



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/JAMAICA'S BASIC EDUCATION PROJECT

AUDIT REPORT NO. 1-532-14-003-P
December 23, 2013

SAN SALVADOR, EL SALVADOR



Office of Inspector General

December 23, 2013

MEMORANDUM

TO: USAID/Jamaica Mission Director, Denise A. Herbol

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

SUBJECT: Audit of USAID/Jamaica's Basic Education Project
(Report Number 1-532-14-003-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 eight recommendations. Your comments indicate final action on three recommendations and management decisions on seven. A management decision was not reached on Recommendation 3. Please provide written notice within 30 days of any actions planned or taken to implement this recommendation and a target date for completion.

Please provide the Audit Performance and Compliance Division with the necessary documentation to achieve final action on all recommendations.

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

CONTENTS

- Summary of Results** 1
- Audit Findings**..... 4
 - Project Made Limited Progress 4
 - Mission Paid Fixed Fee for Work Not Completed 5
 - Internal Controls Over Supplies and Equipment Were Weak 7
- Evaluation of Management Comments** 10
- Appendix I—Scope and Methodology** 12
- Appendix II—Management Comments** 14

SUMMARY OF RESULTS

According to World Bank data,¹ Jamaica, with a population of 2.7 million and gross domestic product per capita of \$5,472, is one of the largest economies in the English-speaking Caribbean. However, in the past decade, Jamaica's economy has been growing at a relatively slow 0.55 percent per year, lagging behind many other Caribbean nations. The global economic downturn has significantly affected Jamaica, leading to increased unemployment (13.7 percent in 2012). To become economically competitive, Jamaica will need to improve the quality of education and raise its current standards.

Jamaica has achieved near-universal enrollment rates in both primary and secondary education. However, inadequate teacher training, a lack of resources, and crime and violence in school neighborhoods has decreased the quality of education. Over the past several years, the literacy rate of Grade 4 students averaged 71 percent.²

To strengthen the Ministry of Education's efforts to raise the quality, efficiency, and equity of Jamaica's primary education system, in January 2010 USAID/Jamaica signed a 4-year, \$12.7 million contract with Juarez & Associates Inc. to implement the Basic Education Project.³ On September 25, 2012, the mission decreased the award to \$8.9 million. As of September 30, 2013, when the project ended, the entire award had been obligated, and expenditures for the program totaled \$7.8 million.

The project's expected results were:

- Establish reading standards for Grades 1 through 3.
- Establish math standards for Grades 1 through 3.
- Increase teacher and principal accountability for improved student performance in reading and math for children in the first three grades of primary school as evidenced by adherence to established reading and math standards.
- Increase early Grade 1 through 3 reading fluency to 90 percent in 250 target primary schools.
- Increase various governmental organizations' ability to monitor school management and performance by 50 percent.
- Increase early-grade math acquisition by 50 percent.
- Strengthen public-private partnerships.
- Increase private-public contributions to the National Education Trust.
- Increase private sector participation in policy formulation.

The purpose of this audit was to determine if USAID/Jamaica's Basic Education Project achieved its main goals of strengthening the Ministry of Education's education reform efforts by providing technical assistance, materials, and training.

¹ World Bank, World Development Indicators, 2012.

² Management Systems International, Midterm Performance Evaluation of the USAID/Jamaica Basic Education Project, February 2013.

³ At the time of contract award, the name was the Jamaica Education Transformation Project; however, USAID changed it to the Basic Education Project after the first year.

USAID/Jamaica's Basic Education Project completed some of the expected results. For example, the project helped the Ministry of Education by establishing reading and math standards for Grades 1 through 3. As of June 30, 2013, the project had provided training to 383 principals and 382 teachers and approximately \$938,000 in equipment and supplies to the lowest-performing primary schools. Feedback from principals and teachers during our site visits to 20 schools was positive overall. Teachers said training was helpful and practical and the equipment useful, and principals said the teachers had acquired valuable lessons that they would apply in the classrooms.

However, the project made little progress toward seven of the original nine expected results intended to strengthen the quality, efficiency, and equity of the primary education system (page 4). According to mission officials, the lack of progress resulted from a shift in USAID strategy, funding constraints, and the lack of institutional capacity in the Ministry of Education. Consequently, the mission reduced funding by \$3.8 million and the number of schools assisted from 250 to 172, eliminated efforts to increase math proficiency, and dropped the expected result pertaining to strengthening public-private partnerships.

