



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/HAITI'S HEALTH INFRASTRUCTURE PROGRAM

AUDIT REPORT NO. 1-521-14-008-P
April 25, 2014

SAN SALVADOR, EL SALVADOR



Office of Inspector General

April 25, 2014

MEMORANDUM

TO: USAID/Haiti Mission Director, John Groarke

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

SUBJECT: Audit of USAID/Haiti's Health Infrastructure Program
(Report Number 1-521-14-008-P)

This memorandum transmits our final report on the subject audit for your review and comment. 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.

The report includes seven recommendations. Based on your written comments in response to the draft report, management decisions have been reached on all seven, and final action was taken on one recommendation. 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 on the remaining six recommendations.

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

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SUMMARY OF RESULTS

On January 12, 2010, an earthquake struck near Port-au-Prince, Haiti. By most accounts, this was one of the worst humanitarian and economic disasters in the Western Hemisphere; the earthquake is estimated to have caused 230,000 deaths and displaced millions of people from their homes. The World Bank reported that the earthquake caused \$7.8 billion in damage, about 120 percent of Haiti's 2009 gross domestic product. According to the Haitian Government, more than 50 hospitals and health centers collapsed or became unstable.

In March 2010 the international community held a conference in New York and pledged more than \$9 billion to support Haiti's recovery from the earthquake. To help with this pledge, Congress passed the Supplemental Appropriations Act, 2010,¹ which provided more than \$1 billion in reconstruction funds for Haiti. On January 3, 2011, the U.S. Government published the 5-year *Post-Earthquake USG Strategy: Toward Renewal and Economic Opportunity*, establishing priorities to help Haiti reach certain reconstruction goals. The report identified four areas of investment that are critical to the nation's economic growth and stability: (1) infrastructure and energy, (2) food and economic security, (3) health and other basic services, and (4) governance and rule of law.

In August 2011 USAID/Haiti issued an activity approval document (AAD), outlining a plan to address the priorities defined in the post-earthquake strategy for health and other basic services. The mission's overall health objective is to improve the health and nutrition status of the Haitian population, and its post-earthquake strategy focused on reinforcing the physical infrastructure of a number of health facilities, building medical supply warehouses, and reconstructing the State University Teaching Hospital (HUEH) and the National Campus for Health Sciences (NCHS) in downtown Port-au-Prince. The mission expected to complete these activities by December 2015 at a cost of \$99 million. As of December 31, 2013, USAID/Haiti has obligated \$17.3 million and disbursed \$8.2 million.

The audit objective was to determine whether USAID/Haiti's Health Infrastructure Program improved the health and nutrition status of the Haitian population by constructing and renovating health facilities at the national and local levels. The audit found that the program made limited progress towards these objectives, primarily because the construction of health facilities is behind schedule and few projects have been completed (page 3). Furthermore, USAID/Haiti has not completed all necessary steps for sustainability planning to ensure that these projects, once completed, can provide the intended benefits (page 5). In addition, the mission may benefit from expanded monitoring for sustainability of all infrastructure projects (page 9).

To strengthen the Haiti's Health Infrastructure Program, we recommend that the mission:

1. Complete its staffing plan by hiring the appropriate number of technical and contracting staff with engineering and construction expertise to manage the mission's infrastructure program properly (page 5).
2. Consolidate the infrastructure activities under the Office of Infrastructure Engineering and Energy (OIEE) (page 5).

¹ Supplemental Appropriations Act, 2010, Public Law 111-212, Title I, Chap. 10, 124 Stat. 2302, 2320 (July 29, 2010).

