



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/BOLIVIA'S INTEGRATED FOOD SECURITY PROGRAM

AUDIT REPORT NO. 1-511-11-006-P  
JULY 28, 2011

SAN SALVADOR, EL SALVADOR



*Office of Inspector General*

July 28, 2011

**MEMORANDUM**

**TO:** USAID Bolivia Mission Director, Wayne Nilsestuen  
USAID Office of Acquisition and Assistance Director, Maureen Shauket

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

**SUBJECT:** Audit of USAID/Bolivia's Integrated Food Security Program  
(Report Number 1-511-11-006-P)

This memorandum transmits our report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report and have included the comments in their entirety in Appendix II.

The report includes 12 recommendations. On the basis of actions taken by the mission, we determined that final action has been taken on Recommendations 8 and 9, and management decisions have been reached on Recommendations 1, 2, 3, 4, 5, 6, 7, 10, 11 and 12. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action.

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

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**Abbreviations**

The following abbreviations appear in this report:

ADS	Automated Directives System
AO	assistance objective
CFR	Code of Federal Regulations
CPTS	Center for Promotion of Sustainable Technologies (Spanish acronym)
DCAA	Defense Contract Audit Agency
EPA	U.S. Environmental Protection Agency
FACTS	Foreign Assistance Coordination and Tracking System
FAR	Federal Acquisition Regulation
FY	fiscal year
GH/CS	Global Health/Child Survival
IFS	Integrated Food Security
PMP	performance management plan
OIG	Office of Inspector General
SEGE	Office of Sustainable Economic Growth and Environment

# SUMMARY OF RESULTS

Bolivia is one of the poorest and least developed countries in Latin America. Sixty percent of Bolivia's population lives in poverty and 38 percent lives in extreme poverty (77 percent in rural areas). In a 2008 publication, *Confronting Food Insecurity in the LAC Region Under Rising Food Prices*, Bolivia was ranked as the third highest food insecure country in Latin America. Despite its high incidence of malnutrition and poverty, Bolivia was not included as a beneficiary for USAID's new poverty and hunger program Feed the Future. USAID/Bolivia programs addressing reduction of hunger and poverty, Food for Peace<sup>1</sup> and the Market Access and Poverty Alleviation II<sup>2</sup> Program, were discontinued in 2009 and 2010, respectively. The Integrated Food Security (IFS) Program, implemented under a contract with Abt Associates, Inc., is USAID's sole program focused on food insecurity in Bolivia.

The stated goal of USAID/Bolivia's IFS program is to increase food security and decrease chronic malnutrition<sup>3</sup> in selected rural areas of the country. USAID's definition of food security is fourfold: (1) food availability, (2) food access, (3) food utilization, and (4) reduced risk of vulnerability against natural shocks. The IFS program has seven objectives for achieving its goal: (1) improve food availability, (2) increase food access, (3) reduce maternal and child malnutrition, (4) address lack of rural infrastructure, (5) reduce threats to biodiversity, (6) build resilience to climate change impacts, and (7) strategically develop a value chain for production of quinoa.<sup>4</sup> According to USAID/Bolivia's contract with Abt, the program is to be implemented in at least 18 municipalities in central Bolivia (shown in the map on page 4).

Abt is implementing the IFS program under a 5-year, cost-plus-fixed-fee completion form task order for the period September 30, 2009, through September 29, 2014. Originally funded for \$24 million, the award was increased to \$26.3 million on September 27, 2010. As of April 2011, cumulative obligations and expenditures under the program totaled approximately \$11.5 million and \$3.6 million, respectively. Funding for the integrated IFS program comes from four sources—maternal and child health, nutrition, biodiversity, and agriculture—with agriculture funds making up the largest percentage.

The contract contained 54 tasks to achieve the program objective, and USAID/Bolivia and Abt agreed on 34 performance indicators to measure program achievements. To implement projects in communities within the 18 selected municipalities, the IFS program budget includes \$8.8 million in subawards, representing 33 percent of the award amount.

The objective of this audit was to determine whether USAID/Bolivia's Integrated Food Security

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<sup>1</sup> Administered by USAID, Public Law 480, Title II—Emergency and Private Assistance (also known as Food for Peace), provides for the donation of U.S. agricultural commodities to meet emergency and nonemergency food needs in other countries, including support for food security goals.

<sup>2</sup> The purpose of the Market Access and Poverty Alleviation II Program was to raise incomes for rural Bolivians by increasing entrepreneurs' access to agricultural technology and marketing services.

<sup>3</sup> Malnutrition is a general term that indicates a lack of some or all nutritional elements necessary for human health, including protein-energy malnutrition (the lack of enough protein and food that provides energy) and micronutrient (vitamin and mineral) deficiency. The World Health Organization has an index for determining malnutrition in children based on weight, height, and age.

<sup>4</sup> Quinoa is a cereal crop that has been cultivated as a dietary supplement in the Andean highlands since 3,000 B.C. Quinoa is considered a nutritional food, based on its amino acid composition; high content of calcium, phosphorus, and iron; and low sodium content.

Program is achieving its intended results of increasing food security and decreasing chronic malnutrition in rural areas. In addition, the Inspector General Act of 1978 requires auditors to promote economy, efficiency, and effectiveness in the administration of USAID programs and to prevent and detect fraud and abuse in such programs and operations.

After 1 year of operation, the IFS program had barely begun to implement its 47 proposed projects in seven<sup>5</sup> municipalities. Although it is too early to assess the impact of these initial projects, the program as a whole is unlikely to achieve its planned results. USAID/Bolivia has undertaken discussions with Abt to redesign the program, which could include a change of program objective, reduction in number of municipalities assisted, elimination or redefinition of the 54 tasks, and a material reduction in the number of program indicators.

In addition, future agricultural funding for USAID/Bolivia will play a critical role in the success of the program. The biggest source of IFS program funding is from agriculture funds. The proposed fiscal year (FY) 2012 budget for USAID/Bolivia eliminates agriculture funds. If there is no change in the FY 2012 budget, the program may not survive unless USAID/Bolivia finds a creative work-around for funding.

During the IFS program's design, USAID/Bolivia incorporated USAID's methodology for sustainability to help ensure that the program will have long-lasting impacts in the limited number of communities selected for implementation (page 5). However, the audit identified various issues that USAID/Bolivia should address to help ensure that the IFS program achieves its intended results and avoids future problems. Specifically—

- USAID/Bolivia did not adequately plan the award budget to achieve the results at the level the program intended. As of April 2011, Abt has signed awards representing 76 percent of the subaward budget to implement 21 of 47 planned projects. In addition, an increase in the award amount did not lead to the intended expansion of program activities, calling into question the allowability of the additional fee (page 6).
- USAID/Bolivia overestimated the rate at which the program would spend its funds, resulting in an overobligation of program funds that could have been put to other uses (page 8).
- Performance indicators were not well defined, resulting in sparse information regarding what the program will achieve. In addition, no outcome indicators were specifically identified for determining whether the program's overall goals have been achieved (page 9).
- Earmark funds were not being consistently reported between offices because of a lack of coordination between program offices. The lack of coordination also resulted in the IFS program not obtaining technical expertise needed for the integration of different disciplines (page 11).
- A subgrantee is performing on two concurrent USAID awards for different aspects of the same project. There is a potential for award funds to be commingled. In addition, these awards include patentable products, and USAID should ensure that it obtains the licensing rights. The grantee has also developed and used a pesticide that has not yet been approved by the U.S. Environmental Protection Agency (EPA) (page 12).

