



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/GUATEMALA'S MULTI-SECTOR ALLIANCES PROGRAM

AUDIT REPORT NO. 1-520-14-002-P
November 26, 2013

SAN SALVADOR, EL SALVADOR



Office of Inspector General

November 26, 2013

MEMORANDUM

TO: USAID/Guatemala Mission Director, Kevin Kelly
USAID Director for the Office of Management Policy, Budget, and Performance,
Angela McNerney

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

SUBJECT: Audit of USAID/Guatemala's Multi-Sector Alliances Program
(Report No. 1-520-14-002-P)

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

This report includes nine recommendations. Based on your written comments in response to the draft report, final action was taken for two recommendations and management decisions have been reached on six. A management decision was not reached on Recommendation 8. Please provide written notice within 30 days of any actions planned or taken to implement this recommendation and a target date for completion.

I want to thank you and your staff for the cooperation and assistance extended to us during this audit.

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOR	agreement officer's representative
CDCS	country development cooperation strategy
CFR	Code of Federal Regulations
C-TIP	counter-trafficking in persons
FY	fiscal year
GPRMA	Government Performance and Results Modernization Act
NGO	nongovernmental organization
OMB	Office of Management and Budget
PMP	performance management plan
RTI	RTI International
TraiNet	training, resource, advocacy, and information network

SUMMARY OF RESULTS

According to USAID, Guatemala has the largest population and economy of all Central American countries. In spite of an abundance of natural and cultural resources, it has the third highest rate of income inequality in the world, and an estimated 58 percent of Guatemalans—mostly Mayans—live in poverty. In addition, the nation has some of the lowest social indicators for the region, including a 30 percent literacy rate, 50 percent rate of chronic child malnutrition, and an infant mortality rate of 25 per 1,000 births.¹

As part of USAID/Guatemala's plan to address the country's challenges in health and education, the mission developed an approach to augment the impact of USAID assistance by leveraging² USAID funds through alliances with private organizations. The USAID public-partnership strategy includes using funds from the private sector at a 2 to 1 ratio to the total USAID investment, including management costs. The approach was designed to be expanded to other USAID missions in Central America and Mexico; however, only Nicaragua has participated. This audit focused only on activities in Guatemala.

USAID/Guatemala signed a \$39.9 million cooperative agreement with RTI International³ on January 31, 2010, to implement the Multi-Sector Alliances Program (known by its Spanish translation, *Alianzas*). The award, subsequently reduced to \$31.4 million, is scheduled to end on September 30, 2014. As of June 19, 2013, cumulative obligations and expenditures totaled \$20.5 million (Guatemala \$17.2 million and Nicaragua \$3.3 million) and \$16.8 million (Guatemala \$14.5 million and Nicaragua \$2.3 million), respectively.

In March 2012 USAID/Guatemala issued its country development cooperation strategy (CDCS). The CDCS revised the mission's geographic area of focus from all 22 departments in Guatemala to 13, with a strategic focus on 5 departments in the Western Highlands region. As a result, the program's area of operation decreased.

The Regional Inspector General/San Salvador (RIG/San Salvador) conducted this audit to determine whether the Multi-Sector Alliances Program is achieving its primary goal of forging multi-sector alliances to support development objectives of USAID missions in the Central America and Mexico regional strategy.⁴ The audit found that USAID/Guatemala cannot determine whether the program results are supporting that goal because the mission did not set outcome indicators with tangible targets and time frames (page 4).

The audit found other areas in which USAID/Guatemala could strengthen its management of the program, discussed below.

¹ Congressional Research Service, *Guatemala: Political, Security, and Socio-Economic Conditions and U.S. Relations*, May 16, 2013.

² Leverage refers to the resources provided by private-sector entities in partnership with USAID to achieve a common development outcome.

³ RTI is a trade name of Research Triangle Institute.

⁴ The Central America and Mexico regional strategy was subsequently incorporated into the March 2012 country development cooperation strategy (CDCS).

- The mission's oversight was weak in some areas (page 5). The staff did not document site visits in accordance with mission requirements, nor did they validate the accuracy of reported training data. The staff did not monitor reconstruction activities to confirm that they were meeting environmental requirements.
- Some program activities have not demonstrated sustainability (page 8). USAID/Guatemala has not yet ensured the sustainability of alliances. Water filtration systems in one small community expired after 1 year and were not being replaced. Also, the mission created two funds that did not have sustainability requirements and for which adequate USAID guidance did not exist.
- USAID/Guatemala has not initiated counter-trafficking in persons (C-TIP) training for RTI employees (page 12). Since implementer employees are in the field frequently, they are in a better position than USAID staff to identify human trafficking risks.

The audit found that the mission had been proactive in validating RTI's internal controls through a fiscal year (FY) 2011 financial review. That review had 18 findings related to inadequate internal controls. Other program reviews conducted jointly by USAID and RTI found internal control weaknesses: an employee of a subawardee had fabricated data, and an RTI employee had committed theft. We sent queries to other missions in the Latin America and Caribbean region and found that fewer than half conduct financial reviews of U.S.-based organizations. Because USAID/Guatemala took the initiative to conduct such reviews, the mission recovered \$26,615 in questioned costs and strengthened internal controls over the program's procurements and disbursements.

To further improve program management, we recommend that USAID/Guatemala:

1. Establish baselines, targets, and time frames for its development outcome goals in the mission-wide performance management plan (PMP), and disseminate mission guidance to require program awards to link activities to the plan's goals (page 5).
2. Prepare a schedule for conducting compliance reviews of all site visit documentation (page 7).
3. Provide RTI with guidance for properly reporting training data and validate in the next data quality assessment that RTI is reporting the data properly (page 7).
4. Determine the extent of the incorrectly reported training data and make appropriate corrections (page 7).
5. Document a plan for complying with environmental monitoring of leveraged reconstruction activities or end the related grant for these activities. If the mission chooses to terminate the construction portion of the grant, it should obtain and document reasonable assurance of compliance with USAID environmental requirements for the leveraged projects. (page 8).
6. Draft a statement of work for a final evaluation of the program to include determining whether (1) the program is resulting in continued alliance partners' investments in health

and education projects in Guatemala, and (2) the program has resulted in sustainable alliance partners (page 11).

7. Reevaluate the program's use of water filters that expire after 1 year to determine whether there is a way to make the project sustainable; if not, discontinue funding the filters and conduct follow-up monitoring to see whether the filters from other grants are being replaced after expiration (page 11).
8. Issue the USAID *Counter-Trafficking in Persons Field Guide* to all its implementers, which includes guidance on reporting suspected cases of trafficking through the Office of Inspector General Hotline (page 12).