3. Issue a mission order to provide specific guidance on mission policy and procedures for the design, procurement, implementation, and oversight of all infrastructure projects with engineering and construction activities (page 5).
4. Develop, in collaboration with the Haitian Government, sustainability plans for each of the infrastructure projects that (1) include mechanisms to make sure the Haitian Government formally commits funds in its official budget that cover the projected costs (both financial and human resources) to maintain and use the project, and (2) include targets the Haitian Government must meet that indicate progress toward meeting its commitment to fund, maintain, and use the projects (page 7).
5. Develop a monitoring plan to assess regularly the Haitian Government's progress in meeting the targets in the sustainability plan and a plan of action should targets not be met (page 8).
6. Update the project implementation letters and Foreign Assistance Act, Section 611 (e) certifications as necessary based on the revised projected operations and maintenance costs and completion of the sustainability plans for each project (page 8).
7. Develop a mission order that requires the development of detailed sustainability plans for all significant infrastructure projects that (1) include mechanisms to confirm that the Haitian Government formally commits funds in its official budget that cover the projected costs (both financial and human resources) to maintain and use the project, (2) include targets that the Haitian Government must meet that indicate progress toward meeting its commitment to maintain and use the projects, and (3) requires the completion of monitoring plans to track the Haitian Government's progress in meeting its targets in the sustainability plans and a plan of action should targets not be met (page 10).

Detailed findings follow. Appendix I describes the audit scope and methodology. Our evaluation of USAID/Haiti's management comments will appear on page 11, and the mission's comments will appear in Appendix II.

AUDIT FINDINGS

Program Was Significantly Behind Schedule

According to *Post-Earthquake USG Haiti Strategy*, the U.S. Government plans to place a greater emphasis on strengthening the health system and renovating and constructing damaged health-care facilities in Haiti within 5 years.

In April 2011, USAID/Haiti issued its AAD, which identified a number of construction and renovation projects for some of the main facilities that would contribute to the mission's health objectives. The mission expected to finish building medical supply warehouses within the first 18 months (by June 2012) and all the hospitals and facilities by the end of the project in December 2015.

However, as of January 2014 (more than halfway through the implementation period), with the exception of some small-scale renovations (including power upgrades to a few health-care facilities), construction on the major infrastructure projects had not started, as described in the table below.

Status of Health Infrastructure Program as of January 2014 (Audited)

Activity	Projected Start	Target Completion
Reconstruction of HUEH	January 2014	December 2016
Reconstruction of NCHS	April 2014	January 2016
Construction/Renovation of Referral Networks Infrastructures:		
• St. Michel	April 2014	December 2015
• Fort Liberte	April 2014	May 2016
• Platana Health Center	June 2014	March 2015
• Justinean Pediatrics	August 2014	December 2015
Construction/Upgrade of Facilities for Disabled People	January 2014	October 2014
Construction of Medical Supply Warehouses	August 2014	February 2016

Delays occurred for several reasons.

Lack of Engineering and Contracting Staff With Construction Expertise. Engineers and contracting staff with construction expertise are needed to properly design, procure, implement, and monitor large, complex construction projects.

However, the mission did not have adequate engineering and contracting services to manage this large program. From June 2011 to August 2012, the mission did not have an engineer or contract specialist on staff dedicated to the program; two engineers from USAID/Washington on consecutive temporary duty assignments managed the startup and early implementation. Mission officials said they had difficulty attracting qualified, experienced USAID engineers to Haiti and had been trying since 2011 to recruit a senior USAID engineer to head the Office of

Infrastructure, Engineering, and Energy (OIEE). That office continues to operate without a director with engineering or construction experience.

Moreover, USAID/Haiti manages more than \$800 million in infrastructure projects but has not consolidated its engineering services for all construction activities. There are four engineers in OIEE, three in the Health Office, one in the Office of Economic Growth and Agricultural Development, and none in the Office of Democracy and Governance. Engineers from each office function independently and do not share staff.

In addition, there was a consistent lack of adequate contracting staff with construction experience. To date, the mission has not been able to identify a contracting officer or specialist with construction contracting experience to support the health program. Since inception, it has had seven different contract specialists, five of whom have been on temporary duty assignment. Infrastructure projects are complex, and the solicitation process for them is multifaceted with a number of implementing partners and stakeholders involved. Several mission officials involved with the program said the mission's lack of staff with expertise in this area caused delays during the process. For example, the mission submitted a request for proposal (RFP) for the NCHS project on August 2, 2012, that did not include detailed technical specifications or drawings. As a result, the mission received more than 160 questions and requests for clarification from contractors about the RFP.