The audit team found other problems:

- The mission paid the fixed-fee amount to the contractor although it did not complete some requirements (page 5).
- Internal controls over supplies and equipment were weak (page 7).

To strengthen the Jamaican Basic Education Project, we recommend that the mission:

1. With the Ministry of Education, use lessons learned from the Basic Education Program to develop targets and performance indicators for the follow-on project that represent the intended results clearly and adequately (page 5).
2. Focus on building the capacity of the Ministry of Education to monitor performance in the classroom as part of any follow-on project (page 5).
3. Determine the amount of the award fee that should not have been paid to the contractor based on uncompleted work, make a management decision regarding the allowability of these costs, and recover the amounts determined unallowable (page 7).
4. Verify that Juarez & Associates has corrected all procurement deficiencies identified in this report before closeout (page 9).
5. Make a management decision regarding the overpayment of purchases totaling \$11,977 and recover from the contractor amounts determined to be unallowable. (page 9).
6. Obtain a final inventory list and conduct a physical inventory to verify the location of all equipment and supplies purchased (page 9).
7. Investigate and furnish a written report of all incidents of loss, damage, destruction, or theft of property purchased under this project, and recover those costs (page 9).

8. With the Ministry of Education, implement a monitoring and oversight plan for the follow-on project to ensure that it achieves its desired results (page 9).

Detailed findings follow. Appendix I describes the audit scope and methodology. Our evaluation of USAID/Jamaica's management comments appears on page 10, and the mission's comments are in Appendix II.

AUDIT FINDINGS

Project Made Limited Progress

According to the contract, the contractor was expected to provide technical assistance, materials, and training to strengthen the education system. It was to use measurement tools and standards, improve student performance in reading and math in Grades 1 through 3, strengthen public-private partnerships in education, and build the capacity of various governmental organizations to monitor school performance.

However, the contractor made little or no progress toward many of these expected results.

Status of Expected Results as of September 30, 2013 (Audited)

Expected Result	Status
Established reading standards for Grades 1 through 3.	Completed
Established math standards for Grades 1 through 3.	Completed
Increased teacher and principal accountability for improved student performance in reading and math for children in the first three grades of primary school as evidenced by adherence to established reading and math standards.	Partially Met
Increased early Grade 1 through 3 reading fluency to 90 percent in 250 target primary schools.	Partially Met
Increased various governmental organizations' ability to monitor school management and performance by 50 percent.	Partially Met
Increased early-grade math acquisition by 50 percent.	Dropped
Strengthened public-private partnerships.	Dropped
Increased private-public contributions to the National Education Trust.	Dropped
Increased private sector participation in policy formulation.	Dropped

Specifically, work in the following areas did not meet expected results:

Increased Teacher and Principal Accountability. Although the project established an accountability framework, provided leadership development training, and helped develop a performance management structure, it did not track teacher and principal adherence to the framework and the performance management structure. Therefore, it was not possible to measure the increase in accountability the indicator was designed to capture.

Increased Early-Grade (1 through 3) Reading Fluency. According to the contractor's March 31, 2013, quarterly progress report, at the end of the second and third grades, only 47 percent and 55 percent of the students, respectively, were reading at grade level. Mission officials thought the target of 90 percent was too high and should have been revised. The target was established in support of the Government of Jamaica's 2000 goal to have 90 percent of all children in Grades 1 through 3 literate by 2015; the government has since reduced the goal to 85 percent.

Established Government Capacity to Monitor School Management and Performance. According to the memorandum of understanding between the mission and the Ministry of Education, regional education officers were responsible for monitoring the trained teachers to

ensure that they applied the guidelines and principles presented in workshops to their classroom teaching. However, according to Ministry of Education officials, a lack of funding and competing priorities prevented the regional education officers from monitoring classroom instruction effectively.

Increased Early-Grade Math Acquisition. According to mission officials, the new USAID Education Strategy, which took effect in February 2011, eliminated math and focused primarily on literacy.