We recommend that the Director of the Office of Management Policy, Budget, and Performance:

9. Issue written guidance on the appropriate use of rapid response funds as part of development awards (page 11).

Detailed findings follow. The audit scope and methodology are described in Appendix I on page 15. Our evaluation of USAID/Guatemala's management comments will appear on page 14, and the mission's comments will appear in Appendix II on page 16.

AUDIT FINDINGS

USAID/Guatemala Did Not Create Outcome Indicators for Its Development Objectives

According to Office of Management and Budget (OMB) Circular A-11, Part 6, the Government Performance and Results Modernization Act (GPRMA) of 2010 requires “agencies to set long-term goals and objectives as well as specific, near-term performance goals. Agency leaders at all levels of the organization are accountable for choosing goals and indicators wisely and for setting ambitious, yet realistic targets.” OMB defines a performance goal as “a statement of the level of performance to be accomplished within a timeframe, expressed as a tangible, measurable objective . . . a performance goal includes a performance indicator, a target, and a timeframe.” It further states, “The GPRMA Modernization Act requires performance goals to be expressed in an objective, quantifiable, and measurable form unless agencies in consultation with OMB determine that it is not feasible.”

OMB states that a performance goal is measured by performance indicators. Three types are listed below

- Outcome: a measure that indicates progress against achieving the intended result of a program and indicates changes in conditions that the government is trying to influence.
- Intermediate outcome: a measure that indicates progress against an intermediate outcome that contributes to an ultimate outcome, such as the percentage of schools adopting effective literacy programs.
- Output: this type of indicator should measure one distinct product or activity that will be provided over a period of time.

All indicators should have a baseline, target, and time frame.

USAID incorporates OMB and GPRMA criteria in its Automated Directives System (ADS) guidance. According to ADS 201.3.3.3 the development objective is the most ambitious result that a mission, together with its implementers, can achieve and be held accountable. ADS 203.3.2.4 states that each development objective in a CDCS must have performance indicators that include baselines and targets. Furthermore, ADS 203.3.3 states that each mission must prepare a mission-wide PMP that includes performance indicators, baseline data, and targets.

To best measure program results, missions include all three types of performance indicators. However USAID/Guatemala did not create outcome indicators in the program PMP or the mission-wide PMP that met these requirements. When the program began in 2010, the mission established only output indicators and did not explain how activities would contribute to achieving an outcome. In 2012 the mission revised the program’s PMP, based on the mission’s new CDCS. The revised plan stated that 16 of the 31 indicators were outcome indicators. However, based on OMB’s definitions, the audit determined that none of these were outcome indicators.

USAID/Guatemala's CDCS contained a program development objective goal of "Improved Levels of Economic Growth and Social Development in the Western Highlands," but it did not set specific outcome targets, time frames, or baselines. While the mission is required to prepare a mission-wide PMP that includes performance indicators, baseline data, specific targets, and time frames for the CDCS, the mission has not yet established a deadline for finishing the PMP.

USAID/Guatemala officials said because the program was linked to the development framework that identified the higher-level development goals, the mission was compliant with the GPRMA requirements.

However, because the mission did not establish outcome indicators for its development goals, the mission did not fully comply with GPRMA and OMB A-1 requirements. Unless the PMPs for the program and the mission contain these elements, it is not possible to determine (1) whether the program's goals have been achieved, (2) the likelihood that outputs led to achieving the goals, and, (3) the levels of outputs needed to achieve outcome targets. Therefore, we make the following recommendation.

***Recommendation 1.** We recommend that USAID/Guatemala establish tangible targets for its outcome indicators with baselines and time frames for its program development goals in the mission-wide performance monitoring plan, and disseminate guidance in writing to require program awards to link activities to the plan's goals.*

Program Oversight Was Weak in Some Areas

ADS 596.3.1 states, "Agencies and individual Federal managers must take systematic and proactive measures to develop and implement appropriate, cost-effective internal control for results-oriented management." In addition, "Monitoring the effectiveness of internal control should occur in the normal course of business." The ADS also states, "Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations."

The audit determined that USAID/Guatemala's monitoring was weak in several areas. As discussed below, the mission did not follow its guidance for completing site visit checklists, and it did not properly monitor participant training or reconstruction activity to be sure it complied with environmental requirements.

Site Visits Did Not Comply With Mission Order Requirements. According to ADS 303.2, the agreement officer's representative (AOR) is designated in writing by the agreement officer to administer "certain aspects of the assistance instrument." It further states, "The AOR ensures that USAID exercises prudent management over its awarded assistance and makes the achievement of program objectives easier by monitoring and evaluating the recipient and its performance during the award" and "will maintain contact, including through site visits and liaison, with the recipient." Furthermore, USAID/Guatemala's Mission Order 302 dated November 21, 2011, requires that AORs and contracting officer's representatives perform site visits at least once a year and complete the site visit report and checklist designed by the mission.

However, USAID/Guatemala did not document site visits in accordance with the order. While the mission provided four site visit reports for the program, two corresponded to inauguration events and none included completed checklists. Although mission officials said they believed the previous AOR made additional site visits, there was no documentation to support this. The AOR said he was aware of the checklist, but did not use it because of time constraints.

Mission oversight of the implementer's activities is critical to achieving results. The checklist covered many aspects of the program, such as performance assessment, funds monitoring, data quality spot-checks, and environmental compliance. Using it can help the AOR identify and resolve problems before they become greater hurdles for achieving program results. For example, two of the problems identified during the audit were discovered because the team met beneficiaries and visited reconstruction sites.

Site visits also give USAID visibility to beneficiaries who normally interact only with the implementer. Documenting the visits allows the mission to keep records and plan visits appropriately to maintain USAID's recognition.

Reported Training Was Overstated. According to ADS 253.3.4.5, USAID missions must monitor and report on in-country training programs and participants. Furthermore, ADS 203.3.11.1 states that to be useful for performance monitoring and credible for reporting, data "should clearly and adequately represent the intended results."

The PMP indicator for reporting the number of teachers trained states that an individual trainee should be counted only once, even if he/she is trained in more than one area or has been to training more than once during that year. The indicator for number of scholarships states that it counts the number of post-secondary scholarships awarded to students.