The mission suspended the original RFP and hired an architecture/engineering (A/E) firm to develop a more detailed design with technical specifications to address these queries. It reissued the RFP in February 2013, but only two bidders submitted proposals. One was disqualified for technical reasons, and the other's submitted price was above the stipulated contract price ceiling. The mission issued a third RFP in November 2013 and has not yet awarded this contract.

Lack of Policies and Procedures for Managing Large, Complex Construction Projects.

Despite the large amount of funding provided for construction and infrastructure projects in Haiti, the mission does not have policies and procedures on how to manage them; instead, they have been planned and managed on an ad hoc basis. Although the Agency's construction policy was issued in April 2012, it primarily describes what type of instrument must be used when making awards for construction activities and does not have specific guidelines for project design, implementation, and oversight.

The mission would benefit from a policy that specifically addresses key decisions, such as when to hire an A/E firm to perform construction management, engineering design, and quality assurance management for design and construction phases. The guidance also should clarify when USAID needs an engineer to serve as the contracting officer's representative or activity manager to provide technical guidance, monitoring, and oversight for the contract, among other things.

USAID/Haiti did not award a contract to an A/E firm to support the design and management of the program until March 30, 2012, more than 2 years after the earthquake. The absence of technical staff within the mission with specific guidelines to follow, combined with the lack of an A/E firm to provide design and construction management services, resulted in the mission revising poor original designs and budgets, and caused delays in implementing the program. Mission officials said the lack of standard contract terms and conditions for engineering and construction also delayed the programs.

Challenges With Key Personnel. For 13 months (from July 2012 to August 2013) during a critical phase of the program, USAID/Haiti did not have a mission director. This contributed to the delays because important decisions were not made in a timely manner.

Additionally, working with a coordinator from another U.S. agency posed challenges to implementation. After the earthquake in 2010, the State Department paid a Haiti health reconstruction coordinator to help organize the reconstruction efforts with the mission and other agencies and to provide overall project management. However, mission officials said the coordinator's role was not well defined or clearly explained to the USAID/Haiti construction team, and the coordinator played a much larger role than expected, including directing and supervising USAID/Haiti staff. The coordinator became the prime point of contact for the Ministry of Health and told mission staff to avoid all direct communications with the ministry. This caused delays particularly in drafting legal documents with the Haitian Government and helping it decide how to maintain the infrastructure projects after they are done.

According to the official position description, the State Department coordinator was required to report directly to the USAID/Haiti mission director. However, mission officials said the coordinator did not. The coordinator left the position in October 2013, and the mission is working with State to define the coordinator's role and responsibilities better.

These problems collectively put the program significantly behind schedule and in a poor position to achieve its goals within the planned time frames. The delays have hampered the delivery of the program's intended benefits, and thousands of Haitians do not have adequate medical care. Because USAID/Haiti has filled the mission director's position, and he is working with State to define the coordinator's scope of work, we are not making recommendations to address these problems. However, to make sure that they are addressed, we are making the following recommendations.

Recommendation 1. We recommend that USAID/Haiti complete its staffing plan by hiring the appropriate number of technical and contracting staff with engineering and construction expertise to manage the mission's infrastructure program properly.

Recommendation 2. We recommend that USAID/Haiti consolidate the infrastructure activities under the Office of Infrastructure, Engineering, and Energy.

Recommendation 3. We recommend that USAID/Haiti issue a mission order to provide specific guidance on mission policy and procedures for the design, procurement, implementation, and oversight of all infrastructure projects with engineering and construction activities.