Strengthened/Increased Public-Private Partnerships, Contributions, and Participation. Mission and partner officials said they dropped all three expected results involving the private sector. The Government of Jamaica advised USAID not to pursue public-private partnerships because they were part of an ongoing program with the International Monetary Fund.

Improved Licensing and Inspection. According to the contract, 80 percent of the teachers in assisted schools were to be licensed annually, and at least one school was to be inspected annually. However, mission officials noted that negotiations with the teachers' union and other factors delayed licensing the teachers, and a system for inspecting and improving schools was not set up. The mission then decided to stop these efforts.

The mission director noted that many of the project's objectives and goals were overly ambitious, far-reaching, and aggressive. Accordingly, the mission reduced the number of regions from six to three and the number of schools from 250 to 172. It amended the contract in September 2012 and reduced funding to \$8.9 million.

Because the project did not achieve many of the expected results, its contribution to the mission's strategy was limited, and the project was not successful in strengthening the quality, efficiency, or equity of the primary education system. According to mission officials, USAID/Jamaica will continue to support the Ministry of Education in its efforts to improve education. Because this project has ended, we make the following recommendations.

***Recommendation 1.** We recommend that USAID/Jamaica, in conjunction with the Ministry of Education, use lessons learned from the Basic Education Project to implement targets and performance indicators for the follow-on project that represent the intended results clearly and adequately.*

***Recommendation 2.** We recommend that USAID/Jamaica include in the scope of work for the follow-on project a requirement to build capacity within the Ministry of Education to monitor school performance in the classroom.*

Mission Paid Fixed Fee for Work Not Completed

USAID/Jamaica awarded a completion cost-plus-fixed-fee contract to the contractor to implement the project. According to Federal Acquisition Regulation (FAR) 16.306, a cost-plus-fixed-fee contract:

describes the scope of work by stating a definite goal or target and specifying an end product. This form of contract normally requires the contractor to complete and deliver the specified end product (e.g., a final report of research

accomplishing the goal or target) within the estimated cost, if possible, as a condition for payment of the entire fixed fee.

The contract specified ten performance requirements for payment of the fixed fee. However, the mission paid the fixed fee to the contractor every month based on a percentage of costs incurred rather than work completed. Furthermore, the mission did not withhold a reserve amount of the fixed fee until after all contract terms and conditions were met, which would have been advisable according to FAR 52.216-8, "Fixed Fee."⁴

Additionally, in the seventh modification to the contract, the mission included a clause stating that the contractor had met seven of the ten performance requirements and was entitled to be paid the fixed fee. However, testing and review of these results disclosed that three of the seven performance standards were not met:

- *Requirement 2: Increased Teacher and Principal Accountability for Improved Student Performance in Reading and Math.* At the end of the project, 90 percent of teachers and principals were to achieve a 15 percent increase in the reading and math performance of their students in Grades 1 through 3. The contractor did not track progress in this area and had no way of knowing how many, if any, teachers and principals achieved the increase. Additionally, a uniform in-service teacher-training program was not set up in all project schools as planned.
- *Requirement 5: Reading Fluency Increased in Early Grades (1 through 3).* The contractor was required to provide all teachers in Grades 1 through 3 reading resources kits. Because of funding constraints, the contractor distributed only one kit per school instead of per teacher, and not all schools received the kits. Additionally, 95 percent of all second grade teachers were supposed to receive instruction in second grade reading. While 382 teachers received reading instruction, it was not clear how many of them taught second grade. The 95 percent target was also unclear since the exact number of teachers was unknown.
- *Requirement 6: Increased Acquisition of Foundational Math Skills in Grades 1 through 3.*⁵ The contractor was required to provide all teachers in Grades 1 through 3 math resource kits. Because of funding constraints, the project was able to distribute only one kit per a limited number of schools instead of one per teacher for all project schools. Additionally, the contractor was required to implement a national marketing campaign to raise math awareness—and did not. The contractor was also required to develop four training modules covering math standards for Grades 1 through 3 but developed only one.

⁴ FAR 52.216-8 states: "Payment of the fixed fee shall be made as specified in the Schedule; provided that the Contracting Officer withholds a reserve not to exceed 15 percent of the total fixed fee or \$100,000, whichever is less, to protect the Government's interest. The Contracting Officer shall release 75 percent of all fee withholds under this contract after receipt of an adequate certified final indirect cost rate proposal covering the year of physical completion of this contract, provided the Contractor has satisfied all other contract terms and conditions, and is not delinquent in submitting final vouchers."