The audit found that RTI was not reporting on these indicators correctly in its quarterly reports and in the Training, Resource, Advocacy, and Information Network (TraiNet), the Agency's data management system. When entering data into TraiNet, RTI employees said they reported participants in multi-event programs as trained for each event instead of the entire program. In addition, they counted each year a scholarship recipient was enrolled instead of having received one multiyear scholarship; therefore the number of scholarship recipients was overstated.

RTI's staff did not fully understand the requirements for counting individuals trained and thought they were reporting the information correctly. While USAID/Guatemala conducts data quality assessments of the indicator tracking the number of teachers trained, officials there said they were not aware of how RTI tracked the numbers of teachers and scholarships.

Leveraged Construction Was Not Monitored for Environmental Compliance. According to ADS 204.3.9(a), USAID must comply with environmental regulations under Title 22 of the Code of Federal Regulations (CFR), Part 216, when it pools resources with an alliance partners to conduct activities that are subject to environmental review. ADS 204.3.4 requires that in performing a nonexempt activity, mission personnel must comply with 22 CFR 216 also.

Additionally, the mission is responsible for monitoring ongoing activities to be sure they comply with recommendations, conditions, or mitigating measures contained in various environmental documentation, including the approved initial environmental examination, environmental assessment, programmatic environmental assessment, or environmental impact statement. Any activities that do not comply must be modified or stopped.

On September 2010 the Tigo Foundation partnered with RTI to repair 50 schools; Tigo provided \$2.6 million and USAID \$1.3 million. The grant was extended so that after USAID funds expired in March 2012 Tigo would provide about \$6.6 million for reconstruction. However, during a field visit, auditors learned that USAID was not monitoring environmental compliance for that reconstruction.

USAID/Guatemala officials said they were not aware they were required to monitor environmental compliance if the activity was performed solely with leveraged funds from an alliance partner. They said they became aware of this responsibility in early May 2013 through correspondence with the regional legal advisor and the regional environmental officer about a question from another implementing partner regarding a similar matter.

As of June 11, 2013, RTI has reported accomplishments from the Tigo reconstructed schools that were not checked to confirm that the projects complied with environmental mitigation actions. USAID/Guatemala could incur additional costs in complying with the 22 CFR 216 requirements for monitoring and for an environmental assessment or mitigation efforts if the Tigo activities continue to be considered part of the grant.

All of the problems discussed above show some areas in which USAID/Guatemala could improve its oversight of the program. Therefore, we make the following recommendations.

Recommendation 2. We recommend that USAID/Guatemala implement a schedule for conducting periodic compliance reviews of all site visit documentation.

Recommendation 3. We recommend that USAID/Guatemala provide RTI International with written guidance for properly reporting the number of individuals trained in the quarterly reports and Training, Resource, Advocacy, and Information Network, and validate in the next data quality assessment that RTI is reporting the data accurately.

Recommendation 4. We recommend that USAID/Guatemala determine the extent of the incorrectly reported training data, and make corrections to Training, Resource, Advocacy, and Information Network and indicator data, and document the results.

Recommendation 5. We recommend that USAID/Guatemala either document a plan for complying with environmental responsibilities related to the program's grant with the Tigo or terminate the portion of the grant related to leveraged reconstruction activities. If the mission chooses to terminate the construction portion of the grant, it should obtain and document reasonable assurance that Tigo complied with USAID environmental requirements for the projects completed with Tigo funding under the grant.

Some Program Activities Lacked Sustainability

USAID's 2011-2015 Policy Framework⁵ states that because development assistance is so crucial to U.S. national interests and because of the constrained fiscal environment, development programs need to be delivered in a more cost-effective, sustainable manner than ever before. It states, "Sustainability is about building skills, knowledge, institutions, and

⁵ Go to http://transition.usaid.gov/policy/USAID_PolicyFramework.PDF.

incentives that can make development processes self-sustaining” and “must be incorporated from the start when preparing a program or project.”

ADS 200.6 defines sustainability as “the continuation of benefits after major assistance has been completed.” ADS 200.3.5.2 states that mission strategies should ensure that investments promote sustainable development outcomes, while ADS 203.3.1.3 states, “Each USAID Mission/Office is required to conduct at least one evaluation of each large project it implements.”

Despite these requirements, aspects of the program that are listed below may not be sustainable.

USAID/Guatemala Has Not Yet Ensured the Sustainability of Alliances. The cooperative agreement between USAID/Guatemala and RTI states that RTI will build alliances that ensure sustainability. The program intends to increase “private sector resources for social investments while fostering long-term development that focuses on sustainable impact rather than just short-term results.” In addition, the program was intended to “align partnerships with USAID program objectives and strengthen partnering nongovernmental organizations (NGOs) and civil society organizations to become sustainable alliance partners.”

However, there is limited evidence that RTI’s approach to building alliances has achieved sustainable results. The previous program RTI managed had 161 partners,⁶ with USAID investing \$6.1 million and a total budget of more than \$24 million. However, the mission did not conduct a final evaluation to determine whether these partners continued funding social investment activities after the program ended. It awarded the second program for \$39.9 million.

For some sampled activities, the program did not demonstrate that it had met the goals to increase private sector resources for social investment to build new alliances, and to strengthen partnering NGOs and civil society organizations. Instead, it contributed additional resources to ongoing activities of NGOs and civil society organizations that already had functioning programs and fund-raising capacity. While USAID’s contribution helped expand these organizations’ activities for the duration of the grant, the organizations will continue with the same work at their pre-intervention scale once USAID’s grants end. Some examples are discussed below.

- USAID provided scholarships for 46 students at the Universidad del Valle de Guatemala. In 2013 664 students were enrolled. However, about 98 percent of all students traditionally receive financial support from other donors.
- USAID’s grant provided salaries, instructional booklets, and training to Fundación del Café, a foundation of the coffee growers’ association. FUNCAFE has been providing assistance in Guatemala for health and education since 1996. USAID funds assisted FUNCAFE in doing its ongoing work.
- USAID’s grant to WINGS provided salaries for reproductive health educators and travel and meal costs for women to get birth control device implants. The NGO has been working for 12 years and has an established donor relations office. The funds from USAID permitted it to have greater coverage than it would otherwise have had.

⁶ That program went from January 19, 2005, through February 16, 2010.

USAID/Guatemala officials said helping NGOs establish relationships with financial sponsors was what makes the program sustainable because it creates a new source of funds for development objectives and a relationship that will continue after the program ends. They added that they are planning a final evaluation of the program with sustainability of the alliances to be included in the statement of work.