Sustainability Was Not Addressed Adequately

USAID's Automated Directives System (ADS) 200.3.1.5 states, "The ultimate goal of development cooperation is to enable developing countries to devise and implement their own solutions to key development challenges and to develop resilience against shocks and other setbacks." To meet this goal, USAID must "ensure that activities or services are tied to sustainable financing models." Furthermore, ADS 201.3.9.3(g) states that during the project design phase, the mission should have a plan that includes "an appropriate sustainability strategy to ensure that the institution(s) will remain administratively and financially sustainable

by the end of the project and equipped to continue to play their roles in local development.”

USAID/Haiti has not addressed the sustainability of its health infrastructure projects adequately. While the mission has certified that the Haitian Government can maintain and use each of the projects effectively after USAID funding ends, current information since the certifications were prepared needs to be addressed, and the mission has not developed a clear business plan for each project. These problems are described below.

Implementation Letters and Certifications Were Not Current. The Foreign Assistance Act, Section 611(e) certification provides that no assistance “shall be furnished with respect to any capital assistance project estimated to cost in excess of \$1,000,000 until the head of the agency . . . has received and taken into consideration a certification from the principal officer of such agency in the country in which the project is located as to the capability of the country (both financially and human resources) to effectively maintain and utilize the project.”

The USAID Administrator has delegated his authority to receive and take into consideration 611(e) certifications to his assistant administrators within their respective areas of responsibility. For USAID/Haiti, the assistant administrator for the Bureau for Latin America and the Caribbean is required to provide the certifications.

The audit found the following deficiencies in the processes followed in completing the certifications.

- **Reconstruction of NCHS.** The bureau signed the 611(e) certification on February 27, 2013, documenting that Haiti can operate and maintain NCHS. The certification was based on the implementation letter (IL) signed by the mission and the Haitian Government. Haiti agreed to pay for all recurrent nonpersonnel-related operations and maintenance costs estimated to be \$140,000 (1 percent of the total estimated construction cost) per year to maintain the project after USAID funding ends, as well as other important costs such as training and salaries. However, the IL did not provide an estimate of these personnel-related costs. In addition, the estimated amount for the nonpersonnel-related costs was not analyzed and calculated carefully.

Subsequently, following completion of initial architecture and engineering design work, the mission performed a more detailed cost analysis and determined that the estimated recurring facility operations and maintenance costs could actually exceed \$560,000 per year, if operated to U.S. standards; most of that amount is the estimated cost to fuel and maintain generators to provide power to the facilities. Therefore, the mission should update the estimated costs in the 611(e) certification to include the latest facility design information. Furthermore, the IL was signed and agreed to based on an amount that is significantly less than the actual amounts needed to sustain the campus.

- **Construction of the Community Referral Hospital at St. Michel.** The bureau signed the 611(e) certification in August 2012 documenting that the Haitian Government can operate and maintain a hospital, health center, housing, and equipment. In the IL, Haiti agreed to pay for nonpersonnel-related operational and maintenance costs, and all training and salaries totaling more than \$1.4 million per year.

However, the mission did not perform any detailed analysis to determine whether the government can cover these costs. The mission is relying on the Haitian Government's written commitment that it will cover them. While obtaining this commitment is important, a

more detailed analysis is needed to provide a substantial basis for certifying that Haiti can maintain and use the health network.

- **Construction of Medical Supply Warehouses.** The mission has budgeted approximately \$12 million to construct a new central warehouse in Port-au-Prince and the probable construction of two smaller warehouses outside of the capital. At the time of the audit, USAID/Haiti's A/E firm, AECOM, had finished about 35 percent of the design for the central warehouse with a projected budget of approximately \$9 million. The mission has not prepared the 611(e) certification or obtained the certification from the bureau that the Haitian Government can operate and maintain these facilities. Mission officials said the certifications would be completed before the mission awards any construction contracts.

Business Plans That Address Sustainability Were Not Completed. In its AAD, USAID/Haiti stated that it would “commit to providing partial support for post-construction operating and maintenance costs up to 5 years following the completion of health facility construction, diminishing each year to zero, only after a clear business plan for each facility is established with the Ministry of Health.” The AAD also stated that USAID, as a condition of construction, would develop indicators that would tell the mission before the 5 years are up whether or not the program is likely to meet its targets.