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<sup>5</sup> Initially there were eight municipalities; however, one dropped out.

- The audit identified a potential for fraud in the community cost-share component of the IFS program grants and subcontracts. One subcontractor created an agreement with a local community that was not transparent or made known to Abt. In addition, it was not clear if the subcontractor was overcompensated through payment in the subcontract for work and funds provided by the community. Other IFS subcontracts are also vulnerable to potential abuse (page 14).
- The accounting system had not been audited in the past 10 years even though Abt implemented a new accounting system in 2003, potentially putting taxpayer dollars at risk (page 15).

To assist USAID in improving the efficiency and effectiveness of its integrated food security program, this report recommends that USAID/Bolivia—

1. Determine how the remaining budget can be allocated to effectively implement the remainder of the program projects (page 8).
2. Determine the allowability of, and collect as appropriate, the questioned fixed fee in the amount of amount \$143,395 (page 8).
3. Deobligate funds exceeding amounts required by the program (page 9).
4. Update the performance management plan (PMP) to include clearly identified outcome indicators (page 10).
5. Update the PMP to define all performance indicators (page 11).
6. Ensure that all earmark funds are properly reported (page 12).
7. Conduct an audit of the subgrantee Center for Promotion of Sustainable Technologies (CPTS) by year end (page 14).
8. Take steps to ensure that USAID obtains the nontransferable, irrevocable, and paid-up license for equipment and pesticide developed under the USAID awards (page 14).
9. Evaluate whether or not the existing quinoa pesticide could be utilized in the program and, if not, obtain an opinion from the EPA for the use of the newly developed pesticide (page 14).
10. Review Abt subcontracts related to cost-sharing activities to determine whether subcontractors are overcompensated through subcontract work duplicated by work or cash provided by the community cost share (page 15).
11. Ensure that Abt provides a monitoring plan to ensure that community cost-sharing contributions are not abused (page 15).

The report further recommends that—

12. USAID's Office of Acquisition and Assistance contract with the Defense Contract Audit Agency to conduct an audit to determine the adequacy of Abt's accounting system (page 16).



# AUDIT FINDINGS

## Program Design Incorporated Sustainable Development Methods

According to USAID guidance:<sup>6</sup>

Development is “sustainable” when it permanently enhances the capacity of a society to improve its quality of life....Sustainable development mandates participation. It must be based on the aspirations and experience of ordinary people, their notion of what problems should be addressed, and their consultations with government, development agencies, and among themselves. Sustainable development requires investments in human capital—in the education, health, food security, and well-being of the population.

Additional USAID guidance<sup>7</sup> describes benefit sustainability: Within the development community, sustainability refers to the ability of benefit flows to be maintained after project funding ceases. Components of benefit sustainability include—

- Analysis of host government policies that support or constrain program objectives
- National and/or local commitment to project goals
- Program technology appropriate to the recipient country’s financial, ecological, and institutional capabilities, well integrated into the country’s social and cultural setting
- Community participation
- Ecological soundness
- Technical assistance oriented toward transferring skills and increasing institutional capacity and ability of the project to provide training to transfer the skills needed for capacity building
- Host country perception that the project is “effective”
- The degree of the program’s integration into the existing institutional framework
- Analysis of external political, economic, and environmental factors

USAID incorporated many of these sustainable development concepts into the IFS program design. For instance, USAID designed the IFS program to align closely with Government of Bolivia plans and policies on poverty reduction and food security: the Plan to Alleviate Extreme Poverty, the Desnutrición Cero (Zero Malnutrition) Program, and the National Development Plan. Because ongoing tension has hindered interaction between USAID and the Bolivian government, USAID focused its cooperation on local governments, designing projects in conjunction with local government and with community input, and obtaining written commitments for funds from the local governments.

Abt’s initial assessment of food security in targeted Bolivian municipalities included evaluation of constraints and opportunities to benefit various sectors, such as climate change, energy, agricultural production, biodiversity, food security, and health and sanitation. Abt collected baseline information for each of seven targeted municipalities at the start of the program to obtain an understanding of specific conditions related to the program objectives. Abt also

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<sup>6</sup> USAID’s *Strategy for Sustainable Development: An Overview*.

<sup>7</sup> *Theory and Practice in Sustainability and Sustainable Development*.



conducted an environmental assessment to determine environmental impact and possible remedial actions.

In addition, each project requires community contributions. Abt provides community-based training to explain the importance of the proposed project. To comprehensively address food security, the program strives to integrate a variety of disciplines, including agriculture, health, biodiversity, and climate change, as shown in the following examples:

- In Caracollo, Abt used an integrated methodology to improve nutrition and maternal and child health while addressing climate change. The project taught community members about good nutrition, provided new recipes for more balanced nutrition, and constructed ecological stoves. The community learned the importance of including different food groups in the daily diet and was introduced to new recipes that combined locally available vegetables and eggs with a salad made from the leaves of lima beans (which traditionally had been fed to cattle). The beneficiaries and their children found the dishes appealing, and the new ecological stoves reduced the levels of unhealthy smoke while requiring less fuel to prepare meals. During the project, one beneficiary stated that he was taught to build ecological stoves.
- In Mizque, where Abt is constructing an irrigation system, the community was required to obtain agreement for the project from all the surrounding communities, as the source of water was a communally used river. In addition, the community agreed, as part of its contribution, to dig the channel for the irrigation piping. When the community discovered that it did not have the equipment to dig through a stretch of solid rock, the community members raised the money to pay a subcontractor for this work. Other IFS projects benefiting the community include the restoration of a dairy, which will contribute milk and milk products for the government-sponsored school breakfast program, and the same nutrition and ecological stove activities provided in Caracollo.

Abt had just begun launching its projects during this audit; therefore, it is too soon to tell whether there will be a sustainable impact. Although the program is not large scale, affecting just a few communities in selected municipalities, if the projects prove to be sustainable, the program's integrated methodology might provide useful lessons for other USAID programs.

## **USAID Did Not Develop Appropriate Program Funding Plans**

USAID's Automated Directives System (ADS), chapter 202.3.7, states that the USAID mission or office and its assistance objective (AO) teams<sup>8</sup> are responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-effective and timely manner, in accordance with applicable regulatory requirements.

Federal Acquisition Regulation (FAR) 16.306 (d)(1) states that a cost-plus-fixed-fee completion form contract describes the scope of work by stating a definite goal or target and specifying an end product. This form of contract normally requires the contractor to complete and deliver the specified end product (e.g., a final report of research accomplishing the goal or target) within the estimated cost, if possible, as a condition for payment of the entire fixed fee. However, if the

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<sup>8</sup> An AO team is a group of people with complementary skills who are empowered to achieve a specific foreign assistance result for which they are willing to be held accountable. (ADS 200.6(b))

work cannot be completed within the estimated cost, the government may require more effort without increase in fee, provided the government increases the estimated cost.