Their conclusion was not based on evidence, however, because USAID/Guatemala has not completed an evaluation of the continuity and sustainability of the partnerships formed under the previous award. Furthermore, USAID/Guatemala could not provide additional evidence based on mission monitoring to demonstrate that RTI had strengthened the ability of NGOs and civil society organizations to develop, manage, and raise funds for their projects.

Due to the lack of monitoring and of a program evaluation, USAID/Guatemala does not know whether the program's efforts are leading to sustainable alliances or whether the program is helping NGOs and civil society organizations become sustainable alliance partners.

Water Purification Systems Were Not Sustainable. According to USAID's Building Alliances' sector guide on water, many of the items of interest to the private sector ultimately are not suitable for USAID development programs because of high initial and ongoing costs. Even when the private sector proposes to donate a product or provide it at a subsidized cost, USAID missions need to consider long-term suitability before entering into such an alliance.

USAID/Guatemala paid for 100 water filtration devices that were not sustainable, and it planned to distribute 200 more. The mission invested \$4,250 to have RTI's subpartner, Fundacion Rose—Todos por el Lago, distribute the devices in a poor community where the water was not safe. The filters only last for 1 year, and the cost of replacing them is \$16 each—not an affordable amount for many in the community.

RTI's partner found that only 20 percent of the beneficiaries were replacing the filters after expiration; one was continuing to use the filter 6 months after it had expired. Before the filters were introduced, beneficiaries boiled water to make it safe. Now they may rely solely on the filters even after they are no longer effective, which increases their risk of catching a water-borne disease.

Part of the problem stemmed from the fact that RTI assumed that beneficiaries had the resources to replace the filters. Additionally, there was some confusion about when the project ended, which affected how it was monitored. Under the small grants program, RTI signed a memorandum of understanding with Fundacion on September 5, 2011, and it was scheduled to end on September 30, 2012. According to RTI's project evaluation, semiannual monitoring would be conducted to confirm that the beneficiaries were using the filters correctly and to remind them about the need to change them. However, RTI reported that the project was technically and financially completed in its January 15, 2012, report—about 5 months after it began. No further mention of the filters was made in any of the following reports.

USAID is focusing on some of the poorest areas in Guatemala. In addition, RTI's FY 2011 annual report stated that it had delivered 5,000 water filters to beneficiaries through a grant with another alliance partner. RTI reported that it had monitored the project to make sure the filters

were cleaned and used correctly, but not to confirm that they were replaced after the filters expired.

Unsustainable and Unrelated Activities Were Added to the Award. USAID/Guatemala created the Rapid Response Fund and the Small Grants Program to respond to emergencies and specific requests from local communities and the Guatemalan Government. However, these activities were not directly related to the program and were not intended to be sustainable. Mission employees said this was not the only award that contained a rapid response fund.

Rapid Response Fund: The award to RTI included \$500,000 to “allow USAID/Guatemala to quickly and efficiently respond to requests from USAID and the Guatemalan government and its institutions, private sector partners, local partners and civil society in direct support of the interventions and the achievement of the cooperative agreement objectives.”

USAID submitted \$119,468 in requests for the use of these funds through e-mail or by telephone. Some of the expenses covered included (1) an emergency evacuation of a woman in labor by helicopter to a hospital because local roads were damaged by landslides, (2) sending two nurses to Jamaica for a midwifery course, (3) sending a researcher from the Institute of Nutrition of Central America and Panama to a monitoring and evaluation course in Mexico, and (4) a working breakfast between a USAID team visiting Guatemala and the Private Sector Advisory Group.

Small Grants Program: According to the mission’s staff, this program—worth \$500,000—was added at the Ambassador’s request so he could respond to appeals for assistance that he received during visits to small communities. The stated objective was “to support groups working to resolve specific, self-identified problems in undeveloped communities through small grants.” The funds were provided through several program funding sources, and the grants were available only through requests from USAID/Guatemala program staff. This program ended after 1 year when the mission determined that it was not effective and that the rapid response program could serve the same purpose.

The grant requests were passed through a USAID technical evaluation committee before they were submitted to RTI. A total of \$89,465 was spent. Examples of these grants included (1) forest nurseries for native trees in three communities, (2) preparation of a Thanksgiving meal by scholarship recipients for a dinner hosted by the Ambassador, (3) support to 30 women who create arts and crafts made of beads and recycled bags, and (4) assistance to the Association of Mayan Lawyers seeking to enact legislation on behalf of indigenous groups that want to legalize their land claims or maintain possession of their communal lands.

USAID/Guatemala justified the program and fund because they were used for selected activities that align with the mission’s overall development objectives. Mission staff also pointed out that the regional legal advisor signed off on all the necessary documents. Additionally, USAID has no guidance prohibiting the inclusion of rapid response funds in program awards.

USAID’s Office of Management Policy, Budget, and Performance is responsible for interpreting Agency programming policies, developing standard operating procedures and guidance, and ensuring that boundaries are established that are consistent with the Agency’s approved strategic priorities. The office has not issued guidance on the use of flexible funding yet. Consequently, it is not clear whether USAID/Guatemala’s use of these funds is appropriate, and whether the mission (and other USAID missions) can use flexible funding in this manner.

Therefore, we make the following recommendations.

Recommendation 6. *We recommend that USAID/Guatemala draft a statement of work for a final evaluation of the program to include determining whether it is resulting in continued alliance partners' investments to health and education projects in Guatemala and is resulting in sustainable alliance partners.*

Recommendation 7. *We recommend that USAID/Guatemala reevaluate the program's use of water filters to determine whether there is a way to make the project sustainable; if not, discontinue funding the filters and conduct follow-up monitoring to see whether the filters from other grants are being replaced after expiration and document results.*

Recommendation 8. *We recommend that the Director of Office of Management Policy, Budget, and Performance issue written guidance regarding the appropriate use of rapid response funds as part of development awards.*

USAID Has Not Initiated Counter-Trafficking in Persons Training for Implementers

USAID has identified trafficking in persons as “a massive development problem affecting millions of men, women, and children.” According to the Agency-Wide Standard Operating Procedure “Counter-Trafficking in Persons and Contractor/Recipient Compliance,” USAID is working to “reinvigorate its Counter-Trafficking in Persons (C-TIP) investments” and to “demonstrate a renewed commitment to being a leader in C-TIP.” In its 2012 counter-trafficking in persons policy, USAID “highlights the five primary agency objectives relating to trafficking in persons (TIP), one of which is enhanced institutional accountability to combat TIP through training and coordination.”