The issue of sustainability in the poorest country in the Western Hemisphere is a significant challenge and not one that is addressed easily. Mission officials said sustainability is a major concern to them, and they have taken steps to mitigate the risks associated with the health infrastructure program. The mission is working with the Ministry of Health on a number of projects to help build its ability to sustain the nation's health system. However, mission officials agreed that they have not developed a business plan with indicators as a condition of construction for any of the infrastructure projects.

In addition, securing the Haitian Government's commitment to fund the recurring operational and maintenance costs through signing ILs is an important aspect of sustainability. But it does not fulfill the requirement of developing a “clear business plan” that addresses the sustainability of each facility. Such a plan is important because the government has not demonstrated that it can fund these projects. For example, mission officials said the Haitian Government has not set up an official budget to operate and maintain these projects. On April 22, 2013, the Minister of Health sent a letter to USAID/Haiti stating that USAID's assistance should not be limited to the construction of new facilities but should also take into consideration the operations of the facility. Mission officials subsequently met with the minister and other government officials, and reiterated that Haiti had signed its intent to cover these costs.

These examples highlight the challenges regarding the issue of sustainability in Haiti and the need for a focused effort on having a viable, realistic business plan to mitigate the inherent risks for the infrastructure projects. Effective plans would have targets that allow the mission to measure the Haitian Government's ability to take over the maintenance and operation of the newly rehabilitated or constructed facilities. In addition, the plans should include steps to be taken in the event that sustainably targets are not met; these steps might include support from other donors or adjusting the scope of the project to bring it more in line with whatever the government is capable of performing. Therefore, we make the following recommendations.

Recommendation 4. *We recommend that USAID/Haiti, in collaboration with the Haitian Government, develop sustainability plans for each of the infrastructure projects that (1) include mechanisms to confirm that the Haitian Government formally commits funds*

in its official budget that cover the projected costs (both financial and human resources) to maintain and use the project, and (2) include targets that the Haitian Government must meet to indicate progress toward meeting its commitment to fund, maintain, and use the projects.

Recommendation 5. *We recommend that USAID/Haiti develop a monitoring plan to assess regularly the Haitian Government's progress in meeting the targets in the sustainability plan and a plan of action should targets not be met.*

Recommendation 6. *We recommend that USAID/Haiti update the project implementation letters and Foreign Assistance Act, Section 611 (e) certifications as necessary based on the revised projected operations and maintenance costs and completion of the sustainability plans for each project.*

OTHER MATTER

Infrastructure Projects Lacked Detailed Sustainability Plans

As previously noted in this report, the mission manages more than \$800 million of infrastructure projects in Haiti managed under OIEE and the offices of Economic Growth and Agricultural Development, Democracy and Governance, and Health. While we audited only those under the health office, mission officials said all the infrastructure projects face similar sustainability challenges.

ADS 201.9.9.3(c), “Sustainability Analysis,” requires missions to “analyze key sustainability issues and considerations around a host of issues including economic, social soundness, cultural, institutional capacity, political economy, technical/sectoral, and environmental.” The sustainability analysis also requires a review of the “financial costs of the program, its recurrent costs, and its maintenance capability and costs (if applicable), as well as ensuring that future revenues will be adequate.”

Minimizing the sustainability risks of infrastructure projects implemented in Haiti is a challenge. In a previous audit report, we noted that a \$2.3 million infrastructure project under USAID/Haiti’s Watershed Initiative for National Natural Environmental Resources Program was at risk.² The report found that people living near the Grise River, which the program has widened and dredged to minimize the risk of flooding, continue to mine sediments and dump trash in the water. Mining weakens the retaining walls built by the program on riverbanks, and dumping negates the dredging efforts. Yet both practices continue because the Haitian Government has not taken steps to stop them.

