



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/ZAMBIA'S FOOD SECURITY ACTIVITIES

AUDIT REPORT NO. 4-611-10-007-P
SEPTEMBER 1, 2010

PRETORIA, SOUTH AFRICA



Office of Inspector General

September 1, 2010

MEMORANDUM

TO: USAID/Zambia Mission Director, Melissa Williams

FROM: Acting Regional Inspector General/Pretoria, Robert W. Mason /s/

SUBJECT: Audit of USAID/Zambia's Food Security Activities (Report No. 4-611-10-007-P)

This memorandum transmits our final report on the subject audit. We have considered management's comments on the draft report and have incorporated them into the final report as appropriate. They have been included in their entirety in Appendix II (excluding attachments).

The report includes eight recommendations to strengthen the mission's food security activities. On the basis of management's comments, we consider that management decisions have been reached and final action taken on Recommendations 1–6. Regarding Recommendation 7, that the mission develop a detailed plan with milestones to increase the pace of project identification by communities and compensate for vital skilled labor shortages in order to meet the overall target for infrastructure improvement, the mission has obtained such a plan from its implementing partner. This plan is currently under review by the Office of Food for Peace in Washington, D.C. Accordingly, we consider that a management decision has been reached on Recommendation 7. Please provide the Office of Audit Performance and Compliance Division (M/CFO/APC) with the necessary documentation to achieve final action on this recommendation.

In response to management's comments, we modified Recommendation 8 to state that the mission should coordinate an independent cost analysis to determine whether internal transport, storage, and handling costs have been correctly classified and to ascertain the most cost-effective method of transporting and distributing commodities. Consequently, Recommendation 8 remains without a management decision. We ask that you notify us within 30 days of any actions planned or taken to coordinate an independent analysis.

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

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SUMMARY OF RESULTS

The main goals of USAID/Zambia's food security activities are to help reduce food insecurity¹ and increase resiliency² of vulnerable communities within targeted districts by 2011. To accomplish these goals, USAID's Office of Food for Peace in Washington, D.C., inaugurated a 5-year program of assistance in 2006 through an agreement with the Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets. The consortium consists of Catholic Relief Services, CARE, World Vision, and Land O' Lakes; Catholic Relief Services serves as the lead organization. The total estimated value of the agreement as of September 30, 2009, was \$38 million, and the total value of the agreement for fiscal year (FY) 2009 was approximately \$8 million (pages 3–4).

USAID/Zambia's food security activities have made limited progress in achieving their main goals related to food security. Although the audit team collected anecdotal evidence that the mission's food security activities were benefiting individuals, a lack of reliable empirical evidence precluded fully evaluating the activities (pages 5–7). The audit identified areas for improving the reporting, managing, and evaluating of USAID/Zambia's food security activities (pages 8–14). The audit also found that the costs of food commodities were unreasonably high relative to commodity costs for similar programs, a difference that has not been adequately investigated by the mission (pages 14–16).

Among reporting problems, the audit found material misstatements related to food security activities in USAID/Zambia's Full Performance Plan and Report for FY 2009. The number of program beneficiaries who reportedly made the transition from reliance on food aid to sustainable farming was not adequately supported, while the number of beneficiaries who received food aid assistance was significantly overstated (pages 8–10). In addition, data collection and reporting did not always yield useful information in accordance with USAID Office of Food for Peace guidelines (pages 10–13).

As for managing and evaluating, the mission also had scheduling and cost-control problems. Infrastructure improvement activities were not on schedule to achieve targeted results (pages 13–14). Also, distributed commodities were five to ten times more expensive than comparable commodities on the local market. More than half of the total costs of distributed commodities were internal transport, storage, and handling expenses (pages 14–16).

To address these findings, the audit recommends:

- Revising the mission's FY 2009 annual report submission (page 10).

¹ Food insecurity is characterized by a lack of food security, or universal "physical and economic access to sufficient food to meet . . . dietary needs for a productive and healthy life" (Food and Nutrition Technical Assistance Project, *Food Security Indicators and Framework for Use in the Monitoring and Evaluation of Food Aid Programs*, January 1999).

² Resiliency refers to the capacity of a community potentially exposed to hazards to adapt by learning from past disasters and adopting risk reduction measures.

- Developing written procedures to review annual report data (page 10).
- Contacting the USAID Office of Food for Peace and taking steps to improve monitoring and evaluation of food security activities (page 12).
- Developing written procedures to improve oversight of performance indicator reporting (page 12).
- Providing guidance to consortium officials on performance reporting (page 13).
- Determining whether currently reported indicators that are not required by Food for Peace should be modified or eliminated to improve the value and quality of reporting (page 13).
- Developing a plan to meet targets for infrastructure improvement activities (page 14).
- Determining whether internal transport, storage, and handling costs have been classified correctly and ascertaining the most cost-effective method of transporting and distributing commodities (page 16).

The audit's scope and methodology are described in Appendix I. USAID/Zambia agreed with all eight recommendations. On the basis of actions taken by the mission and the documentation provided, final action has been taken on six of the recommendations, a management decision was reached with final action pending for one recommendation, and one recommendation was modified based on management comments; therefore, a management decision is pending on the modified recommendation. USAID/Zambia's comments appear in their entirety in Appendix II (excluding attachments).

BACKGROUND

Poverty and food insecurity³ are widespread throughout Zambia, one of the world's least developed countries. Nearly two-thirds (64 percent) of Zambians earn less than \$1 per day, and nearly half (45 percent) cannot meet their basic food needs. Among the many causes of food insecurity in Zambia are poor health, limited rural development, government policy that discouraged development of the agricultural sector, and low agricultural productivity. Whereas Zambia produces about 1,800 kilograms of maize per hectare, China produces almost three times as much.

To address this situation, USAID's Office of Food for Peace⁴ in Washington, D.C., signed a 5-year agreement in 2006 with a consortium to implement a program of food security activities. The Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets includes Catholic Relief Services (CRS), CARE, World Vision, and Land O' Lakes, with CRS as the lead organization.

The goals of the consortium are to help reduce food insecurity and increase resiliency⁵ of vulnerable communities in targeted districts in Zambia by 2011. To accomplish these goals, the consortium has three synergistic objectives that focus on malnutrition and HIV:

- Objective 1. By 2011, vulnerable households in targeted districts have diversified or increased their agricultural livelihoods in a sustainable manner.
- Objective 2. By 2011, extremely vulnerable households (those headed by the elderly, children, or those with HIV) in targeted districts have improved their nutritional health status.
- Objective 3. By 2011, vulnerable communities in targeted districts have improved their collective ability to identify and respond to developmental issues and external shocks affecting food insecurity.

³ Food insecurity is characterized by a lack of food security, or universal "physical and economic access to sufficient food to meet . . . dietary needs for a productive and healthy life" (Food and Nutrition Technical Assistance Project, *Food Security Indicators and Framework for Use in the Monitoring and Evaluation of Food Aid Programs*, January 1999).

⁴ The Agricultural Trade Development Assistance Act (Public Law 110-246, effective May 22, 2008, *codified at* 17 U.S.C. 1721 *et seq.*)—known as Public Law (P.L.) 480 because the original act was Public Law 83-480—is the principal mechanism through which the U.S. Government implements international food assistance. Renamed the Food for Peace Act in 2008 (although the program name was changed to Food for Peace during the Kennedy Administration), the law provides for direct donation of U.S. agricultural commodities to implement emergency and nonemergency programs worldwide. USAID's Office of Food for Peace manages Title II of the Food for Peace Act, which authorizes the vast majority of U.S. international food assistance. Title II provides U.S. food assistance in response to emergencies and disasters around the world, and provides resources to help improve long-term food security. The U.S. Department of Agriculture requests Title II funding.