The audit found that an increase in the award amount has not led to an increased number of projects as intended, and also that the budgeted amount for implementing the projects was not sufficient to achieve stated project activity levels.

**Increase in Contract Award.** USAID/Bolivia increased the total estimated contract for the IFS program by \$2.3 million after the first year of implementation. However, the mission did not base the budget increase on a sound assessment that demonstrated a need for additional funds, but rather increased the award because of an unexpected availability of funds. Following a request from the Government of Bolivia, USAID/Bolivia terminated its democracy program and redistributed its allocated funds to other programs. The IFS program received \$2.3 million<sup>9</sup> from these funds, including an additional fixed fee of \$143,395, even though as of September 2010 Abt had not reported any program achievements and had hardly begun any of the 47 planned projects. With the increased funding available, USAID/Bolivia believed that an additional 60 projects could be implemented in FY 2010.

However, while USAID/Bolivia expected to fund 60 new projects, Abt indicated that it would use the additional funds to (1) expand funding to more community projects, (2) expand and deepen technical coverage, and (3) support joint initiatives with other donors. Abt never agreed to increase the number of projects by 60, and despite the increase in funding, Abt did not expand the projects, and it actually is now proposing a reduction in the program's scope. As of March 2011, no new projects were added. In fact, 5 projects were dropped when one municipality refused to participate and another 8 were dropped for various reasons, reducing the total number of projects by 13. Thus, even though the contract with Abt initially required the implementation of projects in 18 municipalities, Abt recently proposed decreasing the program scope to 11 municipalities and possibly retaining just the 7 current municipalities.

**Inadequate Budgeting for Proposed Activities.** On the basis of project funds used to date, the audit determined that Abt underestimated the amount of project funds needed to implement projects in the proposed 18 municipalities. Within the contract's overall budget, USAID's subaward budget of \$6.7 million (28 percent of the award amount) was meant to fund the individual community projects. When USAID increased the award to \$26 million, it increased the subawards budget to \$8.8 million (33 percent of award amount).<sup>10</sup>

As of March 2011, Abt had signed 26 awards to implement 21 IFS projects.<sup>11</sup> These projects will be implemented in seven municipalities at a cumulative cost of \$6.7 million, of which \$2.7 million is for program-wide projects. The total cost for 26 subawards (\$6.9 million) represents 104 percent of the original budgeted amount and 79 percent of the current budget. Abt has \$1.8 million to implement additional projects over the next 3 years. The Abt 5-year work plan contains the following statement, which highlights a lack of planning for achieving the intended level of project activity through its subawards (including both grants and subcontracts):

A Grants and Contracts fund will be established by the project as an effective tool to finance the implementation of small- and medium-size projects that contribute to the

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<sup>9</sup> A USAID memorandum authorized the reprogramming of \$2.5 million for the IFS program; however, only \$2.3 million was subsequently awarded.

<sup>10</sup> Sixty-seven percent of the award funds are administrative costs for running the program.

<sup>11</sup> Five subawards were not related to direct project activity.

project's goal and to the achievement of its seven project objectives. The fund will initially be established at \$4 million, but can be increased at any point in implementation upon the agreement of Abt Associates and USAID. In fact, an increase of \$2.3 million is already under discussion.

In its own recent evaluation of the project, Abt noted that—

The contract budget as presently defined is insufficient to achieve desired results in the municipalities envisioned in the original design for five main reasons: (i) low density population levels in the poorest and most vulnerable communities; (ii) very limited presence of children under five and expectant or lactating women in the communities; (iii) the need to “stack” interventions in a mutually reinforcing manner given that the four pillars of food security are interconnected; (iv) each additional municipality entails both high setup and high transaction costs; and (v) some municipalities may require additional development partnerships, which are transaction-heavy.

USAID/Bolivia is in the process of realigning the IFS program and is considering reducing the scope of the program from 18 municipalities to 9. The audit disclosed that the increase in the award did not lead to a related increase in projects as USAID intended, and in fact initial funds were not adequate to meet the proposed project levels. Thus, Abt should not be eligible for the increased fixed fee awarded that accompanied the increase in the program award. Therefore, this audit makes the following recommendations:

***Recommendation 1.*** We recommend that USAID/Bolivia determine how the remaining budget for the grants and subcontracts can be best used to effectively implement project activities needed to achieve intended goals.

***Recommendation 2.*** We recommend that USAID/Bolivia Office of Acquisition and Assistance determine the allowability of and collect as appropriate, the questioned fixed fee provided in Modification No. 1 to the contract, in the amount of \$143,395.

## **USAID/Bolivia Overobligated Program Funds**

USAID ADS 202.3.7.4 states that current pipelines<sup>12</sup> and new obligations should be adequate to finance 12 to 24 months of planned expenditures. This policy encourages USAID missions/offices and AO teams to manage resource flows prudently so that scarce resources are optimally used throughout the Agency. Further, ADS 602.3.1 states that appropriate budget and program staff in the field and USAID/Washington must follow forward funding policy directives and required procedures to ensure that the percentage of pipeline does not exceed Agency standards. A balance must be achieved between providing adequate funds for activities and the need to limit obligations to only required needs.

ADS 602.3.7 states that program managers must review annually all unliquidated obligations and make adjustments to bring pipelines, at least at the strategic objective level, into compliance with the forward funding policies. Any amounts identified as excessive for

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<sup>12</sup> The amount of funds obligated but not expended; the difference between cumulative obligations and cumulative expenditures, including accruals.

programmatic needs may be considered candidates for deobligation.

USAID/Bolivia overobligated funds by at least \$1.84 million in excess of required needs. Upon contract award, USAID/Bolivia obligated \$4.4 million of \$24 million in total estimated costs. One year later, USAID/Bolivia approved an additional \$2.3 million, increasing the total obligation to \$6.7 million. USAID/Bolivia's waiver for forward funding stipulated that obligations must be sufficient to cover at least 18 months but no more than 24 months. USAID justified the increase on the basis that the award was new, and had also indicated in its August 2010 pipeline review that actual expenditures plus accruals equaled \$4.1 million. However, almost 10 months after this justification, USAID/Bolivia's records showed actual disbursements of only \$3.6 million.<sup>13</sup> Less than a month after the \$2.3 million increase, USAID issued another modification further increasing the obligated amount by an additional \$4.8 million for a total obligation of \$11.5 million. Although the forward funding waiver explicitly discussed the additional \$2.3 million obligation, it made no reference to the \$4.8 million added less than a month later. Table 1 summarizes amounts for the award, obligations, and actual expenditures.