In addition, the U.S. Government Accountability Office (GAO) also reported that USAID infrastructure projects face sustainability challenges.³ GAO found that USAID allocated \$170.3 million to construct a power plant and port to support the newly developed Caracol Industrial Park (CIP). The report noted that “the sustainability of the CIP, power plant, and port are interdependent; each must be completed and remain viable for the others to succeed.” Further, “USAID’s contribution to port construction was not intended to fund the entire port, and it is unclear whether the Haitian Government will be able to find a private sector company willing to contribute the large amount of remaining funding through a public-private partnership.” This uncertainty, according to GAO, “puts at risk USAID’s investments in port planning and design, as well as the sustainability of the CIP and power plant due to the three projects’ interdependence.”

GAO also reported uncertainties about the sustainability of the mission’s New Settlement program. The report noted that the mission dedicated some funding to help “ensure sustainability through the development of community support mechanisms, but it was unclear if funding for these support mechanisms will be available for each new settlement.” In addition, the report stated, “USAID has taken steps to secure commitments for partner donor funding to

² Report No. 1-521-12-003-P, April 2012.

³ GAO, “HAITI RECONSTRUCTION: USAID Infrastructure Projects Have Had Mixed Results and Face Sustainability Challenges,” June 2013.

assist in these efforts, but has yet secured such commitments for all planned settlements and it is uncertain whether the partner organizations will be able to fulfill their commitments.” Because the risks of sustaining infrastructure projects are high and not limited to just those projects implemented under the Health Infrastructure Program, we make the following recommendation.

Recommendation 7. We recommend that USAID/Haiti develop a mission order that requires the development of detailed sustainability plans for all significant infrastructure projects that (1) include mechanisms to confirm that the Haitian Government formally commits funds in its official budget that cover the projected costs (both financial and human resources) to maintain and use the project, (2) include targets that the Haitian Government must meet that indicate progress toward meeting its commitment to maintain and use the project, and (3) requires the completion of monitoring plans to track the Haitian Government’s progress in meeting its targets in the sustainability plans and a plan of action should targets not be met.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Haiti agreed with all seven recommendations. Based on our evaluation of management comments on the draft report, we have determined that the mission has made management decisions on all seven recommendations and took final action on one.

Recommendation 1. USAID/Haiti agreed with the recommendation. It has conducted a workforce analysis and is developing an updated staffing plan with a target completion date of May 31, 2014. Accordingly, a management decision has been made on this recommendation.

Recommendation 2. USAID/Haiti agreed with the recommendation, and, as of February 3, 2014, merged the Haiti Health Infrastructure Program with OIEE. Accordingly, final action has been taken on this recommendation.

Recommendation 3. USAID/Haiti agreed with the recommendation. Mission officials said they plan to develop an engineering and construction mission order to address planning, design, procurement, implementation, oversight, and project closeout for all construction activities. The mission expects to complete the order by September 30, 2014. Accordingly, a management decision has been made on this recommendation.

Recommendation 4. USAID/Haiti agreed with the recommendation. The officials plan to collaborate with the Haitian Government to develop sustainability plans with mechanisms for each major health infrastructure project by March 31, 2015. Accordingly, a management decision has been made on this recommendation.

Recommendation 5. USAID/Haiti agreed with the recommendation. Mission officials said they plan to include formal procedures in the engineering and construction mission order and project sustainability plans to address how they will monitor Haiti's progress toward agreed sustainability targets by March 31, 2015. Accordingly, a management decision has been made on this recommendation.

Recommendation 6. USAID/Haiti agreed with the recommendation and plans to update as necessary the implementation plans for all infrastructure projects by March 31, 2015. Accordingly, a management decision has been made on this recommendation.

Recommendation 7. USAID/Haiti agreed with the recommendation. It plans to address short- and long-term sustainability plans for all USAID-funded infrastructure projects in the engineering and construction mission order to be completed by September 30, 2014. Accordingly, a management decision has been made 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 in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Haiti's Health Infrastructure Program is achieving its main goal of contributing to improving the health and nutrition status of the Haitian population.