⁵ Resiliency refers to the capacity of a community potentially exposed to hazards to adapt by learning from past disasters and adopting risk reduction measures.

The consortium promotes more diverse and sustainable agricultural livelihoods through conservation agriculture, dairy promotion, improved infrastructure and market access, improved child nutrition, targeted food assistance, and community capacity building to withstand shocks. The consortium also maintains a capacity for flexible emergency response in accordance with what the consortium describes as developmental relief principles. According to the consortium, “development relief” helps people recover from emergencies, restore their livelihoods, and reduce the frequency and impact of new shocks, often simultaneously. It is a process, as well as a programming approach, that draws on community capacities and coping mechanisms as it seeks to strengthen them. It was chosen by the consortium because development in Zambia has been limited by recurring shocks and the generalized HIV epidemic.

USAID’s Office of Food for Peace in Washington, D.C., manages the agreement with the consortium. The agreement officer and agreement officer’s technical representative are in Washington, D.C. The agreement officer is legally responsible for the award. The agreement officer’s technical representative is responsible for monitoring the consortium’s progress in achieving the objectives of the program and for verifying that the consortium’s activities being funded by USAID conform to the terms and conditions of the award. USAID/Zambia manages the activities implemented by the consortium in Zambia.

The targeted population comprises 148,345 residents of six highly food-insecure districts in Zambia’s Southern and Western Provinces. The total estimated budget for the program as of September 30, 2009, was \$38.0 million. The total fiscal year (FY) 2009 value of the agreement was approximately \$8.0 million, including \$783,000 in commodities; \$306,200 in ocean freight; \$171,000 in inland transportation costs; \$4.0 million in internal transport, storage, and handling costs; and \$2.7 million in administrative costs.⁶ Actual FY 2009 expenditures for internal transport, storage, and handling costs and administrative costs were reported to be approximately \$2.5 million and \$3.1 million, respectively.

AUDIT OBJECTIVE

As part of the FY 2010 audit plan, the Regional Inspector General/Pretoria performed this audit to answer the following question:

Are USAID/Zambia’s food security activities achieving their main goals of decreasing food insecurity and increasing resiliency?

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

⁶ Section 202(e) of P.L. 480 (*codified at* 17 U.S.C. 1722(e)) Title II authorizes funding to support specific administrative costs for programs in foreign countries.

AUDIT FINDINGS

Are USAID/Zambia's food security activities achieving their main goals of decreasing food insecurity and increasing resiliency?

USAID/Zambia's food security activities have made limited progress in achieving their main goals of reducing food insecurity and increasing resiliency in vulnerable communities in targeted districts by 2011. Although data quality problems prevented a full evaluation of impact, the audit found evidence that activities were benefiting individuals.

For example, in the community of Siakacheka, the auditors observed a field that was used to demonstrate new agricultural techniques and equipment to approximately 20 beneficiary farmers. With the training and equipment, the beneficiaries had the field ready for planting when the first rains came in late November 2009, while other farmers were unable to plant until December. The difference between the mature crops in the demonstration field and the younger crops in neighboring fields was evident, as shown in the photos below. Early planting is critical because if rainfall suddenly diminished or ceased, the mature crops would be more likely to survive than the younger crops.



Maize in a demonstration field in Siakacheka, Choma District (left), thrives compared with maize in a conventional field in Milangu, Kazungula District (right). (Photo by Regional Inspector General/Pretoria, March 2010)

Another example involves the Positive Deviance (PD)/Hearth⁷ activity. This child nutrition activity uses community volunteers to identify and classify malnourished children. Mothers and caregivers of severely malnourished children are encouraged to enroll in the program, where they receive training on hygiene and on food preparation and preservation. The goal is to have the child gain 400 grams (about 1 pound) within 12 days; children who do not gain the required weight are encouraged to reenroll. The auditors spoke to a mother in the community of Simango whose 4-year-old had gained the required weight; the mother noted that she was satisfied with the activity. Records maintained by community volunteers indicated that children who had not gained the requisite weight were subsequently reenrolled.

The audit also found some empirical data demonstrating that the mission's food security activities were having an impact. For example, 86 farmers supported by the mission's food security activities formed a cooperative in September 2009. These farmers stored 12,126 bags of surplus maize, each weighing 50 kilograms, in a shed renovated and expanded under the food-for-assets⁸ activity in the community of Manyemunyemu in Kazungula District, Southern Province. The farmers sold the bags to the Food Reserve Agency of the Zambian Ministry of Agriculture for approximately \$168,000. Prior to the renovation, farmers had to transport surplus produce to different sheds farther away to sell it; the Food Reserve Agency does not send buyers to rural areas to purchase crops unless a minimum amount is available for purchase. The renovated shed with its additional capacity allowed the farmers' cooperative to meet this minimum requirement and thus sell surplus crops to the Food Reserve Agency. (See photos on the following page of the shed before and after renovation.)

Additional empirical data came from the targeted food assistance activity, which provided supplemental rations to food-insecure households including those affected by HIV, the chronically ill, the elderly, and child- and female-headed households. The audit found that approximately 14,000 individuals (both household heads and household members) had benefited from the targeted food assistance activity during fiscal year (FY) 2009. Approximately another 2,800 individuals reportedly benefited from food-for-assets.

The combined total of beneficiaries from the food-for-assets activity and targeted food assistance was approximately 16,800. This number was significantly less than the 42,000 individual beneficiaries reported in USAID/Zambia's Full Performance Plan and Report for FY 2009; the reasons for the discrepancy are discussed in the following section. Moreover, targeted food assistance alone, even if successful, would not fully meet the objectives for decreasing food insecurity.

⁷ In the 1990s, nutrition professor Marian Zeitlin developed the positive deviance concept: looking at children in poor communities who were better nourished than others and building on behaviors in the community that contributed to the better-nourished children's advantages. The word "hearth" in the name of the activity indicates that its training sessions take place in homes and neighborhoods.

⁸ Beneficiaries of the food-for-assets activity provide labor to construct food infrastructure projects in exchange for direct food aid.



Bags of surplus maize (stacked in what appears to be a wall at left) are exposed to spoilage and theft at the Manyemunyemu shed prior to renovation. (Photo by Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets, July 2007)



The Manyemunyemu storage shed, renovated and extended in July 2009, can store 4,690 50-kilogram bags of surplus maize, as well as other crops. (Photo by Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets)

Finally, the audit concluded that an estimated 5,917 beneficiaries had received seeds through the consortium. Although the consortium claimed that 6,780 households had received seeds in FY 2009, supporting documentation merely listed individual beneficiaries and provided no means to determine whether the beneficiaries listed resided in the same household. In addition, the documentation included numerous duplicate names as well as community groups. After these potential duplicates were removed, 6,303 seed recipients remained. The audit team examined documentation for a statistical sample of these individuals to verify their receipt of seeds; examination revealed insufficient evidence of seed receipt for an estimated 386 of the 6,303 individuals.

Overall, the Regional Inspector General/Pretoria was unable to fully evaluate the impact of USAID/Zambia's food security activities because of a lack of relevant and reliable empirical data. Data problems are discussed further in the following sections.

Material Misstatements Occurred in the Mission's Annual Report

Summary: USAID's Automated Directives System, Chapter 203, "Assessing and Learning," requires that performance data meet established data quality standards for accuracy and reliability. Despite this guidance, USAID/Zambia's Full Performance Plan and Report for FY 2009 contained several material misstatements related to food security activities. These misstatements occurred because the mission did not have adequate mechanisms to help ensure high-quality data. Information submitted by USAID missions for the Agency's annual report is used for analyzing the performance of foreign assistance programs and for formulating the foreign assistance budget. This information must be accurate and reliable if it is to be used for sound decision making. Inaccurate information could lead to wasteful spending on programs that are not accomplishing what was reported.