The standard operating procedure states that USAID “must train its personnel in order to equip them with the necessary knowledge and tools to recognize, report, and address human trafficking offenses.” The guidance focuses on C-TIP training for new USAID employees, annual ethics training, and availability of training for acquisitions personnel; but it does not have any guidance on training implementers.

Due to this lack of guidance, USAID/Guatemala has not provided C-TIP training to its implementers. In addition, when the Agency released its April 2013 *Counter-Trafficking in Persons Field Guide*, the mission's TIP coordinator was not instructed to disseminate it to implementers.

While USAID may make occasional site visits to field operations—USAID/Guatemala requires at least one visit per year—implementers are most often in the field observing the day-to-day activities of the Agency's subawardees and beneficiaries. The implementers therefore are most likely to observe any TIP activities. Yet USAID is not taking advantage of their presence in the field.

Risks of trafficking exist in Guatemala, which has been rated as a Tier 2 country⁷ from 2009 through 2012. Therefore, USAID/Guatemala should use all available resources to detect and report potential trafficking. USAID has not yet determined if or how it will train implementers. Until this matter is resolved, the mission can at least provide them with C-TIP guidance as it becomes available.

Recommendation 9. *We recommend that USAID/Guatemala issue to all its implementers the USAID Counter-Trafficking in Persons Field Guide, which includes guidance for reporting suspected cases of trafficking through the Office of Inspector General Hotline.*

⁷ The Victims of Trafficking and Violence Protection Act of 2000 (Public Law 106-386) mandates that the U.S. Department of State rate countries on their level of compliance with the act. The ratings are as follows: Tier 1, fully compliant; Tier 2, not fully compliant but making progress; and Tier 3, not fully compliant and not making progress.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Guatemala agreed with Recommendations 1 through 7 and Recommendation 9. Based on comments from the mission, management decisions have been reached on six of these recommendations and final action was taken on two.

Officials from the Office of Management Policy, Budget informally concurred with Recommendation 8, but did not provide written comments regarding planned actions or proposed completion dates. Therefore, no management decision has been reached.

USAID/Guatemala disagreed with a draft recommendation related to \$7,768 in questioned costs for training and seminars. After reviewing additional information provided by the mission, we removed this recommendation and the related finding from the final audit report

Our detailed evaluation of management comments follows.

Recommendation 1. USAID/Guatemala agreed with the recommendation and is in the process of completing the mission-wide PMP and project-level monitoring and evaluation plans. The PMP will include project baselines and targets for each of USAID/Guatemala's selected indicators in each of the mission's five projects. The target date for completing and submitting the plans is September 30, 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

While agreeing to take action on the recommendation, USAID/Guatemala stated that this issue was outside of the audit's scope. However, ensuring that project activities are consistent with broader mission goals, objectives, and plans is a standard part of our performance audit process.

Recommendation 2. The mission agreed with this recommendation and will ensure that all traveling mission staff include the required checklist as part of their support for reimbursement beginning October 1, 2013. In addition, USAID/Guatemala will issue a mission notice to enforce Mission Order 302, which highlights the importance of site visits and the use of an official checklist for each field trip. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 3. USAID/Guatemala agreed that it would be useful to clarify how this indicator is calculated, and to distinguish between the PMP indicator and the reporting in TraiNet because they count training differently. The mission will modify the mode of calculation and the project's PMP to ensure that the number of teachers trained will not be overstated. The target date for completion of this action is December 31, 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 4. USAID/Guatemala has determined that training data officially reported by the implementer was correct. To avoid future misinterpretations or potential overstatements, the mission agreed to adjust the project's PMP. Accordingly, final action has been taken on this recommendation.

Recommendation 5. USAID/Guatemala agreed with the recommendation and stated that it would reduce the amount of leverage claimed by the program by December 31, 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 6. USAID/Guatemala agreed with the recommendation for including a sustainability analysis in its final evaluation of the program. The final evaluation is expected to be completed by September 30, 2014. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 7. USAID/Guatemala agreed to take action on this recommendation, although mission officials believed that we had overstated our concerns about the sustainability of water purification activities. We believe that our concerns have merit since monitoring reports provided by the mission gave no indication that beneficiaries replaced water filters after 1 year, nor was there any mention of how long the filters had been in place at the time of the monitoring. Furthermore, during a site visit we made in May 2013, grantee said that 80 percent of the people receiving water filters were not replacing them after they expired.

To address these concerns, the mission stated that the project's AOR will issue technical guidance on the importance of monitoring activities, which include ensuring the correct use (and replacement) of water filters. Also, grantees will continue visiting households and report on the mechanisms created to guarantee that filters are replaced as needed. The mission expects to issue this guidance by December 31, 2013.

Recommendation 8. Officials from the Office of Management Policy verbally concurred with this recommendation and agreed to develop, in conjunction with the Office of Acquisition and Assistance and other stakeholders, comprehensive guidance on the use of rapid response funds. However, no formal response was provided prior to issuance of this report. Accordingly, a management decision has not been reached on this recommendation.

Recommendation 9. USAID/Guatemala agreed with the recommendation and issued the *Counter-Trafficking in Persons Guide* to its implementers on September 23, 2013. Accordingly, final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We 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 based on the audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Guatemala's Multi-Sector Alliances Program is achieving its primary goal of forging multi-sector alliances to support development objectives of USAID missions under the Central America and Mexico regional strategy. The program was implemented also in Nicaragua; however, the audit scope was limited to the activities in Guatemala.

The mission awarded RTI a cooperative agreement for approximately \$39.9 million (reduced to \$31.4 million) from January 31, 2010, to September 31, 2014. As of June 19, 2013, cumulative obligations and expenditures totaled \$20.5 million (Guatemala \$17.2 million and Nicaragua \$3.3 million) and \$16.8 million (Guatemala \$14.5 million and Nicaragua \$2.3 million), respectively.

The audit covered program activities that occurred from the start of the cooperative agreement on January 31, 2010, through May 17, 2013. It reviewed RTI grant activities worth \$4.9 million of the \$9.7 million awarded. In planning and performing the audit, we assessed the mission's and RTI's significant controls, including those over monitoring, data verification, reporting, and adherence to laws and regulations.

The audit team conducted fieldwork in Guatemala from April 29 through May 17, 2013, in Guatemala City and the departments of Escuintla, Huehuetenango, and Sololá.

Methodology

To answer the audit objective, we interviewed personnel from USAID/Guatemala, USAID/El Salvador, RTI, grantees, alliance partners, and beneficiaries.

