission Response to Recommendation 25, DAI will submit its Commodity Accountability Report to the Mission by 18 September and the contracting officer will determine the allowability of the costs by on or about 30 September 2015.

Recommendation 27: *We recommend that USAID/Haiti implement alternative measures to estimate impact of the Feed the Future North Project and the progress of outcome indicators in the absence of a valid baseline study.*

Mission Response:

The Mission concurs with OIG Recommendation 27. A performance evaluation of the project is planned which will include collection and analyses of qualitative and quantitative data that will better estimate the impact of the AVANSE work to-date. The evaluation RFTOP is planned to be issued by USAID/Haiti's program office by 30 September 2015.

Plan of Action and Timeline:

PCPS will work closely with OAA to get the RFTOP issued by September 30, 2015. The performance evaluation should be completed by 28 February 2016.

Recommendation 28: *We recommend that USAID/Haiti implement a plan to ensure its future Feed the Future projects establish valid baselines at the start of the awards.*

Mission Response:

The Mission concurs with OIG Recommendation 28. The two issues identified with the baseline for AVANSE were the low quality of the baselines themselves and the subsequent delay in approval of this baseline by USAID/Haiti. On 29 April 2015, the USAID PCPS Office uploaded the relevant Mission Order on Monitoring (MO203-B; Series 200) to a USAID/Haiti internal webpage (<https://sites.google.com/a/usaaid.gov/pcps-usaid-haiti/mission-orders>) and provided this link to Mission personnel via email to ensure all USAID/Haiti staff have ease of access to specific guidance. Current guidelines for the conduct of baselines (on page 5 of this Mission Order) also include reference to the ADS 203.3.9. An updated Mission Order will be developed by PCPS in the coming year as well. EGAD will ensure these guidelines are applied to any new FTF programs in the North and in the West, FTF Haiti Chanje Lavi Plante's (the WINNER program follow-on) baselines have been taken directly from WINNER I.

Plan of Action and Timeline:

USAID/Haiti has addressed this recommendation and requests this action be closed.

Recommendation 29: *We recommend that USAID/Haiti establish a timeline with milestones for Development Alternatives, Inc. to bring performance data in line with USAID's data quality standards and take formal corrective action if the milestones are not met.*

Mission Response:

The Mission concurs with OIG Recommendation 29. As part of the forthcoming contract modification being undertaken as part of the project de-scoping process (described under Mission Response to Recommendation 1), the modified contract and revised workplan will include clearly defined activity results and a formal Data Quality Assessment will be conducted in November 2015.

Plan of Action and Timeline:

The EGAD Office continues to work with the Office of Acquisition and Assistance (OAA) on the de-scoping modification of this contract. If the documentation of actions to date are sufficient, USAID/Haiti requests that this action be closed effective immediately or alternately that the action is closed upon completion of the contract modification, due on or about 30 September 2015. A formal Data Quality Assessment will be conducted by 30 November 2015.

Recommendation 30: *We recommend that USAID/Haiti determine whether its strategy for increasing food security in Haiti should include water, sanitation, and hygiene activities, document the decision, and modify the strategy accordingly.*

Mission Response:

USAID and the Feed the Future Initiative both include water, sanitation and hygiene (WASH) activities as critical components of the utilization component of food security. The three main components of food security are availability, access and utilization where utilization includes drinking of potable water and proper sanitation and hygiene practices among other things such as health practices and nutrition education. The AVANSE program was designed to focus on the availability and access components of food security by working on agricultural production and improved market linkages. The portion of USAID's water (WASH) earmark allocated to USAID/Haiti by USAID/Washington was met by some standard WASH programming in the health and infrastructure offices but was also attributed to some of AVANSE's work in irrigation and watershed stabilization. This latter attribution was later found by GAO to be incorrect. Going forward, recent USAID/Haiti consultations with the Bureau for Resource Management (BRM) confirmed that new WASH directives allocated for USAID/Haiti were appropriate to be implemented with Feed the Future funding allocated for Haiti and be attributed to both (see email from BRM June 2015). EGAD will ensure that the work under its various mechanisms

related to food security and attributed to the Water/WASH directive (earmark) using current and later year funds can be correctly attributed to the water, sanitation and hygiene (WASH) directive.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed. In June 2015, EGAD, PCPS and the Washington Haiti Task Team sought clear guidance from the WASH and Feed the Future technical leads as well as the Bureau for Resource Management who concurred with the use of WASH funds for food security (FTF) related and funded activities.

Recommendation 31: *We recommend that USAID/Haiti determine whether the Feed the Future North Project contract should be modified to meet criteria for the water, sanitation, and hygiene earmark, document the decision, and modify the contract accordingly.*

Mission Response:

The Mission concurs with OIG Recommendation 31. USAID/Haiti has determined that a de-scoped AVANSE will not be a viable vehicle for meeting the WASH earmark, which the Mission instead will undertake through one or more new stand-alone activities now under design.

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed. The Mission has determined that the AVANSE (Feed the Future North contract) contract modification should not include WASH. The proposed de-scoping plans outlined in the Mission Director's Action Memo "Request to De-Scope the Feed the Future-North AVANSE Program" of 22 May 2015 outlined which underperforming components of the program should be eliminated and did not include a request to add more components to the program such as WASH.

Recommendation 32: *We recommend that USAID/Haiti 1) incorporate reporting progress towards meeting earmarks into its biannual portfolio reviews, 2) add a section on earmarks to its portfolio review project data sheet template, and 3) include earmark criteria in the guidance disseminated to mission staff in preparation for its biannual portfolio reviews.*

Mission Response:

The Mission concurs with OIG Recommendation 32. PCPS will 1) incorporate reporting progress towards meeting earmarks into its biannual portfolio reviews, 2) add a section on earmarks to its portfolio review project data sheet template, and 3) include earmark criteria in the guidance disseminated to mission staff in preparation for its biannual portfolio reviews.

Plan of Action and Timeline:

PCPS will implement this recommendation at the next activity-level portfolio review, which will take place on or about November 2015.

Recommendation 33: *We recommend that USAID/Haiti formally notify Congress that it did not appropriately allocate or disburse WASH earmarks from fiscal years 2012 and 2013.*

Mission Response:

The Mission was aware of the WASH earmark concerns and is in the process of determining the extent to which the earmark was met. USAID/Haiti has notified the LAC Bureau that it may have under allocated its earmarks during the period in question. The Mission has provided information to the appropriate offices in USAID/Washington responsible for notifications to Congress, to evaluate whether any such notification is necessary. (The WASH earmark for Haiti was not specified by Congress but was an allocation by USAID/Washington to Haiti and other USAID missions to meet this general USAID WASH directive globally.)

Plan of Action and Timeline:

USAID/Haiti has completed this action and requests that this recommendation be closed.

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