The following managerial assertions were made in USAID/Zambia's Full Performance Plan and Report for FY 2009, under "Food Security":

In FY 2009, the program transitioned 6,780 households (40,700 individuals) from relying on food aid donations to sustainable farming. These households received inputs and training in conservation farming and produced food to feed their households and sell surplus. The program provided food assistance to 7,012 vulnerable households (42,074 people) through targeted distribution of food and self-targeting food for assets. Beneficiaries for targeted food distribution included women and child-headed households, and chronically ill persons. Beneficiaries of food for assets participate in community works that includes construction and rehabilitation of markets and storage facilities, clinics, schools, and feeder roads.

The first assertion—that 6,780 households representing 40,700 individuals made the transition from food assistance to sustainable farming—is materially misstated. The supporting documentation provided by the consortium members indicated that the reported figure of 6,780 represented individual farmers (not necessarily households) who received startup seeds. As noted previously, subsequent testing revealed that this figure was 5,917; thus, the reported number was overstated by 15 percent.

Moreover, officials from one consortium member agreed with the auditors' conclusion that seed receipt alone does not demonstrate that a transition was made. At least three other scenarios are possible:

- An individual who received seeds may have decided to plant, sell, or simply discard them. If planted, the crops may have failed or may not have produced a salable surplus.
- Seed recipients may not have depended on food aid before they received seed. In fact, the audit identified farmers who stated that they were not on food aid before receiving seed. One lead farmer was selected to receive seeds and training not

because he was on food aid—he was not—but because he had been relatively more successful than his contemporaries and was in a better position to teach conservation farming techniques.

- Individual seed recipients may have continued depending on food aid after receiving seeds.

Furthermore, mission officials could not support the second part of the transition assertion, that assisted individuals were able to feed their households *and* sell surplus crops. Instead, the audit found significant challenges confronting farmers in marketing particular crops. For example, growers of sorghum had difficulty marketing their crops relative to growers of maize because the Zambian government buys surplus maize, even though planting only maize has accelerated soil degradation and left farmers who cannot afford commercial inputs such as fertilizer with little or no technological options. For all crops to be successfully marketed, there must not only be available adequate quantities but also adequate transportation and storage for both buyers and sellers. Although food security activities assisted farmers in strengthening cooperatives, improving market access, and transporting and storing surplus crops, the mission had no reliable system for evaluating and measuring the effects or outcomes of these particular activities. In short, there was no basis for asserting that the program helped beneficiaries progress from food aid to sustainable farming.

The second assertion—that 7,012 households representing 42,074 individuals received food assistance and self-targeting food-for-assets—is materially overstated. The audit found that the actual number of beneficiaries, as reported by the consortium’s members, was approximately 16,800 (14,000 targeted food assistance beneficiaries and 2,800 food-for-assets individual beneficiaries). The difference between 16,800 actual beneficiaries and approximately 42,000 reported beneficiaries is material. After questioning, consortium officials acknowledged that the figures were overstated.

USAID’s Automated Directives System 203, “Assessing and Learning,”⁹ addresses data quality standards. These standards require that data clearly and adequately reflect the intended result and that established mechanisms be in place to help ensure high-quality reported data. When asked if any such mechanisms were in place, the mission responded with a copy of a mission order dated January 7, 2007, entitled “Portfolio Reviews.” This mission order established the guidelines and the process to review the mission’s portfolio of strategic objectives and other program activities semiannually. This process helps the mission assess progress toward the achievement of expected results.

Despite this mission order, the mission accepted from the consortium the data described above without any verification. Mission officials explained that USAID/Washington wanted information that stated more than just processes or outputs and instead measured impact. While other food security information that underwent the portfolio review process may have been available, that information would not have been related to impact or outcomes. In addition, portfolio reviews were not required for preparing reports for use outside of the mission, such as the mission’s Full Performance Plan and

⁹ ADS 203.3.5.1.

Report for FY 2009. Consequently, there was no mechanism to ensure that the impact data reported therein met the required data quality standards.

The annual report information was submitted through the Foreign Assistance Coordination and Tracking System (FACTS). Information submitted by USAID missions through FACTS is used for analyzing the performance of foreign assistance programs and formulating the foreign assistance budget. This information must be accurate and reliable if it is to be used as the basis for sound decision making. If this information is inaccurate, and if programs are not accomplishing what they claim to be accomplishing, continued federal funding of such programs will be wasted. Consequently, this audit makes the following recommendations.

Recommendation 1. *We recommend that USAID/Zambia revise its annual report submission to the Foreign Assistance Coordination and Tracking System related to food security activities for FY 2009.*

Recommendation 2. *We recommend that USAID/Zambia develop written policies and procedures to review all data submitted through the Foreign Assistance Coordination and Tracking System to ensure that they meet USAID's data quality standards.*

Data Collection and Reporting Did Not Always Yield Useful Information

Summary: The USAID Automated Directives System includes guidelines on how to report on performance indicators, including defining a target as a “planned level of result” and noting that “data should reflect stable and consistent data collection processes and analysis methods.” However, the consortium’s data collection and reporting was not in accordance with USAID guidelines. The problems were attributable to a number of issues, including lack of communication between key program officials, insufficient oversight, misunderstanding of key concepts by consortium officials, and the improper implementation of USAID Office of Food for Peace recommendations. These problems hindered key officials in properly evaluating and managing the program.

The USAID Automated Directives System¹⁰ (ADS) states that (1) for data to be valid, they should clearly and adequately represent the intended result; (2) for data to be reliable, they should reflect stable and consistent data collection processes and analysis methods; (3) a performance target is a specific, planned level of result to be achieved within an explicit timeframe that is required for each indicator; and (4) collecting data too often is not economical because data require resources and effort to collect, analyze, report, and use.

To improve compliance with these standards, the USAID Office of Food for Peace sent a letter in May 2008 to the Baltimore, Maryland, office of Catholic Relief Services, which is the lead member of the consortium. The letter made seven recommendations on how to improve indicators in the indicator performance tracking table, which is a management tool that lists performance indicators, targets, and results. For example, one of the

¹⁰ ADS 203.

seven recommendations stated that two of the indicators must be collected using a population-based survey at the beginning and the end of the program. A population-based survey is a survey in which information is obtained directly from a representative sample of the population, typically through interviews rather than from service records or other indirect sources.

Despite these recommendations, the performance information reported by the consortium and USAID/Zambia was not in accordance with either USAID or Office of Food for Peace guidelines. The performance information is included in the consortium's annual report as a table of 18 indicators that was designed to measure activities' progress toward achieving their main goals. The audit reviewed all 18 performance indicators and found that they were not always (1) valid, because the indicator name and the reported information were not consistent, (2) reliable, because the reported information was not comparable on a year-to-year basis, (3) reported with appropriate targets, or (4) obtained economically.

One indicator that was not consistently defined was the "percentage of households with improved livelihood scores." Although the indicator was defined as a percentage, the baseline figure, targets, and actual results were reported as numbers for FY 2007–9. Additionally, in FY 2009, the consortium reported an amount that was the sum of three separate and distinct processes, none of which was a survey of the population, to determine the percentage of households whose livelihood score had increased.

An example of a performance indicator that was not comparable on a year-to-year basis was the "average household dietary diversity score," which is a measure of a household's dietary status. In FY 2009, the consortium reported an average score of 4.9 against a target of 3.4. However, in each prior year the average score was calculated for targeted food assistance beneficiaries only, while in FY 2009 the consortium reported the average dietary diversity score for the six districts in which the consortium was active. Thus, the 2009 average score included those who resided in districts where the consortium operated but were not necessarily beneficiaries of its programs, while the average scores for prior years were based only on program beneficiaries. Although the Office of Food for Peace requested that this indicator be calculated for the whole population, comparing the average household dietary diversity score of the general population with that of people who required food assistance was misleading.