We used a judgmental sample rather than a statistical sample and judgmentally selected 15 grants (1 of which was from the small grant program) out of 51 for field visits. The sample grants amounted to \$4.9 million of the total of \$9.7 million. This selection was based on an analysis of relevant factors such as grant amount, balance between health and education grants, and travel time to locations. The final itinerary was refined through discussions with USAID/Guatemala and RTI staff. Site visits were conducted in 3 of the 20 departments where the program was implemented. Field visits were used to validate the use of funds and to document aspects of monitoring, reporting, and compliance with environmental requirements. Since a statistical sample was not used, the sample results cannot be projected to the entire population.

MANAGEMENT COMMENTS

October 31, 2013

MEMORANDUM

TO: Jon Chasson, Regional Inspector General/San Salvador

FROM: Nancy L. Hoffman, Deputy Mission Director /s/

SUBJECT: Response to Audit of USAID/Guatemala's Multi-Sector Alliance Program (Report No. 1-520-13-00X-P)

On February 25, 2013 USAID/Guatemala received an audit notification to conduct a performance evaluation of USAID/Guatemala's Multi-sector Alliance Program (Alianzas).

The auditors visited the country in May 2013 and conducted a thorough documentation review as well as site visit inspections. Before and after the field work, the auditors received all documentation and information required through interviews and emails. As mentioned in the audit notification, the objective of the audit was to "determine if the project is achieving its primary goal of forging multi-sector alliances to support development objectives of USAID Missions under the Central America and Mexico Regional Strategy."

During the auditors' field work and the exit video-conference, the Mission stated on several occasions that some inquiries fell outside the agreed upon audit objective and scope. This was the case during extensive discussions to explain Alianzas' Performance Monitoring Plan (PMP) and its indicators. Related findings and subsequent recommendations were focused on the Mission's strategy and overarching indicators and generally did not take the Mission's feedback into account.

This memorandum transmits our response to all recommendations included in the draft audit report for your review and comment.

Recommendation 1: *We recommend that USAID/Guatemala establish tangible targets for its outcome indicators with baselines and time frames for its program development goals in the Mission-wide performance monitoring plan, and disseminate guidance in writing to require program awards to link activities to the plan's goals.*

While not specific to the Alianzas project and outside the scope of this audit, the Mission agrees with this recommendation and the Mission-wide performance management plan (PMP) is planned to be in place by the end of fiscal year 2013. This will include project baselines and targets for each of USAID/Guatemala's selected indicators in each of the Mission's five projects as well as several context indicators.

USAID/Guatemala has been working toward this goal throughout the Country Development and Cooperation Strategy (CDCS) and Project Appraisal Document (PAD) processes. It is important to note that the Mission was developing its CDCS and PADs early in both of these processes, while USAID/Washington guidance was being updated and new requirements added. Many of the delays in action by the Mission were the result of waiting for the final guidance to be issued, as USAID/Guatemala was the first Mission in Latin America to have its CDCS approved and was one of the first to approve PADs.

In addition, USAID/Alianzas began its implementation in January 2010 under the Central America and Mexico Regional Strategy (CAM). This strategic framework was active during the period 2004-2012. Hence, the USAID/Alianzas' monitoring and evaluation objectives were aligned to the CAM strategy's Strategic Objective "Investing in People: Healthier, Better Educated People".

Upon completion of the CAM strategy, the Mission developed the CDCS, which was approved in March 2012 and it is currently the overarching strategy under which all active instruments are covered. The Guatemala CDCS is compliant with applicable regulations, policies, and directives. However, because Alianzas was initiated before the current strategy was put in place, the Alianzas program indicators were not re-aligned to USAID/Guatemala's CDCS because the award was scheduled to end in 2013 and CDCS indicators were provisional. These indicators were designed to be later refined through the Project Appraisal Documents, the project Monitoring and Evaluation (M&E) Plans and the Mission's PMP.

As mentioned to the auditors by the Health and Education team and the Mission Director (exit video-conference on June 24), at the time of the audit the Mission was designing and validating PADs for both the health and education sectors. The PADs do contain outcome level indicators that create measurable linkages with CDCS objectives. Furthermore, and as required by the Agency, the Mission is close to completing the Mission-wide PMP and project-level M&E Plans, from which the PMP derives its indicators, to specify outcome indicators and set baselines and targets. During interviews and email communication all outcome level indicators included in the PAD and in the draft PMP were sent to the auditors. Please see annex 1 for this information.

The target date for completion and submission of the Mission-wide PMP and M&E Plans is September 30, 2013. Through the development and approval of the M&E Plans for each project, the Project Managers are required to ensure that activity M&E Plans are consistent with Project M&E Plans

Based on the Mission's concrete plan to address this recommendation we request concurrence with this management decision.

Recommendation 2. *We recommend that USAID/Guatemala implement a schedule for conducting periodic compliance reviews of all site visit documentation.*

The Mission agrees with this recommendation and will ensure that beginning October 1, 2013; all travelers include the required checklist as part of the voucher liquidation documentation.

Field trips were conducted for the Alianzas project on a regular basis although not properly documented according to Mission Order 302 dated November 21, 2011. The MO clearly highlights the importance of site visits and the use of an official checklist for each field trip.

On October 1, 2013, the Mission will issue a Mission Notice to enforce MO 302.

Based on the Mission's concrete plan to address this recommendation we request concurrence with our management decision.

Recommendation 3. *We recommend that USAID/Guatemala provide RTI International written guidance for properly reporting the number of individuals trained in the quarterly reports and Training, Resource, Advocacy, and Information Network, and validate in the next data quality assessment that RTI is reporting the data accurately.*

The Mission agrees with this recommendation and a modification to the PMP will be requested to avoid potential misinterpretations.

Scholarships

As the Mission stated to the auditors during interviews and by email (June 24), Alianzas has been reporting scholarships on a yearly basis, as required by the PMP. These are the indicators that count scholarships:

1. 3.E: Number of girls completing academic year through 6th grade with scholarships
 - a. Definition: Number of girls receiving scholarships through *Alianzas* who successfully complete the academic year.
 - b. Mode of calculation: Counting girls who successfully complete the school year. Completing means that the student has met all MOE requirements to pass to the next grade.
2. 2.3.2 D: Number of boys and girls receiving lower secondary school and upper secondary school scholarships
 - a. Definition: Number of girls and boys who in a given year received scholarships through *Alianzas* support to attend lower and upper secondary.
 - b. Mode of calculation: Counting scholarships funded for students enrolled in lower and upper secondary (Annual basis).
3. 2.3.2 E: Number of students receiving post-secondary and university scholarships
 - a. Definition: Number of students who in a given year received scholarships through *Alianzas*-support to attend higher education institutions and post-secondary professional skills institutes (e.g., vocational training and technical courses).
 - b. Mode of calculation: Counting scholarships funded for students enrolled in higher education institutions and post-secondary institutes (Annual basis).