In planning and performing the audit, the team assessed significant management controls the mission used to manage the program and ensure that it provided adequate oversight. The team reviewed USAID/Haiti's AAD, operational plan report, fiscal year 2013 annual self-assessment of management controls (which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act), environmental compliance, award and modification requirements, performance management plan, and other reports.

USAID/Haiti has allocated approximately \$99 million to implement the program. As of December 31, 2013, the mission had obligated \$17.3 million and disbursed \$8.2 million. The allocated amount represents the amount tested.

The audit covered program activities from April 2011 through December 4, 2013. We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to the program, including ADS 103, 200, 201, 202, 204, 302, and 320. The audit relied on the following sources of evidence: *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity*; the mission's AAD; interviews with employees of USAID/Haiti, Centers for Disease Control, and French and Haitian governments; and documentation maintained at the mission. The audit team conducted fieldwork in Haiti from October 22 through December 4, 2013, and conducted site visits to the reconstruction of HUEH and NCHS. The audit team also conducted a site visit to St. Michel Community Reference Hospital in Cap Haitien.

Methodology

To answer the audit objective, we conducted interviews and site visits, and we evaluated the mission's management and oversight of the program, the performance of the implementing partners, and the effectiveness of activities. We met with officials from USAID/Haiti, Centers for Disease Control, and the French and Haitian Governments.

Through these interviews and the review of project documentation, the audit team obtained an understanding of (1) the program's goals, (2) how the mission designs, procures, implements, and provides oversight of all infrastructure projects with engineering and construction activities, and (3) whether the mission is aware of any allegations of fraud or other potential illegal acts or noncompliance with laws, regulations, and agreement terms.

In addition, we performed the following audit tests:

- Reviewed and tested the mission's process for certifying that Haiti can sustain the projects upon completion.
- Reviewed the mission's staffing to determine the effectiveness of managing the program.
- Documented and tested compliance with gender analysis, human trafficking, sustainability, and environmental compliance.

As the focus of the audit was to determine the causes for the delays in implementing the major infrastructure activities in the program, we did not verify the status of the smaller-scale activities. Because the testing and site selections were based on judgmental samples, the results and conclusions related to the analysis were limited to the items and areas tested and cannot be projected to the entire population. We believe our substantive testing was sufficient to support the audit's findings.

MANAGEMENT COMMENTS



TO: Jon Chasson, Regional Inspector General

FROM: John Groarke, Mission Director/s/

DATE: March 17, 2014

SUBJECT: Mission Response to the Draft Report of USAID/Haiti's Audit of Health Infrastructure Program (RIG draft Report No. 1-521-14-00X-P)

This memorandum represents USAID/Haiti's actions taken to address and reach the management decisions for the recommendations reported in the draft Audit of USAID/Haiti's Health Infrastructure Program/ RIG Report No. 1-521-14-00X-P. The mission agrees with recommendations 1 through 7 and provides below the responses to these recommendations.

Recommendation No. 1: *We recommend that USAID/Haiti complete its staffing plan by hiring the appropriate number of technical and contracting staff with engineering and construction expertise to manage the mission's infrastructure program properly.*

Mission Response

USAID/Haiti concurs with the recommendation and has conducted a workforce analysis and developed an updated staffing plan, which is currently under review by senior management. At this time, USAID/Haiti has two dedicated Foreign Service Engineering Officers (FSO) and one Foreign Service National (FSN) Civil Engineer assigned to the Haiti Health Infrastructure Program (HHIP). A third FSO Engineering Officer position was created by the mission in the latest FSO assignment bid cycle and an officer has been assigned.

Plan of Action and Timeline

USAID/Haiti expects to have an approved staffing plan completed no later than March 31, 2014, and will continue to evaluate staff resource allocations as HHIP projects move from design to procurement to construction phases. Identified or anticipated staffing shortfalls will be addressed adding additional TDY personnel, U.S. Personal Service Contract hires, or contract Architecture and Engineering contractor support. Any long-term staffing gaps that cannot be successfully filled by the mission will be highlighted to USAID Washington for resolution.