An example of how targets were not set as planned levels of result was the "number of PD/Hearth participants successfully graduating from PD Hearth." Consortium officials noted that the target for the indicator, 881 participants, was the total number of children involved in the program, and that the target was set after the activities ended, rather than prior to their commencement; hence, the target was not a planned level of result and could not be used to determine whether the consortium was making progress toward achieving its main goals.

Lastly, an example of an indicator for which data were not obtained economically was the "number of months of adequate food provisioning." The letter from the Office of Food for Peace to Catholic Relief Services noted that the indicator should be measured only twice—once at the beginning of the program as a baseline and again at the end of the activity. Nonetheless, the consortium established annual targets and collected indicator data annually, even after being informed that such efforts were unnecessary.

To collect annual data, the consortium spent \$8,000 to prepare the FY 2009 Crop Monitoring and Forecast report. This report included interviews with almost 800 households regarding the 2009 harvest, including the number of months of adequate food provisioning. The reported result for FY 2009 was 8 months. However, this result was calculated incorrectly. It was based on household estimates over the next 12 months, while Agency guidance stated that the result should be based on household estimates of adequate food provisioning over the previous 12 months. Although other information was collected with this survey, it could have been collected more economically and did not justify the cost of the survey. Consequently, the consortium spent \$8,000 to prepare a report that was unnecessary and that incorrectly calculated a key indicator.

The problems were attributable to a number of factors, including:

- The letter from the Office of Food for Peace containing guidance on changes that should be made to the indicator performance tracking table was not shared with USAID/Zambia by either the Office of Food for Peace or the consortium. Furthermore, the consortium only superficially addressed the issues raised in the letter. For example, the consortium responded to concerns about how the "number of months of adequate food provisioning" indicator was prepared merely by stating that it was prepared in line with guidance, although the indicator was not prepared in accordance with guidance. The audit team asked the Office of Food for Peace why the letter was not shared with USAID/Zambia, but the office did not respond to our requests for clarification. This miscommunication also led to uneconomical data collection.
- USAID/Zambia had insufficient procedures to oversee the collection and reporting of the data on indicators included in the indicator performance tracking table.
- The consortium officials were not aware of key concepts related to performance indicator reporting, including the purpose of targets and what the percent accomplished should indicate.

These issues hindered consortium and USAID officials, including the agreement officer and the agreement officer's technical representative, in properly evaluating and managing the program. Consequently, the indicator performance tracking table could not be used to demonstrate the impact of the mission's food security activities.

Therefore, this audit makes the following recommendations.

Recommendation 3. We recommend that USAID/Zambia contact the USAID Office of Food for Peace and take steps to coordinate and improve monitoring and evaluation of food security activities in Zambia.

Recommendation 4. We recommend that USAID/Zambia develop written procedures to improve oversight of reporting on performance indicators related to food security.

Recommendation 5. *We recommend that USAID/Zambia provide guidance to consortium officials responsible for implementing food security activities on the purpose of performance indicators, including how to develop targets and report valid, relevant, and reliable information.*

Recommendation 6. *We recommend that USAID/Zambia determine whether currently reported indicators that are not required by USAID's Office of Food for Peace should be modified or eliminated to improve the value and quality of the reporting on performance indicators.*

Infrastructure Activities Fell Significantly Below Target

Summary: Results for one key food security indicator—number of communities with improved infrastructure to mitigate the impacts of shock—were significantly below target. Mission officials cited delays in project identification, adverse weather, and the unavailability of labor as reasons for not meeting targets. Without improved infrastructure, such as larger storage sheds or better roads, communities' abilities to enhance their own food security and increase resiliency will not be achieved.

One of USAID/Zambia's key food security indicators was the "number of communities with improved infrastructure to mitigate the impacts of shock." This indicator was significantly below target for FY 2009 as well as cumulatively for the 3 fiscal years then ended. The FY 2009 target was 20 communities, while the reported result was 12 communities, or 60 percent of the target. For the 3 fiscal years ended September 30, 2009, the target was 33 communities, while the actual reported result was 22 communities, or 69 percent of the target.

In addition, the target over the project's 5-year life is 60, or one project per each targeted community. The agreement expires September 30, 2011. As of September 30, 2009, the program needed to complete 38 projects in the remaining 2 years to reach its target.

Projects include rehabilitation of community schools and health centers; provision or rehabilitation of water sources; restoration of dams, water tanks, roads, and storage sheds; and construction of pit latrines. These are food-for-assets projects in which individuals provide labor in return for food rations. One example is the Manyemunyemu storage shed, described earlier, that helped farmers market and sell surplus crops. Without these types of activities, farmers cannot sell their crops as effectively. Thus, these projects are critical to reducing food insecurity and increasing resiliency.

According to mission officials, several factors explain why these targets were not achieved. First, the commencement of the project was delayed for nearly 1 year. The original award was signed in September 2006, and USAID intended the program to start in October. However, a continuing resolution by the U.S. Congress that year delayed funding for 3 to 4 months. Moreover, when funds finally arrived, they were sufficient only to start the program, which took another 8 months.

Next, the pace at which communities identified projects and obtained necessary approvals for construction was slow. According to the mission, communities must define and approve projects before commencing activities. Mission officials stated that past

experience indicated that, if projects are dictated to communities, they become “white elephants” and are not fully utilized as intended, resulting in project failure. As a result, food security activities were designed to give communities the authority to make their own decisions about their needs and priorities; however, this decentralized decision making can result in implementation delays as communities seek consensus on the projects that should be initiated.

Finally, other factors cited by the mission for delays included adverse weather conditions; lack of skilled labor in some communities, such as masons and carpenters; and reduced labor, especially for projects implemented during field preparation and harvest. Most beneficiaries work in their own fields during these times.

Mission officials admitted that completing 38 more infrastructure improvement projects by the agreement expiration date of September 30, 2011, will be challenging. Consequently they explained that they are working with the consortium to address this issue. Given these circumstances, the audit makes the following recommendation.

***Recommendation 7.** We recommend that USAID/Zambia develop a detailed action plan, with milestones, to increase the pace of project identification by communities and compensate for vital skilled labor shortages in order to meet the overall target for infrastructure improvement.*

Mission Could Not Determine Whether Food Storage and Distribution Costs Were Reasonable

Summary: Internal transport, storage, and handling (ITSH) funding must be reasonable, allowable, and allocable, and must support costs associated with the provision of Title II commodities to the final distribution point after commodities have arrived in-country. The costs, including ITSH expenses, of commodities that were distributed for targeted food assistance and food-for-assets activities were five to ten times higher than those of comparable commodities on the local market. Although internal transport costs were reviewed in 2006, the analysis reviewed only the actual transportation costs, which were less than 10 percent of the total food storage and distribution costs reported by the consortium in FY 2009. Because a comprehensive review of food storage and distribution costs was not performed, USAID could not determine whether its ITSH costs were reasonable and may have paid substantially higher costs than necessary, possibly as a result of waste, fraud, or abuse.

ADS section 596.3.1 states that USAID “must develop and implement appropriate, cost-effective internal controls” to help ensure that costs comply with applicable laws and regulations and that assets are not wasted. One applicable regulation is that eligible uses for ITSH funding under the Food for Peace Act must be reasonable, allowable, and allocable and must support costs associated with the provision of Title II commodities to the final distribution point, including household or local warehouse. Office of Management and Budget Circular A-122, “Cost Principles for Non-Profit Organizations,” Attachment A, states: “A cost is reasonable if, in its nature or amount, it does not exceed

that which would have been incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur costs.”