**Table 1. Summary of Award Obligations and Expenditures**

Action	Amount
Amount Original Award	\$ 24,000,000
Amount Award after Increase	\$ 26,349,481
Original Obligation 9/30/2009	\$ 4,438,876
Additional Obligation 9/9/2010	\$ 2,325,000
Additional Obligation 9/23/2010	\$ 4,760,000
Total Obligation 9/23/2010	\$ 11,523,876
Actual Expenditures 8/2010	\$ 1,690,347
Actual Expenditures 4/2011	\$ 3,580,933

If the average expenditure rate for the past 5 months<sup>14</sup> continued over the next 18-month period, the total expenditures would not exhaust the total \$11.5 million obligated. As a result, USAID/Bolivia's total excess obligated funds are approximately \$1.84 million. This amount of funds may not be used within the 24-month period since the \$11.5 million was obligated and is also not available for other uses. Therefore, this audit makes the following recommendation:

**Recommendation 3.** *We recommend that USAID/Bolivia evaluate the Integrated Food Security Program's obligations and deobligate funds exceeding amounts required by the program.*

## USAID/Bolivia Did Not Clearly Define Program Indicators

According to USAID/Bolivia's contract with Abt, the mission believes that an effective performance management plan (PMP) is essential to managing for results. Therefore, the contract calls for a PMP that specifies indicators, targets, and methodologies that allow the

<sup>13</sup> Actual expenditures means expenditures billed to USAID and disbursed.

<sup>14</sup> As expenditure rate can be slow during the first year, the last 5 months are used to calculate an average rate of expenditure (based on billed and disbursed amounts). The program started in September 2009 and the expenditure rate is based on expenditures billed from November 2010 through March 2011.

contractor to monitor the progress of project activities toward achieving key milestones and results related to project objectives, expected outcomes, and measures of accountability.

Furthermore, ADS 203.3.4.2(a) states that performance indicators should be precisely defined in the PMP. In addition, USAID Best Practices Guidance<sup>15</sup> states that at a minimum, PMPs should include a detailed definition of each performance indicator and the source, method, frequency, and schedule of data collection. As part of the PMP process, USAID guidance suggests but does not mandate that operating units plan for how the performance data will be analyzed, and how they will be reported, reviewed, and used to inform decisions.

Though the agreement between USAID/Bolivia and Abt clearly states the importance of an effective PMP for managing for results, the IFS program's PMP does not contain clearly defined indicators for measuring the accomplishment of the program's stated goal, which is to increase food security and decrease chronic malnutrition in rural areas of Bolivia through an integrated approach that addresses food availability, access, use, and vulnerability.

Although the IFS program's PMP indicates that 16 of the 34 indicators will show the desired program results, Abt officials asserted that they are using just one of the PMP indicators to measure overall program success: *percentage of decrease in prevalence of chronic malnutrition in children under 5 years of age*. Abt set a target for this goal originally at 10 percent and in a revised version of the PMP reduced the target to 5 percent.

Because Abt's PMP did not include definitions for each of the indicators, the auditors asked Abt officials to explain what the indicator would measure. Abt officials stated that the target population for this specific indicator is based on the total approximate population of 22,000 children under the age of 5 living in eight<sup>16</sup> municipalities. Abt measured the height and weight of 2,500 children living in the selected communities. To achieve the overall goal for reducing the malnutrition of the target population by 5 percent, at the end of 5 years 1,100 of the targeted children would have to have a weight and height that places them outside the malnourished category.

Having a clear definition of the indicator is important to enable USAID and other concerned parties to better understand how exactly the program defines successful results, how this information will be obtained, and what parameters will define success—in this case, a reduction by 5 percent in the malnutrition of a population of 22,000 children within eight municipalities.

To use performance information for assessing progress in achieving results and in making management decisions on improving performance, it is important that USAID know precisely what the performance indicators are measuring. USAID is currently reevaluating the IFS program design, and Abt has recommended revision of the overall program objective and a significant decrease in the number of program indicators. It is a timely juncture to ensure that all performance measures included in the PMP are well defined and that the program has identified outcome indicators. Therefore, this audit makes the following recommendations:

***Recommendation 4.*** *We recommend that USAID/Bolivia update the Integrated Food Security Program performance management plan to clearly identify the outcome indicators that will measure achievement of the program goal.*

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<sup>15</sup> USAID TIPS 7 Preparing a Performance Monitoring Plan.

<sup>16</sup> Although only selected communities within the seven municipalities are receiving program benefits currently, children from eight municipalities were used for the baseline for this indicator.

**Recommendation 5.** We recommend that USAID/Bolivia update the Integrated Food Security Program performance management plan to include definitions for each performance indicator including the source, method, frequency, and schedule of data collection.

## **USAID/Bolivia Did Not Consistently Report Earmark Funds**

The IFS program is part of USAID/Bolivia’s Sustainable Economic Growth and Environment (SEGE) Program. However, because the IFS is an integrated program with activities supporting health, economic growth, and the environment, the mission is funding this project with multiple sources, including funds for mother and child health, nutrition, and biodiversity. USAID guidance on use of Global Health/Child Survival (GH/CS) funds states that these funds can be used with other funds in a single integrated program; however, GH/CS funds must be used for the purposes intended by Congress and must be accounted for and reported on separately. Therefore, the GH/CS funds are limited to a specified use, and program achievement is reported through predefined indicators in USAID’s Foreign Assistance Coordination and Tracking System (FACTS).

However, for IFS activities funded with GH/CS earmarked funds, the IFS FACTS program indicators are not in complete accordance with indicators used by the USAID/Bolivia Health Office for reporting purposes, even though the program activities are the same.

A USAID/Bolivia Health Office official raised two concerns with respect to the IFS program. First, she noted that the IFS indicators focused on measuring the progress under the GH/CS health areas are not consistent with the indicators used by the Health Office. Second, she was concerned that the mission did not report the FY 2010 annual results from GH/CS funds spent under the IFS program. Despite the fact that IFS spent GH/CS funds in FY 2010, there were no target goals for the associated indicators in the program PMP for FY 2010; these goals were first established for FY 2011. Table 2 illustrates the difference between the indicators used by the USAID/Bolivia Health office and the IFS program. The only two consistent indicators are the first two listed.

**Table 2. Health Indicators**

<b>IFS Health Indicators</b>	<b>USAID/Bolivia Health Office Indicators</b>
<b>Number of cases of children with diarrhea treated by U.S. Government-supported health programs</b>	<b>Number of cases of child diarrhea treated in U.S. Government-assisted programs</b>
<b>Number of children reached by U.S. Government-supported nutrition programs.</b>	<b>Number of children reached by U.S. Government-supported nutrition programs</b>
Number of people in target areas with access to improved sanitation facilities as a result of U.S. Government assistance.	Number of children less than 12 months of age who received DPT3 <sup>17</sup> from U.S. Government-supported programs

<sup>17</sup> DPT3 is a vaccine against diphtheria, pertussis (whooping cough), and tetanus.

Number of pregnant women with a prenatal visit before the fifth month of pregnancy	Number of antenatal care visits by skilled providers from U.S. Government-assisted facilities
Increase of integral AIEPI NUT <sup>18</sup> attention of children under 5 years of age	Number of newborns receiving essential newborn care through U.S. Government-supported programs
Number of people in target areas with access to improved drinking water supply as a result of U.S. Government assistance.	