Recommendation No. 2: *We recommend that USAID/Haiti consolidate the infrastructure activities under the Office of Infrastructure, Engineering, and Energy.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

Effective February 3, 2014, the Haiti Health Infrastructure Program was merged with the Office

of Infrastructure, Engineering, and Energy (OIEE) which is now headed by a senior U.S. Engineer adding a level of leadership and technical oversight that did not exist before.

Recommendation No. 3: *We recommend that USAID/Haiti develop a mission order to provide specific guidance on mission policy and procedures for the design, procurement, implementation, and oversight of all infrastructure projects with engineering and construction activities.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

The Office of Infrastructure, Engineering and Energy is developing an Engineering and Construction mission order to address planning, design, procurement, implementation, and oversight including project closeout. The USAID/Haiti mission targets finalization of this mission order by September 30, 2014.

Recommendation No. 4: *We recommend that USAID/Haiti, in collaboration with the Haitian Government, develop sustainability plans for each of the infrastructure projects that; (1)include mechanisms to ensure that the Haitian Government formally commits funds in their official budget that cover the projected costs (both financial and human resources) to maintain and utilize the project, and (2) include targets that must be met by the Haitian Government that indicate progress toward meeting their commitment to fund, maintain, and utilize the projects.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

The Mission, in collaboration with the Haitian Government, will develop sustainability plans with mechanisms for each major health infrastructure project to achieve mutually agreed targets and ensure that the Haitian Government formally commits funds in their annual budget to cover the projected operations and maintenance costs. The interim goal is that sustainability plans for each of the major health infrastructure projects are in place no later than March 31, 2015, reinforcing Implementation Letters with the GOH, which document initial agreements on funding, operations and maintenance costs, and reporting requirements.

Recommendation No. 5: *We recommend that USAID/Haiti develop a monitoring plan to assess regularly the Haitian Government's progress in meeting the targets contained in the sustainability plan and a plan of action should targets not be met.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

The Mission will include formal procedures in the Engineering and Construction Mission Order and project sustainability plans to address how it will monitor the Government of Haiti's progress toward agreed sustainability targets. The Office of Infrastructure Engineering and Energy will work with the relevant USAID/Haiti technical offices and provide guidance and support on the long term sustainability aspect(s) of infrastructure projects in order to properly integrate each project with other relevant USAID programs. USAID/Haiti expects to complete this process no later than March 31, 2015.

Recommendation No. 6: *We recommend that USAID/Haiti update the Project Implementation Letters and Foreign Assistance Act Section 611 (e) certifications as necessary based on the revised projected operations and maintenance costs and completion of the sustainability plans for each project.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

USAID/Haiti will update the Implementation Letters for all infrastructure projects as necessary on an ongoing basis during the procurement and implementation phases of each project beginning with the revised projected operations and maintenance costs and completion of the sustainability plans for existing projects by March 31, 2015

Recommendation No. 7: *We recommend that USAID/Haiti develop a mission order that requires the development of detailed sustainability plans for all significant infrastructure projects that; (1) include mechanisms to ensure that the Haitian Government formally commits funds in their official budget that cover the projected costs (both financially and human resources) to maintain and utilize the project, (2) include targets that must be met by the Haitian Government that indicate it's progress toward meeting their commitment to maintain and utilize the project, and (3) requires the completion of monitoring plans to track the Haitian Government's progress in meeting its targets contained in the sustainability plans and a plan of action should targets not be met.*

Mission Response

USAID/Haiti concurs with this recommendation.

Plan of Action and Timeline

USAID/Haiti will address short-term and long-term sustainability plans for all USAID-funded infrastructure projects in the Engineering and Construction mission order that is referenced above in the response to Audit Recommendation No. 3 with a target date of September 30, 2014.

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