Despite the requirement to implement appropriate internal controls, the mission did not undertake a thorough, systematic review of food storage and distribution costs, even though the audit indicated that some of these costs, as reported, were unreasonable. For example, the commodities distributed for targeted food assistance and food-for-assets projects cost five to ten times as much as comparable commodities on the local market. For example, in FY 2007, the consortium sold wheat in Zambia for \$381 per metric ton; from consortium reports, the audit determined that wheat distributed in FY 2009 cost USAID \$2,096 per metric ton, or 5.5 times as much, even though the price of wheat in the United States declined between those years. Also, according to the Food and Agriculture Organization of the United Nations, soybeans were exported by Zambian farmers¹¹ at \$267 per metric ton in 2007; from consortium reports, the audit determined that lentils (a similar product) cost USAID \$2,636 per metric ton in FY 2009, or 9.9 times as much.

The audit determined that ITSH expenses, which are for distributing the food after its arrival in-country, were more than three times the cost of commodities. The table below translates the ITSH expenses into cost per dollar of food aid. By way of comparison, a 2003 audit of a similar program in Haiti reported ITSH expenses between \$0.24 and \$0.66 per dollar of food aid. Additionally, ITSH expenses in Uganda for a similar program currently under audit were about \$0.41 per dollar of commodity distributed in FY 2009.

Internal Transportation, Storage, and Handling Costs Incurred by the Consortium in FY 2009 Compared With the Value of the Food Aid Distributed

Item	Commodity Value	Cost of Storage and Distribution*	Cost of Storage and Distribution per \$1 of Food Aid
Total	\$783,000	\$2,490,657	\$3.18
Personnel	---	\$1,097,903	\$1.41
Consultants	---	9,701	0.01
Fringe & Benefits	---	147,432	0.19
Travel	---	129,170	0.16
Commodity Transportation	---	213,504	0.27
Training	---	2,826	0.00
Supplies/Materials	---	61,857	0.08
Other Direct Costs	---	828,264	1.06

* The costs of storage and distribution in the table are from the consortium’s annual report, whereas the \$4.0 million mentioned earlier in the report refers to the budget.

Mission officials stated that a comprehensive review of storage and distribution cost-effectiveness was not undertaken because cost-effectiveness is among the selection criteria used by the Office of Food for Peace to choose the organization that will implement the program. This consideration, however, should not preclude reviews as

¹¹ The export price is a proxy for the local market; if soybeans were exported for that price, the domestic price would have been lower, and thus traders would not have sold them locally.

necessary when costs appear to be unreasonable. USAID/Zambia officials noted that transportation rates from the warehouses to food distribution points were reviewed in 2006. This review, however, examined only actual transportation costs, which by FY 2009 were less than 10 percent of the total food storage and distribution costs reported by the consortium.

In addition, mission officials noted that, because the consortium was not able to monetize¹² commodities in 2009, over \$700,000 was added to ITSH funding to cover costs that would have been paid for with monetization proceeds. Mission officials conceded that these costs “may not have directly contributed towards distribution of food.” Specifically, less than \$11,000 (only 1.5 percent) of the funding increase was budgeted for commodity transportation and storage, while over \$400,000 (more than 50 percent¹³) went toward personnel and benefits, suggesting that ITSH funding may have been misclassified. If they were not misclassified, USAID/Zambia could not determine whether the costs were reasonable because it had not done a comprehensive cost analysis.

Given these circumstances, the Regional Inspector General/Pretoria makes the following recommendation.

Recommendation 8. *We recommend that USAID/Zambia coordinate an independent cost analysis to determine whether internal transport, storage, and handling costs have been correctly classified and to ascertain the most cost-effective method of transporting and distributing commodities.*

¹² Monetization is the practice of selling food aid to generate cash for development projects. The consortium could not sell food aid in Zambia in 2009 because the Government of Zambia banned the import of the commodity the consortium planned to sell: wheat.

¹³ Additionally, 26 percent went to other direct expenses, 13 percent went to travel expenses, 2 percent went to training, and 2 percent went to consultants.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report on USAID/Zambia's food security activities, the mission concurred with all eight of the recommendations. The mission's comments and audit team's evaluation of those comments are summarized below.

Regarding Recommendation 1, the draft audit report recommended that USAID/Zambia revise its annual report submission to the Foreign Assistance Coordination and Tracking System (FACTS) related to food security activities for the fiscal year (FY) ending September 30, 2009. USAID/Zambia responded that it made the revisions to the FACTS Program Performance Report on March 11, 2010. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report.

Regarding Recommendation 2, the draft audit report recommended that USAID/Zambia develop written policies and procedures to review all data submitted through FACTS to ensure that they meet USAID's data quality standards. USAID/Zambia responded that it had approved a data quality assessment mission order on July 19, 2010. The mission order applies to all USAID programs and ensures that data collected and submitted meet USAID data quality standards. The mission also responded that it had undertaken other efforts to ensure that data quality standards are met, such as requesting that its implementing partner, the Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets (the consortium), use the Quarterly Web Commodity Reporting (QWICR) tool. Consortium staff members have completed training on this tool. The consortium will now be submitting quarterly commodity reports through QWICR, starting with the third quarter of FY 2010. QWICR is a transparent system that allows USAID/Zambia quick access to consortium data on food commodity quantities and beneficiaries. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report.

Regarding Recommendation 3, the draft audit report recommended that USAID/Zambia contact the USAID Office of Food for Peace and take steps to coordinate and improve monitoring and evaluation of food security activities in Zambia. USAID/Zambia responded that it has been taking steps to improve monitoring and evaluation of food security activities in Zambia and will continue to do so. For example, the mission reported that it will continue to hold monthly conference calls to discuss consortium program monitoring, and both the mission and the Office of Food for Peace will share communications with consortium members. USAID/Zambia and the Office of Food for Peace will also provide input in the development of the scope of work for the final evaluation of the consortium program, scheduled to take place in FY 2011 before the end of the program in accordance with Food for Peace Information Bulletin 09-06, Section II. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report.

Regarding Recommendation 4, the draft audit report recommended that USAID/Zambia develop written procedures to improve oversight of reporting on performance indicators related to food security. USAID/Zambia responded that it had taken actions such as approving a new mission order on data quality assessments on July 19, 2010, and strengthening its Food for Peace activity manager's monitoring plan specifically to increase oversight of reporting on food security performance indicators. The mission also stated that it had plans to conduct data quality assessments during visits to the activity sites of consortium members, in accordance with the data quality assessment mission order mentioned above. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report

Regarding Recommendation 5, the draft audit report recommended that USAID/Zambia provide guidance to consortium officials responsible for implementing food security activities on the purpose of performance indicators, including how to develop targets and report valid, relevant, and reliable information. USAID/Zambia responded that it had taken steps to address this recommendation. These include providing guidance to the consortium on performance indicators, targets, and reporting at a meeting held June 21, 2010, and providing the consortium with written guidance on defining performance indicators, developing targets, and reporting quality data. The mission reported that, as a result of the June 21 meeting and guidance provided, the consortium has completed clarifying indicator definitions, data collection methods, and methods for reporting on its performance indicators. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report.