The inconsistencies in health indicators between the IFS program and the USAID/Bolivia's Health Office occurred because of a lack of coordination between the USAID/Bolivia SEGE Office and the Health Office during the IFS program design. According to a prior mission official associated with the IFS program, during the IFS program's design the SEGE office made a strong effort to coordinate with the Health Office, particularly because the Health Office could provide technical expertise regarding the program's health aspects. However, a Health Office official asserts that she was unaware that the IFS program had a health component, even though an official in USAID/Bolivia's Front Office stated that the Health Office signed off on the IFS program design.

As part of the IFS program realignment process, Abt has suggested eliminating three IFS health indicators, one of which the Health Office would like to retain as it is among the indicators on which it is reporting. To ensure that all earmarked funds are properly included and reported on, this audit makes the following recommendation:

**Recommendation 6.** *We recommend that USAID/Bolivia evaluate indicators for earmarked funds for the Integrated Food Security Program and ensure that the indicators are in accordance with the mission strategy and reporting requirements.*

## USAID/Bolivia Faces Potential Problems With a Subgrantee

One of the seven objectives of the IFS program is to strategically develop a quinoa value chain. To achieve this objective, in October 2010, Abt awarded a \$2.2 million, 4-year grant to a local business, Center for Promotion of Sustainable Technologies (CPTS, acronym in Spanish). The audit identified some potential areas of risk associated with this grant, including its overlap with a current direct award with USAID/Bolivia, USAID's rights to invented equipment, and use of nonapproved pesticides.

**Overlapping Awards to Subgrantee.** In addition to its subgrant with Abt, USAID/Bolivia awarded CPTS a cooperative agreement that overlaps with the IFS subgrant in time and purpose. As a result, the work performed and funds used could be intermingled.

In September 2006, USAID/Bolivia awarded a cooperative agreement to CPTS that included the design and utilization of quinoa harvesting equipment. The agreement was scheduled to end in September 2010; however, USAID/Bolivia provided a no-cost extension for the award until June 2011 and is in the process of extending the award to December 2011. Additionally, under the

<sup>18</sup> AIEPI-NUT is the operative strategy for the Bolivian Zero Malnutrition Program addressing children under 5 years of age with emphasis in the valuation, detection, treatment, and prevention of undernourishment, incorporating new growth curves from the World Health Organization.

IFS program, Abt awarded a \$2.2 million grant to CPTS in October 2010 to validate the same equipment that CPTS is to develop under its cooperative agreement with USAID/Bolivia.

According to a USAID official, as of April 28, 2011, CPTS had neither built nor tested any of the machinery called for under USAID/Bolivia's direct award. The extension of the cooperative agreement allows CPTS to complete the equipment, and Abt's subagreement with CPTS provides the funds for testing the equipment over the next 3 years. Testing of some of the equipment is planned for December 2011.

According to USAID Mandatory Standard Provisions For Non-U.S., Nongovernmental Recipients, USAID funds shall not be commingled with other recipient-owned or -controlled funds, and the recipient shall deposit all USAID cash advances in a separate bank account and shall make all disbursements for goods and services from this account. Furthermore, these provisions state that in addition to the required annual audits of foreign recipients and subrecipients that are for-profit and nonprofit organizations and expend \$300,000 per year, USAID shall retain the right to conduct a financial review, require an audit, or otherwise ensure adequate accountability of organizations expending USAID funds even if the \$300,000 threshold is not reached. Lastly, agreement officers are responsible for determining that applicable administrative actions and all required work of the award have been completed by the recipient in accordance with 22 CFR 226. Given the overlap of the direct and subgrant awards to CPTS, it is prudent for USAID to exercise due care to ensure that CPTS is complying with these award provisions.

**Intellectual Property Rights.** CPTS is developing new equipment for quinoa planting and harvesting. CPTS is also seeking to obtain patents for this equipment. If the equipment proves successful, USAID could utilize the rights to this equipment for other projects in quinoa-producing countries. However, USAID/Bolivia officials indicated that it may have problems with securing its rights to the equipment proposed for patent. Although the equipment design began in 2006 under a prior award, according to a USAID/Bolivia official no one in the mission has seen any of the blueprints. The official who took over the program in January 2011 stated that he has asked for the blueprints but has not received them.

ADS 318.3.1.1 states that USAID partners may acquire the patent rights to subject inventions. Subject inventions are inventions conceived or reduced to practice under a U.S. Government contract or agreement. If a partner elects to retain the title to any subject invention, the U.S. Government must receive a nonexclusive, nontransferable, irrevocable, and paid-up license to practice, or have practiced for or on behalf of the United States, the subject invention throughout the world.

**Use of Unapproved Pesticides.** Under its direct award with USAID/Bolivia, CPTS designed an organic pesticide that it also intends to patent. This pesticide uses the outer covering of the quinoa plant, called saponin, as an active ingredient. CPTS stated it has already applied the pesticide on approximately 4,000 acres in the past year. A USAID representative stated that the pesticide was used for a USAID Global Development Alliance program, under strict supervision and that the pesticide has not been promoted to farmers. In September 2005 the EPA registered a pesticide using the active ingredient of the quinoa saponin, under the name of Heads Up® Plant Protectant. The EPA states that no harmful effects are expected to wildlife or the environment from saponin if users follow the directions for use on the label. It is not known if the CPTS pesticide is based on the same or different ingredients as the pesticide approved by the EPA. If the ingredients are the same, then it is unclear why USAID/Bolivia did not choose to use an already vetted product instead of fund the development of a new product. However, if



there is a significant difference in CPTS's pesticide it should go through EPA's vetting process to determine that it is safe for the intended uses.

The Code of Federal Regulations (22 CFR 216.3 (b)(1)(i)) provides guidance on the use of pesticides and states that factors to be considered include the EPA registration status of the requested pesticide; the proposed method or methods of application, including availability of appropriate application and safety equipment; the compatibility of the proposed pesticide with target and nontarget ecosystems; the availability and effectiveness of other pesticides or nonchemical control methods; and the provisions made to monitor the use and effectiveness of the pesticide. As CPTS officials believe they have produced a new organic pesticide, USAID should obtain verification from the EPA regarding any potential harm with the use of this pesticide on USAID projects. To ensure that the above matters are resolved quickly and without further complications, this audit makes the following recommendations:

***Recommendation 7.*** We recommend that USAID/Bolivia ensure that an audit of the Center for Promotion of Sustainable Technologies is conducted by fiscal year end to ensure the separation of the funds for the separate awards.

***Recommendation 8.*** We recommend that USAID/Bolivia take steps to enter into a binding agreement with the Center for Promotion of Sustainable Technologies to receive the nontransferable, irrevocable, and paid-up license for equipment and pesticide developed under the USAID awards.

***Recommendation 9.*** We recommend that USAID/Bolivia evaluate whether or not the existing quinoa pesticide could be utilized in the program and if not, obtain an opinion from the U.S. Environmental Protection Agency for the use of the newly developed pesticide.

## **USAID/Bolivia Was Not Monitoring Cost Sharing**

ADS 590.3.2.3 states that auditors are required to be alert to situations or transactions that could be indicative of fraud, illegal acts, or abuse. In addition, the Inspector General Act of 1978 requires auditors to prevent and detect fraud and abuse in U.S. Government programs and operations.