These indicators are F Standard Indicators. All implementer's grantees manage scholarships on a yearly basis and the implementer aggregates all information in the project's PMP and TraiNet. As required by the PMP, the implementer counts the number of individuals who received a scholarship in a given year. The same information is entered in TraiNet. There is no overstatement in these indicators and the implementer complies with the requirements in the PMP.

After the RIG issued the above recommendation, the Mission consulted with the Higher Education, Workforce Development & Training Team for the Interagency Working Group (IAWG) on U.S. Government-Sponsored International Exchanges and training annual report. The Mission received confirmation of the correct mode of calculation and reporting for all

scholarship related indicators. The implementer counts the number of individuals who are actually in training during the particular year, including those who began their training in a prior year. Understandably, since the scholarship is granted on a yearly basis, the same student might be reported in different periods.

Based on the above mentioned confirmation and a thorough review of all scholarship indicators, the Mission determined that the implementer is reporting scholarships correctly on an annual basis without any overstatement, as required by the project's PMP.

Teachers

According to the information received on a quarterly basis, the Recipient does understand the requirements for counting teachers trained. Indicator 2.3.1 "Number of teachers/educators trained with USG support" is correctly reported in the project's PMP. This indicator is an F Standard Indicator. The reported number of teachers is not overstated and counts each teacher trained only once in a given year. For reporting, planning, and programming purposes, the Mission uses the information provided by the implementer in the PMP.

As mentioned to the auditors, the PMP highlights a definition and mode of calculation for each indicator.

The definition of the above mentioned indicator is: *Number of individuals who have successfully completed a pre- or in-service training program to teach in schools or equivalent non-school-based settings (pre-primary; primary; lower-secondary; upper-secondary; adult literacy), with USG support (e.g., scholarships or a training program funded in whole or in part by USG). Successful completion requires that trainees meet the completion requirements of the structured training program as defined by the program offered. Training should be at least 12 hours in duration (based on the ADS standard for in-country training). Note also that an individual trainee, even if he/she is trained in more than one area or instance of training that year, should be counted only once. People trained under Fulbright or in sectors other than education who will be/are teaching in pre-primary, primary, lower-secondary, upper-secondary, adult literacy should be counted here.*

Similarly, the mode of calculation of the indicator is: *Counting teachers, principals, and other MOE personnel who received training. Training should be at least three 12 hours total in duration (based on the ADS standard for training).*

The implementer reports according to the definition and mode of calculation outlined in the project's PMP.

On the other hand, TraiNet collects all information based on grantee's activities. The information uploaded to TraiNet must be disaggregated by grantee and each training subject matter. In TraiNet, each teacher may be counted multiple times if he/she attended different training programs from the same implementer. For in-country training, TraiNet does not specify the name of each individual.

The Mission appreciates the RIG concern on the potential overstatement of indicators. The Mission agrees that it would be useful to clarify the mode of calculation of this indicator and to distinguish between the PMP indicator and the reporting in TraiNet as they count training differently. The Mission will modify the Project's PMP to ensure that teachers trained will not be overstated. The indicator's mode of calculation will be modified to read as follows: *Counting*

*teachers, principals, and other MOE personnel who received training. Training should be at least 12 hours total in duration (based on the ADS standard for training). **Even if an individual is trained in more than one area or instance of training in a given year, it should be counted only once.***

Technical guidance to modify the Project's PMP will be issued upon the reception of the final audit report. The implementer will be given 15 days to submit a revised PMP.

Based on the Mission's concrete plan to modify the project's PMP to avoid future misinterpretations of the number of teachers trained, we request concurrence with this management decision.

Recommendation 4. *We recommend that USAID/Guatemala determine the extent of the incorrectly reported training data, and make corrections to Training, Resource, Advocacy, and Information Network and indicator data and document the results.*

The Mission determined that training data officially reported by the implementer is correct and was not overstated. However, as mentioned above, the Mission will adjust the project's PMP to avoid future misinterpretations or potential overstatements.

Based on the Mission's concrete plan to address this recommendation we request concurrence with this management decision.

Recommendation 5. *We recommend that USAID/Guatemala either document a plan for complying with environmental responsibilities related to the program's grant with Tigo or terminate the portion of the grant related to leveraged reconstruction activities. If the Mission chooses to terminate the construction portion of the grant, it should obtain and document reasonable assurance that Tigo complied with USAID environmental requirements for the projects completed with TIGO funding under the grant.*

The Mission agrees with this recommendation.

The Regional Environmental Advisor and the Regional Legal Advisor addressed the applicability of 22 CFR 216 to cost share and leverage under USAID programs in May 2013. The Mission was informed that "a USAID project that is funded or jointly funded by USAID and others would require the application of 22 CFR 216; which would implicitly include the requirement of an environmental monitoring and mitigation plan. To be clear, Reg. 216 is thus applied to the whole project, including cost shared portions..." (Alexis Taylor, RLA).

After this communication we required the project to scrutinize all leverage claimed under the reconstruction program. Alianzas determined that the amount of leverage claimed without an approved Environmental Mitigation Plan (EMP) was US\$2,070,964.72. This amount will be reduced from the overall leverage previously claimed by Alianzas. Annex 2 provides more information on the reconstruction leverage without an EMP. An approved EMP will be thus mandatory to claim committed leverage in the future.

Based on the Mission's concrete plan to address this recommendation we request concurrence with this management decision.

Recommendation 6. *We recommend that USAID/Guatemala draft a statement of work for a final evaluation of the program to include determining whether it is resulting in continued alliance partners' investments to health and education projects in Guatemala, and is resulting in sustainable alliance partners.*

The Mission agrees with this recommendation, and a final evaluation of the program will take place in 2014.

A performance evaluation will be conducted to determine the degree of success of the program, including whether the program is resulting in continued alliance partners' investments to health and education projects in Guatemala, and is resulting in sustainable alliance partners. This information will be used to inform future designs. Already, the Health and Education Office has included Alianzas' evaluation in its annual FY14 plan. The design and management of this evaluation will be determined by the Mission's technical team and the Mission's Planning and Program Support Office during the first quarter of FY14. Upon completion of the evaluation, expected by the fourth quarter of FY14, the report will be made available to the general public.