Regarding Recommendation 6, the draft audit report recommended that USAID/Zambia determine whether currently reported indicators that are not required by USAID's Office of Food for Peace should be modified or eliminated to improve the value and quality of the performance indicator reporting. USAID/Zambia responded that it had taken steps to address this recommendation. For example, subsequent to the audit, and with assistance and guidance from the Office of Food for Peace and the mission, the consortium submitted a draft of proposed indicator clarifications. The mission also stated that, because the consortium's agreement ends in September 2011, the Office of Food for Peace had determined that changing indicators at this time would be counterproductive. Therefore, the Office of Food for Peace has requested that the consortium address any shortcomings on individual indicators as part of its final evaluation to inform future programming. Finally, USAID/Zambia reported that the Office of Food for Peace will review the consortium's draft copy of clarified performance indicators through the Pipeline and Resource Estimate Proposal (PREP) due by August 31, 2010. On the basis of information provided by the mission in response to the draft report, we determined that final action has been taken, and the recommendation is closed on issuance of this report.

Regarding Recommendation 7, the draft audit report recommended that USAID/Zambia develop a detailed action plan, with milestones, to increase the pace of project identification by communities and compensate for vital skilled labor shortages in order to meet the overall target for infrastructure improvement. USAID/Zambia responded that, as activity manager (not agreement officer's technical representative) and taking into consideration 'substantial involvement' limitations, the mission consulted the consortium on ways it might increase the pace of the project. The consortium developed a detailed

plan, which is currently under review by the Office of Food for Peace for approval along with the PREP. The mission asserted that this will increase the pace at which communities identify projects and compensate for vital skilled labor shortages to meet the overall target for infrastructure improvement. This plan, once reviewed, modified as necessary, and approved by the Office of Food for Peace, will be included in the FY 2011 PREP, and USAID and the Office of Food for Peace will use the presented plan to monitor progress. On the basis of information provided by the mission in response to the draft report, we determined that a management decision has been reached on this recommendation.

Regarding Recommendation 8, the draft audit report recommended that USAID/Zambia coordinate a cost analysis to determine whether internal transport, storage, and handling costs have been correctly classified and to ascertain the most cost-effective method of transporting and distributing commodities. USAID/Zambia responded that the Office of Food for Peace had performed a cost analysis and a funding classification analysis at program initiation and annually for the consortium's program. The consortium's budget was reviewed when the program was proposed and each year thereafter by the program operations division of the Office of Food for Peace. Any excessive costs or inappropriate classifications were addressed and resolved at the time of those reviews.

The mission also noted that the program does not derive any economies of scale in commodity distribution because it handles relatively small quantities of food commodities. Some examples where the program is disadvantaged include:

- The program's average annual food commodity need per district is 250 metric tons. Available average storage space in all districts is 1,500 metric tons. The consortium therefore has to rent a much larger storage space for only 250 metric tons of food.
- The program distributes an average of 2 metric tons per month to 60 sites, spread over six districts. The small quantity and the distance between sites do not attract competitive distribution bids.

The mission further stated that Food for Peace/Washington and USAID/Zambia plan to continue to perform annual cost analysis and funding classification analysis for the consortium's program. In reviewing future budget PREP submissions, starting with the FY 2011 submission, Food for Peace/Washington and USAID/Zambia will conduct a more thorough cost analysis to determine whether internal transport, storage, and handling costs are correctly classified and are reasonable. Further, to ascertain the most cost-effective method of transporting and distributing commodities, Food for Peace/Washington and USAID/Zambia will ensure that the consortium gets multiple price quotes for transporting and distributing agreements, in accordance with USAID procurement policies and guidelines.

The Regional Inspector General/Pretoria disagrees. As noted in this report, funds allocated for transportation and storage accounted for only 10 percent of internal transport, storage, and handling expenses. Therefore, the disadvantages that USAID/Zambia mentioned in their management comments played an insignificant role in the abnormally high internal transport, storage, and handling expenses. We are modifying our recommendation to state that the mission should coordinate an *independent* cost analysis to determine whether internal transport, storage, and handling costs have been correctly classified and to ascertain the most cost-effective method of

transporting and distributing commodities. On the basis of information provided by the mission in response to the draft report, we determined that a management decision has not been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. This objective is to determine whether USAID/Zambia's food security activities are achieving their main goals of reducing food insecurity and increasing resiliency in targeted vulnerable communities of Zambia by 2011. We believe the evidence obtained provides that reasonable basis. Audit fieldwork was conducted at USAID/Zambia and at selected offices and activity sites of consortium members in Zambia from February 16 to March 5, 2010, and covered fiscal year (FY) 2009.

As of September 30, 2009, USAID/Zambia was implementing a 5-year assistance program through an agreement between USAID's Office of Food for Peace in Washington, D.C., and the Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets. The agreement's total estimated value was \$38,041,644, including nonfederal cost sharing of \$1,364,707 and an estimated commodity value of \$6,729,100. The total FY 2009 value of the agreement was approximately \$8.0 million, including \$783,000 in commodities; \$306,200 in ocean freight; \$171,000 in inland transportation costs; \$4.0 million in internal transport, storage, and handling costs; and \$2.7 million in 202(e) (administrative) funding.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and review of performance measures and indicators. Specifically, we examined and evaluated documentation prepared by the mission and consortium members including the following:

- Consortium agreement and amendments
- Consortium proposal
- Indicator performance tracking table
- Target and actual performance results
- Data quality assessments
- Site visit reports prepared by USAID/Zambia officials
- USAID/Zambia's FY 2009 Full Performance Plan and Report
- USAID/Zambia's certification required under the Financial Managers' Financial Integrity Act of 1982 (as codified in 31 U.S.C. 1105, 1113, 3512)

We also interviewed key USAID/Zambia personnel, consortium officials, and individual beneficiaries.

Methodology

To answer the objective, we interviewed USAID/Zambia mission and consortium officials. We sought to understand the mission's food security activities and to identify the key performance indicators used to measure the contribution of those activities to meeting the main goals of decreasing food insecurity and increasing resiliency.

Next, we examined claims and assertions made in USAID/Zambia's Full Performance Plan and Report for FY 2009, under "Food Security," as submitted to the Foreign Assistance Coordination and Tracking System. We used both judgmental and statistical sampling to test numerical assertions regarding reported beneficiaries of the mission's food security activities. We used these methods because they were the most effective and efficient given available resources.

The mission initially reported that approximately 42,000 individuals benefited from its targeted food assistance and food-for-assets activities during FY 2009. We determined that this number was incorrect. The consortium reported that approximately 16,800 individuals benefited from targeted food assistance and food-for-assets activities during FY 2009. Of these 16,800, we judgmentally selected 198 to determine whether they had received food assistance. The results of our test cannot be projected to the population.

The consortium claimed that 6,780 households had received seeds through the program in FY 2009. After potential duplicates were removed, a list of 6,303 seed recipients (not necessarily households) remained. We chose at random 49¹⁴ of the 6,303 individuals who reportedly had received seeds and reviewed documentation to verify their receipt of seeds. The documentation did not support receipt of seeds by all of these individuals. Projecting our results to the population, we estimated that 5,917 beneficiaries, plus or minus 4 percent, received seeds in FY 2009.

We also examined the indicator performance tracking tables. We interviewed the consortium's monitoring and evaluation specialists to determine how performance targets and results were set and obtained. As part of this process, we gained an understanding of the data reported annually to the mission and developed procedures to test the data's validity and reliability. We also conducted site visits in Southern Province to verify the existence or occurrence of activities.

Finally, we reviewed documents as part of our audit procedures. These included excerpts from USAID/Zambia's annual report for FY 2009, as explained above; the agreement with the consortium and all modifications; and the consortium's monitoring and evaluation plan. We also utilized the Government Accountability Office's *Standards for Internal Control in the Federal Government*; Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations"; and USAID's Automated Directives System, Chapters 200 through 203.

¹⁴ The sample size of 49 was calculated using a one-sided random sample with a 90-percent confidence interval, a variation of 0.04, and an expected error rate of 0.05.