Abt has 11 subcontracts for the direct implementation of project activities in target communities. Although these awards fund much of the work to be performed, Abt also requires the target communities to make contributions to support project implementation. During a site visit, the audit identified a risk of fraud related to this community cost-sharing requirement.

As part of an IFS irrigation project being implemented by a subcontractor, the local community had committed to dig an irrigation channel as their in-kind cost-sharing contribution. When the community discovered a stretch of solid rock blocking their route, they agreed to pay the subcontractor to complete the excavation. The community members stated that 280 families contributed \$54 each to the project, thus raising approximately \$15,000 to be paid to the subcontractor upon completion of the work.

Abt officials were unaware that the community had agreed to make a cash contribution in place of the in-kind contribution. When Abt asked the subcontractor about the arrangement, the subcontractor produced an estimate in the amount of \$2,004 for its work on behalf of the

community. At the time of the audit, the work had not been completed and the community had not paid any funds to the subcontractor.

Abt officials stated that all of their subcontracts reflect the planned community cost-sharing contribution. However, the subcontract for the irrigation project contained no allowance for the community cost-sharing effort and instead stated that the subcontractor would complete all necessary excavation work. Therefore, it appears that Abt agreed to pay the subcontractor for the same excavation work that the community was providing as its cost-sharing effort. This same situation may be happening with the other Abt subcontracts.

The IFS program is working in some of the poorest communities in Bolivia. The interests of the communities served pertaining to the community cost-sharing component should be protected through the oversight of the subawardees. Therefore, this audit makes the following recommendations:

***Recommendation 10.*** *We recommend that USAID/Bolivia review Abt Associates, Inc. subcontracts related to cost-sharing activities to determine whether subcontractors are overcompensated through subcontract work that is duplicated by work or cash provided by the community cost share.*

***Recommendation 11.*** *We recommend that USAID/Bolivia ensure that Abt Associates, Inc. provides a monitoring plan to ensure that community cost-sharing contributions are not abused.*

## **USAID Did Not Obtain an Audit of Abt's Accounting System**

FAR 16.301-3 states that a cost-reimbursement contract may be used only when (1) the contractor's accounting system is adequate for determining costs applicable to the contract, and (2) appropriate government surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used. Additionally, FAR 16.306(c) states that a cost-plus-fixed-fee contract shall not be awarded unless the contracting officer complies with all limitations in 15.404-4(c)(4)(i) and 16.301-3.<sup>19</sup>

USAID lists Abt as the 16th of its top 20 vendors, receiving \$203 million in awards in FY 2010 and \$98 million as of March 31, 2011. However, USAID has not audited Abt's accounting system since 2000.

A recent Defense Contract Audit Agency (DCAA) audit report of Abt for FY 2005 Incurred Cost<sup>20</sup> stated that during FY 2003, Abt changed its accounting system, fully implementing the new system by the end of the fiscal year. However, as of September 23, 2009, DCAA had not received funding to perform an Internal Control Audit Planning Summary review of Abt's accounting system to determine whether it is adequate for accumulating and reporting costs under government contracts.

The FY 2005 DCAA audit did not observe any internal control deficiencies or weaknesses

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<sup>19</sup> FAR 15.404-4(c)(4)(i) states that the contracting officer shall not negotiate a fee that exceeds 10 percent of the estimated costs excluding fees on cost-plus-fixed-fee contracts.

<sup>20</sup> DCAA Audit Report No. 2171-2005J1010002, September 23, 2009.

related to the accounting system as a whole. Nonetheless, without information on the adequacy of Abt's accounting system USAID does not know whether the system is adequate for accumulating and reporting costs under government contracts, thereby putting U.S. taxpayer money at risk. Therefore, this audit makes the following recommendation:

***Recommendation 12.*** *We recommend that USAID's Office of Acquisition and Assistance contract with the Defense Contract Audit Agency to conduct an audit to determine the adequacy of the Abt Associates, Inc. accounting system.*

# EVALUATION OF MANAGEMENT COMMENTS

After evaluating USAID/Bolivia's comments on the draft report, final action has been reached on Recommendations 8 and 9. Management decisions have been reached on Recommendations 1, 2, 3, 4, 5, 6, 7, 10, 11 and 12. The following paragraphs provide an evaluation of mission comments on each recommendation.

For Recommendation 1, which is that USAID/Bolivia determine how the remaining budget for the grants and subcontracts can be best used to effectively implement project activities needed to achieve intended goals, the mission agreed and is taking steps to realign the IFS program and reduce the scope of the program from 19 to 9 municipalities. Specifically, the mission will issue a partial termination of the Abt contract decreasing the number of tasks and the total estimated contract cost. USAID/Bolivia expects to finalize this recommendation by October 30, 2011. For these reasons, a management decision has been reached.

For Recommendation 2, which is that USAID/Bolivia Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, questioned costs for the fixed fee provided in Modification No. 1 to the contract, in the amount of \$143,395, the mission agreed and plans to determine the final reduction of fixed fee in conjunction with the final scope of work, after decreasing the scope and number of tasks. USAID/Bolivia expects to address this recommendation by October 30, 2011. For these reasons, a management decision has been reached.

For Recommendation 3, which is that USAID/Bolivia evaluate the IFS program's obligations and deobligate amounts that exceed amounts required for programmatic needs, the mission does not agree with the recommendation. The mission believes that Abt is now implementing its projects to the level it will be expected to maintain with the partial termination of the program addressed in Recommendation 1. Further, at its current spending levels, the mission expects the \$11.5 million obligated will be used before 24 months. The mission plans to ensure that future incremental funding will not exceed programmatic needs and will comply with forward funding policies. After considering the mission's planned actions to address recommendations 1 and 2, by October 31, 2011, plus its plans to comply with forward funding policies, a management decision has been reached.

For Recommendation 4, which is that USAID/Bolivia update the IFS program PMP to clearly identify the outcome of indicators that will measure achievement of the program goal, the mission agrees and is reevaluating the IFS program design. The mission intends to significantly decrease the number of program indicators and ensure that the IFS PMP clearly identifies the outcome indicators that will measure the achievement of program goals. USAID/Bolivia expects to complete this work by October 30, 2011. For these reasons, a management decision has been reached.

For Recommendation 5, which is that USAID/Bolivia update the IFS program PMP to include definitions for each performance indicator, including the source, method, frequency, and schedule of data collection, the mission agrees and plans to have complete definitions on final

indicators with the revision of the program PMP addressed in Recommendation 4, which will be completed by October 30, 2011. For these reasons, a management decision has been reached.

For Recommendation 6, which is that USAID/Bolivia evaluate indicators for earmarked funds for the IFS program and ensure that the indicators are in accordance with the mission strategy and reporting requirements, the mission agrees and is working to correct inconsistencies in the health indicators and coordinating reporting requirements. USAID/Bolivia plans to address this recommendation by October 2011. For this reason, a management decision has been reached.