Also, as discussed with the auditors, the Alianzas team is conducting mentoring for local organizations to build sustainability. Three organizations were included in Alianzas' mentoring plan: CentraRSE, FUNDESA, and Fondo Unido. The following indicator is included in the program's PMP: "2. B Number of NGOs trained in alliance building skills and/or mentored to work with the private sector."

The objective of this transfer of know-how and alliance building capabilities is to ensure that current partnerships will implement activities in a sustainable way once USAID funding is no longer available.

Based on the Mission's concrete plan to address this recommendation we request concurrence with this management decision.

Recommendation 7. *We recommend that USAID/Guatemala reevaluate the program's use of water filters to determine whether there is a way to make the project sustainable; if not, discontinue funding the filters and conduct follow-up monitoring to see whether the filters from other grants are being replaced after expiration and document results.*

The Mission partially agrees with this recommendation as explained below.

As the draft audit report states, Alianzas distributed a significant amount of filters to achieve targets set under indicator 2.2.1 "Liters of drinking water disinfected with USG-supported point-of-use treatment products".

In the Mission's view, the lack of sustainability of this intervention is an overstatement based on one anecdotal example. The auditors are basing the above recommendation on a single field visit finding and cannot reasonably draw this conclusion based on the evidence presented for the overall activity. According to the documentation provided to the auditors, the Mission reiterates the feasibility of this intervention and its sustainability.

The total number of filters distributed is 5,616 during the life of the program (including leverage claimed); the program already ended. The majority of filters were distributed by FUNCAFE (they provided 5,000 filters out of 5,600), which conducts quarterly monitoring of the correct use

of filters. Information about this monitoring is recorded in FUNCAFE's 2011 and 2012 quarterly reports. An evaluation of the program was conducted in 2012 by FUNCAFE. A sample of 331 filters out of 5,000 was monitored. The assessment was conducted in 12 municipalities, and it was determined that 90.3% of all sampled filters were being used correctly, and families were drinking safe water. A small number of filters were being used incorrectly (4.25%) or were not being used at all (5.45%). These families were counseled to reinforce the correct use of filters and the importance of using them. The assessment also showed that diarrhea and other stomach related health issues decreased significantly and the consumption of safe water increased. For more information about this assessment, please see FUNCAFÉ's first 2012 quarterly report attached with the evaluation findings.

At the same time, BANASA and "Asociación Todos por el Lago" –FTL- also designed sustainable activities for the longer term use of water filters. BANASA negotiated a 50% discount with the filter supplier and families pay US\$6 per year to change it. Field supervisors constantly monitor the correct use of water filters. Beneficiaries that received a filter from FTL pay US\$8 per year. The Alianzas technical team and implementers determined this amount to be affordable for target beneficiaries. These families are also counseled on the correct use of filters and waste, and they also received an ONIL stove (wood efficient stove). FTL delivered a small number of filters (fewer than 100). FTL was visited by the auditors less than a year after the filters had been distributed, thus no water filter replacement had yet been programmed at that time based on the useful life of the filters (12 to 18 months).

All grantees that provided filters conduct regular monitoring of the correct use and replacement of filters

However, we appreciate the RIG concern regarding both the sustainability and safety with respect to drinking water with USG-supported point-of-use treatment products. The project's AOR will issue technical guidance upon the reception of the final audit report to stress the importance of monitoring activities. Monitoring activities by project and USAID staff will include ensuring the correct use (and replacement) of water filters. Also, grantees will need to continue current field visits to households and report on the mechanisms created to guarantee the filter replacement as needed.

Based on the Mission's concrete plan to address this recommendation, we request concurrence with this management decision.

Recommendation 8. *We recommend that the Director of Office of Management Policy, Budget, and Performance determine the appropriateness of using rapid response funds as part of development awards and issue written guidance regarding such funds.*

N/A. This recommendation is addressed to the Director of Office of Management Policy, Budget, and Performance. There is no action for USAID/Guatemala.

Recommendation 9. *We recommend that USAID/Office of Acquisition and Assistance determine the allowability of \$7,768 in questioned costs related to training and attendance at seminars and recover from RTI International any amounts determined to be unallowable.*

The Mission disagrees with this recommendation based on the evidence already provided to the auditors, re-stated below.

The Contracting Officer determined that the \$7,768 questioned costs related to training and attendance to seminars of RTI employees are allowable costs based on the following:

1. Travel and training costs were approved in writing by the Agreement Officer on April 6, 2010, January 5, 2011, and February 7, 2013 (see Annex 3).
2. Costs are directly attributed to the objectives of the Cooperative Agreement, not to the overall organization (RTI) and therefore considered to be direct costs and not indirect costs.
3. FAR part 2 indicates that costs identified specifically with a contract are direct costs of that contract. Further, per FAR part 31⁸ direct costs of the contract shall be charged directly to the contract.
4. None of the four indirect cost rates charged to this agreement and approved through RTI's NICRA include training and travel costs of field office personnel. RTI indicated in their cost proposal for this agreement that the Indirect Technical Expense (ITE) Rate covers the overhead costs associated with research staff located in their Research Triangle Park, North Carolina facility.

Based on the above, the Mission had already authorized and determined that the US\$7,768 are allowable costs and do not need to be recovered from RTI International.

Based on the above explanation, the Mission requests this recommendation be deleted.

Recommendation 10. *We recommend that USAID/Guatemala issue to all its implementers the USAID Counter-Trafficking in Persons Field Guide, which includes guidance for reporting suspected cases of trafficking through the Office of Inspector General Hotline.*

The Mission agrees with this recommendation.

As mentioned in the draft audit report, the Counter-Trafficking in Persons Field Guide was issued in April 2013. When the guidance was issued, a C-TIP point of contact was named within the Democracy and Governance Office. As of this date, no training for implementers has been designed by the Agency.

The C-TIP guide was sent to all implementers on September 23, 2013 (Annex 4). Links to three documents were provided in the letter sent: Counter-Trafficking in Persons Policy, Guidance on the Implementation on Agency-Wide Counter-Trafficking in Persons Code of Conduct, and Counter-Trafficking in Persons Field Guide.

As the Mission has issued the C-TIP guide to all implementers, we request closure of this recommendation.

⁸ RTI is among the non-profit organizations listed in Attachment C of the OMB A-122 that are considered to be similar to commercial concerns for the purpose of applicability of cost principles. The Circular provides that such non-profit organizations shall operate under Federal Cost Principles in FAR 31 that are applicable to commercial concerns.

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