MANAGEMENT COMMENTS



Date: July 22, 2010

To: Likza Iglesias, Acting Regional Inspector General (RIG)/Pretoria

From: Sheila Lutjens, Acting Mission Director, USAID/Zambia /s/

Subject: Management decisions on the Audit of USAID/Zambia's Food Security Activities (Audit Report No. 9-611-10-XXX-P)

USAID/Zambia appreciates the June 23, 2010 Audit Report by RIG/Pretoria pertaining to USAID/Zambia's food security activities. The above subject audit report and recommendations will improve the quality of the program and will ensure that USAID/Zambia food security activities achieve their intended objectives.

USAID/Zambia has reviewed and is in agreement with all eight (8) recommendations. The following provides Mission Management's responses and actions already taken and those planned to be taken, in order to properly address the findings and recommendations contained in the report. In addition, Mission Management suggests that RIG/Pretoria consider clarifying, throughout the entire audit report, that the Food Security Activities Audit focused specifically on the Consortium for Food Security, Agriculture and Nutrition, AIDS, Resiliency and Markets (CFAARM) program, an agreement between USAID/Food for Peace (FFP) and Catholic Relief Services (CRS - Transfer Authorization award number FFP-A-00-07-00004-00). The audit did not include other USAID/Zambia specific food security activities. This CRS award is centrally funded and the agreement officer is the Director of the office of FFP in Washington. USAID/Zambia staff serves as the Activity Manager of the CRS award. USAID/Zambia has not obligated any funds into this agreement.

Recommendation No. 1: We recommend that USAID/Zambia revise its annual report submission to the Foreign Assistance Coordination and Tracking System related to food security activities for FY 2009.

Actions Taken:

USAID/Zambia made the revisions to the Foreign Assistance Coordination and Tracking System (FACTS) Program Performance Report (PPR) on March 11, 2010. Attachment 1

is the printout of pages 73 and 85 of the revised FACTS PPR from Humanitarian Assistance.

The above constitutes the measures taken to ensure that Recommendation No. 1 is addressed. Therefore, Mission recommends that Recommendation No. 1 be closed.

Recommendation No. 2: We recommend that USAID/Zambia develop written policies and procedures to review all data submitted through the Foreign Assistance Coordination and Tracking System to ensure that they meet USAID's data quality standards.

Actions Taken:

1. USAID/Zambia approved the Data Quality Assessment (DQA) Mission Order (Attachment 2) on July 19, 2010. The Mission Order applies to all USAID programs and ensures data collected and submitted meets USAID data quality standards.
2. Other USAID/Zambia and FFP efforts undertaken to ensure that data quality standards are met include the following:
 - USAID conducted a DQA on CFAARM in January 2010 (Attachment 3) and complies with the ADS 203.3.5.2 requirement that Missions hold DQAs every three years.
 - To further strengthen data reviews, FFP Pretoria requested that CFAARM use Quarterly Web Commodity Reporting (QWICR) tool, located at www.qwicr.com. CFAARM staff has completed training on this tool (see Attachment 4: QWICR training attendance list). CFAARM will now be submitting quarterly commodity reports through QWICR, starting with the third quarter of Fiscal Year (FY) 2010. The QWICR is a transparent system which allows USAID/Zambia quick access to CFAARM data on food/commodity quantities and beneficiaries. USAID/Zambia will be able to review and analyze the submissions and track loss trends in a timely manner.

Planned Actions:

1. In addition to QWICR, USAID/Zambia is overseeing development of a comprehensive database by CFAARM to track all beneficiaries (includes food for work, conservation agriculture, nutrition activities and key interventions of the program). USAID/Zambia and CFAARM met on June 15, 2010 (Attachment 5) to discuss the development of the database. This comprehensive database will enhance the programs ability to track real-time information on beneficiaries and key interventions of the program at prime partner and sub-partner level. The database will be fully developed and functional by July 30, 2010 (Attachment 6: Timeline for database development). As of July 23, approximately 85% of the database has been completed.

The above constitutes the measures taken to ensure that Recommendation No. 2 is addressed. Therefore, Mission recommends that Recommendation No. 2 be closed.

Recommendation 3: We recommend that USAID/Zambia contact the USAID Office of Food for Peace and take steps to coordinate and improve monitoring and evaluation of food security activities in Zambia.

Actions Taken:

1. USAID/Zambia's FFP Activity Manager and General Development Officer met with the FFP Country Backstopping Officer (CBO), the Agreement Officer's Technical Representative (AOTR) for this award, on March 30, 2010, in Zambia (Attachment 7). USAID/Zambia and the CBO agreed to continue coordinating and improving monitoring of the CFAARM program. Some of the actions agreed in the meeting include: sharing all communication with implementing partners; and continue holding monthly conference calls to discuss CFAARM program monitoring.
2. Regular communication occurs between USAID/Zambia and FFP regional staff located in USAID/South Africa. FFP regional staff conducts at least two monitoring visits per year in Zambia. The most recent visit was in February 2010 when the FFP Regional Officer and Commodity Specialist conducted QWICR training, referenced in 'actions taken' under Recommendation No. 2.
3. FFP/Washington will continue to monitor the program and engage independent institutions to conduct evaluations of the CFAARM program, in accordance with the FFP Information Bulletin 09-06 (Attachment 8). FFP/Washington, FFP/Regional officers, and USAID/Zambia will review the scope of work for the independent evaluations and will ensure that the partner implements evaluation recommendations. CFAARM developed an Action Plan (Attachment 10) for implementation of recommendations, findings and observations defined in the: CFAARM mid-term evaluation of October 2009 (Attachment 9), the CFAARM DQA, (Attachment 3), and RIG/Pretoria Audit of USAID/Zambia Food Security Activities (2010).

Planned Actions:

1. FFP and USAID/Zambia will continue to hold monthly conference calls to discuss CFAARM program monitoring and both will share communication to implementing partners, as per Attachment 7.
2. FFP and USAID/Zambia will provide input in the development of the scope of work for the final evaluation of the CFAARM program, scheduled to take place in FY 2011 before the end of the program and in accordance with FFP Information Bulletin 09-06-Section II.D (Attachment 8).

The above constitutes the measures taken to ensure that Recommendation No. 3 is addressed. Therefore, Mission recommends that Recommendation No. 3 be closed.

Recommendation 4: We recommend that USAID/Zambia develop written procedures to improve oversight of reporting on performance indicators related to food security.

Actions Taken:

1. USAID/Zambia approved the DQA Mission Order on July 19, 2010 (Attachment 2). The Mission Order will guide USAID/Zambia in providing oversight and ensuring that data submitted by partners meet quality standards.
2. In addition to the DQA Mission Order, USAID/Zambia and FFP/W have undertaken the following activities to improve oversight of reporting on performance indicators related to food security:
 - USAID/Zambia has strengthened its FFP Activity Manager's monitoring plan to specifically increase oversight of CFAARM reporting on food security performance indicators (Attachment 11). This increased oversight is already taking place and will continue during the life of the CFAARM program.
 - FFP/W has developed a draft reporting guide for FFP Officers, field-based and Washington-based (Attachment 12), to increase and improve oversight on all Title II programs. FFP/W will finalize the guide, with field input, by end of calendar year 2010.
 - USAID Zambia invited the Senior Monitoring and Evaluation (M&E) Specialist from USAID East Africa to Zambia; the specialist provided DQA training for COTRs/AOTRs and Activity Managers (including those assigned to FFP activities) in Monitoring and Evaluation of USG programs (see Attachment 13-June 17, training attendance register). The training will enhance COTRs/AOTRs and Activity Managers' ability to monitor, evaluate and manage programs.
 - USAID/Zambia has held technical and policy meetings with CFAARM aimed at improving reporting on performance indicators (Attachments 5, 14,15 and 16). These meetings will continue as planned through life of program with USAID/Zambia in attendance.