For Recommendation 7, which is that USAID/Bolivia ensures that an audit of CPTS is conducted by fiscal year end to ensure the separation of the funds for the separate awards, the mission agrees and plans to procure an audit, to include pass through funding from the prime recipient organizations including Abt. USAID/Bolivia anticipates submitting this audit to our office for review by December 31, 2011. For this reason, a management decision has been reached.

For Recommendation 8, which is that USAID/Bolivia take steps to enter into a binding agreement with CPTS to receive the nontransferable, irrevocable, and paid-up license for equipment and pesticide development under the USAID awards, this mission does not agree with the recommendation. The mission's reason is that the CPTS agreement ended on June 30, 2011 without successful development of the invention. As well, the mission does not intend to pursue the use of any equipment or pesticide developed by CPTS with different funding. After considering the mission's reasons and additional explanation, this recommendation is considered closed and the mission has taken final action.

For Recommendation 9, which is that USAID/Bolivia evaluate whether or not the already existing quinoa pesticide could be utilized in the program and if not, obtain an opinion from the EPA for use of the newly developed pesticide, the mission does not agree with the recommendation because the pesticide will not be used in the program. Furthermore, the subgrant with CPTS will be terminated before the planting season. After considering the mission's reasons and additional explanation, this recommendation is considered closed and the mission has taken final action.

For Recommendation 10, which is that USAID/Bolivia review Abt subcontracts related to cost-sharing activities to determine whether subcontractors are overcompensated through subcontract work that is duplicated by work or cash provided by the community cost share, the mission agrees and stated that Abt will conduct a review of the subcontract cost-sharing activities to address this recommendation. USAID/Bolivia expects to receive the results of this review by December 31, 2011. For this reason, a management decision has been reached.

For Recommendation 11, which is that USAID/Bolivia ensure that Abt provides a monitoring plan to ensure that community cost-sharing contributions are not abused, the mission agrees and expects Abt to implement a plan by December 31, 2011. For this reason, a management decision has been reached.

For Recommendation 12, which is that the USAID's Office of Acquisition and Assistance contract with the DCAA to conduct an audit to determine the adequacy of the Abt Associates, Inc. accounting system, the office agreed with the recommendation and plans to contract for the audit by September 30, 2011. For this reason, a management decision has been reached.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/San Salvador conducted this performance audit in accordance with generally accepted government auditing standards.<sup>21</sup> 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 objectives. We believe that the evidence obtained provides that reasonable basis. The purpose of the audit was to determine whether USAID/Bolivia's Integrated Food Security Program is achieving its intended results. The Regional Inspector General/San Salvador conducted the audit fieldwork at USAID/Bolivia in La Paz and at the contractor's offices and field locations in La Paz, Cochabamba, Caracollo, Torotoro, Mizque, and Quime from March 9 to 24, 2011.

The audit covered the period from September 30, 2009, to April 15, 2011. In planning and performing this audit, we included in the audit scope a review of management activities and controls put in place by USAID/Bolivia and its contractor related to the program activities.

## Methodology

To determine whether USAID/Bolivia appropriately managed the program activities, we met with key USAID/Bolivia personnel and contractor officials to document their roles and responsibilities in implementing the IFS activities in Bolivia. To gain an understanding of the program's history and status, the audit team reviewed, among other things, the pre-program assessment, contract, negotiation memorandum, contract modifications, various internal correspondence, progress reports, operating plans, and contractors' vouchers provided by USAID/Bolivia. We also reviewed contractor documentation, including subcontracts and subgrant agreements, various deliverable reports, and contractor procurement policies and procedures. In addition, we interviewed various USAID/Bolivia staff, including the contracting officer's technical representative for the IFS program, the current and former directors of SEGE, the contracting officer, and Health Office representatives. Interviews were held with the contractor and two of their key partners.

We also reviewed applicable policies, regulations, and guidelines pertaining to USAID/Bolivia's implementation of the program, including USAID ADS, FAR, CFR, and USAID Mandatory Guidance. We visited site locations in four of the seven municipalities where projects are being implemented in Caracollo, Torotoro, Mizque, and Quime, as well as one activity in the suburbs of La Paz, to see the progress being made on the program projects and to interview program beneficiaries. The projects were judgmentally selected on the basis of their activity level and accessibility.

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<sup>21</sup> *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

# MANAGEMENT COMMENTS



**USAID**  
FROM THE AMERICAN PEOPLE

**BOLIVIA**

USAID **50** ANNIVERSARY

## MANAGEMENT COMMENTS

**DATE:** July 15, 2011

**REPLY TO:** John R. Taber, Contracting Officer, USAID/Bolivia /s/

**TO:** Catherine Trujillo, RIG/San Salvador

**SUBJECT:** USAID/Bolivia's response to the Audit of USAID/Bolivia's Integrated Food Security Program (Report No. 1-511-11-00X-P)

**THROUGH:** Wayne Nilsestuen, Director, USAID/Bolivia /s/

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Please find attached USAID/Bolivia's Management Response Letter to RIG/San Salvador's Audit Report No. 1-511-11-00X-P. Each of the 12 recommendations in the subject audit report is copied below, along with USAID/Bolivia's formal Management Response. Our comments are provided for incorporation as an appendix to the final released audit report.

We appreciate the opportunity to review and comment on the draft report before it is formally issued. We would also like to take this opportunity to thank the RIG audit team for their hard work and support. The recommendations provided will help guide USAID/Bolivia in correcting the problems identified during the course of the audit.

***Recommendation No. 1: We recommend that USAID/Bolivia determine how the remaining budget for the grants and subcontracts can be best used to effectively implement project activities needed to achieve intended goals.***

*Management Response to Recommendation No. 1*

USAID Bolivia agrees with this recommendation. Preliminary discussions have been undertaken with Abt in order to realign the Integrated Food Security (IFS) program and reduce the scope of the program from 18 to 9 municipalities. USAID/Bolivia will order a partial termination of the Abt contract and incorporate a modified agreement with a substantial reduction in the Total Estimated Cost (TEC). The TEC decrease will result in a reduction of the 54 tasks assigned in the original agreement and a quantifiable reduction in the number of program indicators. USAID/Bolivia has also agreed with Abt's request to terminate the subgrant with CPTS. Currently, the Mission is awaiting a new proposal from Abt for the partial termination discussed above, in order to make final determination on how the remaining budget for the grants and subcontracts can be best used to effectively implement the project activities. USAID/Bolivia expects to address this recommendation by October 30, 2011.

***Recommendation No. 2: We recommend that USAID/Bolivia Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, questioned costs for the fixed fee provided in Modification No. 1 to the contract, in the amount of \$143,395.***

*Response to Recommendation No. 2*

USAID Bolivia agrees with this recommendation in principle, though the amount of fee reduction remains to be determined. A partial termination with a reduction in the program scope will impact the fixed fee. A final reasonable fixed fee will be determined once the new Abt proposal has been reviewed. USAID/Bolivia expects to address this recommendation by October 30, 2011.