Planned Actions:

1. USAID/Zambia plans to conduct DQA visits to CFAARM, as per the DQA Mission Order (Attachment 2), in order to improve oversight of reporting on performance indicators.

The above constitutes the measures taken to ensure that Recommendation No. 4 is addressed. Therefore, Mission recommends that Recommendation No. 4 be closed.

Recommendation 5: We recommend that USAID/Zambia provide guidance to cooperating sponsor officials responsible for implementing food security activities on the purpose of performance indicators, including how to develop targets and report, valid, relevant, and reliable information.

Actions Taken:

1. USAID/Zambia provided guidance to CFAARM on performance indicators, targets, and reporting (June 21, 2010 meeting, Attachment 16).
2. USAID/Zambia has provided CFAARM with written guidance on performance indicators, developing targets and quality data reporting (Attachments 17 and 18). As a result of the June 21 meeting and guidance provided, CFAARM has completed clarifying indicator definitions, data collection methods and reporting of its performance indicators (Attachment 19).
3. FFP/W circulated updated guidance FFP-IB 09-06 (Attachment 8) on monitoring and evaluation responsibilities of Multi-Year Program (MYAP) awardees to all partners, including CFAARM, for FFP-funded programs. This guidance includes Monitoring and Evaluation responsibilities at all stages of programming, final evaluation guidance and resources.
4. The USAID supported FANTA Project-2, holds week-long M&E workshops with newly awarded MYAP partners and USG staff, charged with monitoring the programs, in order to improve the quality of Title II M&E data and the M&E procedures on the ground. The workshops improve the design of program results frameworks, baselines, and M&E plans and ensures that required indicators from FFP and Missions are included in partner M&E plans and that data are collected in a consistent manner. CFAARM began prior to the establishment of the FANTA workshops and have not benefited from them to date according to records available to the Mission. However, we are aware that CRS headquarters staff attended the FANTA M&E workshop held in August 2007 in Washington (Attachment 20). FFP/W will request all new MYAP program partners to attend these workshops.

Planned Actions:

1. CFAARM will submit these ‘clarified indicators’ to FFP/W for approval along with the required Pipeline and Resource Estimate Proposal (PREP) by August 31, 2010.
2. FFPW will review and approve the PREP by September 30, 2010.

The above constitutes the measures taken to ensure that Recommendation No.5 is addressed. Therefore, Mission recommends that Recommendation No. 5 be closed.

Recommendation 6: We recommend that USAID/Zambia determine whether currently reported indicators, that are not required by USAID’s Office of Food for Peace, should be modified or eliminated to improve the value and quality of the performance indicator reporting.

Actions Taken:

1. Subsequent to the USAID/Zambia Food Security Audit, and with assistance and guidance from FFP/W and USAID/Zambia, CFAARM submitted a draft of proposed indicator clarifications (Attachment 19), on program performance. USAID/Zambia and FFP/W determined that no indicators should be eliminated. Any additional need for further indicator clarifications will be assessed through the FY2011 PREP.
2. The value and quality of the reported performance indicators reporting was addressed by USAID/Zambia during the January 2010 CFAARM DQA, as per DQA report (Attachment 3). USAID/Zambia has closely followed implementation of the DQA recommendations (Attachment 10).

Planned Actions:

1. Given the upcoming end date of the CFAARM agreement in September 2011, FFP determined that changing indicators at this time would be counterproductive. Therefore, FFP has requested that CFAARM address any shortcomings on individual indicators as part of their final evaluation to inform future programming. Attachment 8- Food for Peace Information Bulletin 09-06-Section II.D.
2. FFP will review the draft copy of clarified performance indicators by CFAARM, (Attachment 19) through the Pipeline and Resource Estimate Proposal due by August 31, 2010 and provide appropriate feedback and guidance.

The above constitutes the measures taken to ensure that Recommendation No. 6 is addressed. Therefore, Mission recommends that Recommendation No. 6 be closed.

Recommendation 7: We recommend that USAID/Zambia develop a detailed action plan, with milestones, to increase the pace of project identification by communities and compensate for vital skilled labor shortages in order to meet the Life of Activity target for infrastructure improvement.

Actions Taken:

1. As Activity Manager (not AOTR) and taking into consideration 'substantial involvement' limitations, USAID/Zambia consulted CFAARM on ways they might increase the pace of the project. CFAARM developed a detailed plan, which is currently under review by FFP/W for approval along with the PREP, will increase the pace of communities identifying projects and compensation for vital skilled labor shortages in order to meet the Life of Activity target for infrastructure improvement (Attachment 22). The plan attempts to implement infrastructure activities in all selected communities by end of project in accordance with the CFAARM program description.

Planned Actions:

1. FFP/W and USAID/Zambia will consult regularly with CRS/CFAARM on programming and goals as agreed in the meeting of March 30, 2010 (Attachment 7). As part of FFP program management, FFP/W will continue to review Annual Results Reports and coordinate with CRS regularly on progress and outcomes.
2. The plan developed in Planned Actions #1, above, once reviewed and/or modified, as the case may be, and approved by FFP/W, will be included in FY2011 PREP and USAID and FFP will use the presented plan to monitor progress. The FY2011 PREP review is due at the end of FY 2010.

The above constitutes the measures taken to ensure that Recommendation No.7 is addressed. Therefore, Mission recommends that Recommendation No.7 be closed.

Recommendation 8: We recommend that USAID/Zambia coordinate a cost analysis to determine whether internal transport, storage, and handling costs have been correctly classified and to ascertain the most cost-effective method of transporting and distributing commodities.

Actions taken:

1. FFP/W performs a cost analysis and a funding classification analysis at program initiation and annually for the CFAARM program. The CFAARM budget was reviewed when the program was proposed, and is reviewed each year by the program operations division at FFP/W (Attachment 23). Any excessive costs or inappropriate classifications are addressed and resolved at that time.

It is worthy noting that the CFAARM program does not have any advantage on economies of scale in commodity distribution as it handles relatively small quantities of food commodities. Some examples where CFAARM is disadvantaged include:

- The program's average food commodity needs per district per year, is 250 metric tones. Available average storage space in all districts is 1,500 metric tones. CFAARM has limited options and therefore needs to rent the available space for only 250metric tones through the year.
- The program distributes an average of two metric tones per month to 60 sites, spread over six districts. The small quantity, distance, and spread of sites does not attract competitive distribution bids.

Planned Actions:

1. FFP and USAID/Zambia plan to continue to perform annual cost analysis and funding classification analysis for the CFAARM program. In reviewing future budget PREP submissions, starting with FY 2011 submission, FFP/W and USAID Zambia will conduct a more thorough cost analysis to determine whether internal transport, storage, and handling costs are correctly classified and are reasonable. Further, to ascertain the most cost-effective method of transporting and distributing commodities, FFP/W and USAID/Zambia will ensure that CFAARM

gets multiple costs in accordance with USAID procurement policies and guidelines.

The above constitutes the measures taken to ensure that Recommendation 8 is addressed. Therefore, Mission Management recommends that Recommendation 8 be closed.

The above constitutes USAID/Zambia's management decisions and comments with regard to Recommendations 1, 2, 3, 4,5,6,7, and 8 contained in audit report number 9-611-10-XXX-P. Therefore, in accordance with ADS 595.3, this memo constitutes the management decisions and measures taken/planned to address the recommendations in Audit Report No. 4-611-10-XXX-P and requests the closure of all the eight (8) audit recommendations.

Attachment: a/s

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