***Recommendation No. 3: We recommend that USAID/Bolivia evaluate the Integrated Food Security program's obligations and deobligate amounts that exceed amounts required for programmatic needs.***

*Response to Recommendation No. 3*

USAID Bolivia does not agree with this recommendation. Abt has now begun launching its projects to the level at which USAID/Bolivia expects to maintain with the partial termination of the program discussed above. The most recent implementation, subsequent to the date of the audit, has demonstrated that Abt has increased its burn rate to around \$500,000 per month. At this rate, at which the program is now spending its funds, the \$11.5 million obligated into the agreement will be used up before the 24 month period discussed in the audit. The Mission will ensure that any future incremental funding will not exceed programmatic needs and comply with forward funding policies.

***Recommendation No. 4: We recommend that USAID/Bolivia update the Integrated Food Security program performance management plan to clearly identify the outcome of indicators that will measure achievement of the program goal.***

*Response to Recommendation No. 4*

USAID Bolivia agrees with this recommendation. The current IFS program Performance Management Plan (PMP) does not contain clearly defined indicators for measuring the accomplishment of the program's stated goal. USAID Bolivia is currently reevaluating the IFS program design and will revise the overall program objective and significantly decrease the number of program indicators. During this revision which will conclude October 30, 2011, USAID



Bolivia will ensure that the IFS PMP clearly identifies the outcome indicators that will measure achievement of the program goals.

***Recommendation No. 5: We recommend that USAID/Bolivia update the Integrated Food Security program performance management plan to include definitions for each performance indicators including the source, method, frequency, and schedule of data collection.***

*Response to Recommendation No. 5*

USAID/Bolivia agrees with this recommendation. The outcome of the revision of the IFS PMP discussed above will ensure that the requested definitions are included for each indicator. USAID Bolivia plans to have complete definition on final indicators by October 30, 2011.

***Recommendation No. 6: We recommend that USAID/Bolivia evaluate indicators for earmarked funds for the Integrated Food Security program and ensure that the indicators are in accordance with the mission strategy and reporting requirements.***

*Response to Recommendation No. 6*

USAID Bolivia agrees with this recommendation. The IFS program received Global Health/Child Survival earmark funds, that are limited to a specific use and program achievement is reported through predefined indicators in USAID's Foreign Assistance Coordination and Tracking System (FACTS). USAID Bolivia's Health Office raised a concern that the IFS health indicators are not consistent with the indicators reported and used by the Health Office and that the results of these indicators were not reported in the FY 2010 annual results. The Health office and the IFS program are working to correct the inconsistencies in the health indicators and coordinating reporting requirements. USAID Bolivia plans to address this recommendation by October, 2011.

***Recommendation No. 7: We recommend that USAID/Bolivia ensure that an audit is conducted of the Center for Promotion of Sustainable Technologies by fiscal year end to ensure the separation of the funds for the separate awards.***

*Response to Recommendation No. 7*

USAID/Bolivia agrees with this recommendation. The Center for Promotion of Sustainable Technologies, in addition to receiving funds as a subcontractor of Abt and other USAID prime recipients, had an ongoing agreement with USAID (GDA Quinoa) that expired June 2011. A close-out audit through June, which includes pass through funding from other prime recipient organizations including Abt, is currently being procured. USAID/Bolivia anticipates submitting this audit to the RIG for review by December 31, 2011.

***Recommendation No. 8: We recommend that USAID/Bolivia take steps to enter into a binding agreement with the Center for Promotion of Sustainable Technologies to receive the non-transferable, irrevocable, and paid-up license for equipment and pesticide development under the USAID awards.***

*Response to Recommendation No. 8*

USAID Bolivia does not agree with this recommendation. The CPTS GDA agreement ended on June 30 2011, without successful development of the desired inventions that would have

required the binding agreement discussed in the finding above. However, USAID has no direct relationship with CPTS under the IFS program which will be terminated before patentable inventions have been developed, and USAID Bolivia will not pursue the use of equipment and pesticide developed by CPTS with different funding. Based on this determination, USAID Bolivia would like to request closure of this recommendation.

***Recommendation No. 9: We recommend that USAID/Bolivia evaluate whether or not the already existing quinoa pesticide could be utilized in the program and if not, obtain an opinion from the U.S. Environmental Protection Agency for use of the newly developed pesticide.***

*Response to Recommendation No. 9*

USAID Bolivia does not agree with this recommendation. The newly developed quinoa pesticide developed by CPTS has not been utilized and or promoted to farmers in the program to date. Since the subgrant with CPTS will be terminated before planting season, the newly developed quinoa pesticide will not be used in the IFS program. Based on this determination, USAID Bolivia would like to request closure of this recommendation.

***Recommendation No. 10: We recommend that USAID/Bolivia review Abt Associates, Inc., subcontracts related to cost-sharing activities to determine whether subcontractors are overcompensated through subcontract work that is duplicated by work or cash provided by the community cost share.***

*Response to Recommendation No. 10*

USAID/Bolivia agrees with this recommendation. Abt will review subcontract cost-sharing activities to determine potential duplication and or overcompensation in projects requiring community contributions. The results of the review will be reported to the Mission cognizant COTR by December 31, 2011.

***Recommendation No. 11: We recommend that USAID/Bolivia ensure that Abt Associates, Inc., provides a monitoring plan to ensure that community cost-sharing contributions are not abused.***

*Response to Recommendation No. 11*

USAID Bolivia agrees with this recommendation. USAID Bolivia will request that Abt design a monitoring plan to ensure that subcontract cost-sharing contributions are not abused. A plan will be implemented by December 31, 2011.

***Recommendation No. 12: We recommend that USAID's Office of Acquisition and Assistance contract with the Defense Contract Audit Agency to conduct an audit to determine the adequacy of the Abt Associates, Inc. accounting system.***

*Response to Recommendation No. 12*

This recommendation is for action with the Office of Acquisition and Assistance in Washington.



July 21, 2011

MEMORANDUM FOR: Catherine Trujillo, RIG/Bolivia

FROM: Beverly Jackson, Acting Team Leader, M/OAA/CAS

SUBJECT: Audit of USAID/Bolivia's Integrated Food Security Program, implemented under a contract with Abt Associates, Inc., OIG Audit Report No. 1-521-11-00X-P

**Results of Audit**

The Regional Inspector General conducted an audit to determine whether USAID/Bolivia's Integrated Food Security program is achieving its intended results of increasing food security and decreasing chronic malnutrition in rural areas.

**Recommendation No. 12:**

Katherine Swanson, Acting OIG/RIG/San Salvador recommends that USAID's Office of Acquisition and Assistance contract with the Defense Contract Audit Agency to conduct an audit to determine the adequacy of the Abt Associates, Inc. accounting system.

**USAID Office of Acquisition and Assistance's Response:**

The Office of Acquisition and Assistance concurs with the recommendation. USAID's Office of Acquisition and Assistance, Cost, Audit and Support will contract with Defense Contract Audit Agency to conduct an accounting system audit of Abt Associates, Inc. We will forward the request by September 30, 2011.

Should you or members of your staff have any questions concerning this matter, please contact Beverly Jackson at (202) 567-4609 or by email at [bjackson@usaid.gov](mailto:bjackson@usaid.gov).

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