⁵ As discussed in the previous finding, the acquisition of math skills was dropped as an activity. Thus, it should not have been listed as completed in the contract modification. Since it was, we reviewed the standards identified as completed to verify their completion to ensure accuracy of payment of the fixed fee.

Finally, training in various aspects of math for Grades 1 through 3 did not meet expectations, as described below:

- Only about 25 percent of ministry trainers, instead of the expected 75 percent, received training on standards and benchmarks.
- Only about 18 percent of principals and teachers, instead of the expected 75 percent, were trained in the use of diagnostic tools.
- Only about 50 percent and 44 percent, instead of the expected 90 percent, of first and second grade teachers were trained in math instruction.
- Only 68 percent of principals, instead of the expected 90 percent, were trained in early-grade math instruction and monitoring.

The contractor was also required to prepare quarterly progress reports detailing planned activities and expenditures reporting actual expenditures by line item. However, quarterly reports did not contain this financial information, which would have allowed the mission to determine whether an activity was completed.

USAID/Jamaica officials acknowledged the modification to the contract incorrectly listed the above-mentioned performance requirements as being complete. Officials said the oversight occurred because they did not do a careful analysis of all the standards for each requirement. Furthermore, the contracting officer's representative was unaware that a detailed analysis of the standards was required before performance requirements could be listed as completed. While mission staff monitored the contractor's quarterly reporting, they did not realize that information on actual expenditures by line item was not being reported.

Because the contract modification incorrectly identified activities as complete, USAID/Jamaica is at risk of paying the entire fixed fee, as opposed to paying for activities that were actually completed. It would be prudent for the mission to determine what level of effort the contractor made for expected results that were not achieved, and decide if a portion of the previously paid fixed fee should be reimbursed.

Recommendation 3. *We recommend that USAID/Jamaica determine the amount of the fee that should not have been paid to the contractor based on uncompleted work, make a management decision regarding the allowability of these costs, and recover the amounts determined to be unallowable.*

Internal Controls Over Supplies and Equipment Were Weak

Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," Section 300(b), indicates that each organization is responsible for maintaining internal controls over federal programs. Internal controls provide reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on programs. USAID Acquisition Regulation 752.245-71 (b), "Title to and Care of Property," states that the "Contractor shall prepare and establish a program, to be approved by

the Mission, for the receipt, use, maintenance, protection, custody, and care of nonexpendable property for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program.”

Title 22 of the Code of Federal Regulations (226.41 through 226.48) sets standards for the procedures used by recipients of federal funds when procuring supplies or other expendable property, equipment, real property, and other services. Among the requirements for all procurement transactions, the regulations state that to the extent possible, open and free competition, written procurement procedures, and some form of cost or price analysis must be provided. In addition, best practices in procurement include keeping an inventory of all equipment purchases and updating it regularly, noting the condition and location of items. USAID/Jamaica also required the contractor to prepare an annual inventory.

The audit found weak internal controls over purchases and inventory.

Purchases. The audit reviewed 17 purchase orders totaling approximately \$890,000, or 95 percent of the \$938,000 in total purchases made by the contractor during the project period. These purchases consisted of reading and math instructional materials, laptops and projectors, and vehicles used by the contractor. Testing revealed the following:

- Staff in the contractor’s office in Kingston were not using the procurement policies and procedures guide that had been issued by the main office. Instead, they were using a different purchase order form, which did not have a place to document how many bids or quotes they obtained.
- All 17 purchases reviewed lacked documentation for quotations or proposals and bid analysis.
- Of the 17 purchase orders reviewed, 9 lacked signed receiving reports confirming the quantity and quality of goods and services received, and the invoices were not signed or stamped as paid.
- The contractor typically made payments based on pro forma invoices rather than on the actual invoices. For one purchase, this practice resulted in an overpayment of approximately \$9,000 for books and \$2,977 for laptops purchased. These amounts were not returned to USAID.

Inventory. The contractor did not maintain an updated and complete list of all items purchased and on hand for the project and did not know whether physical inventories were conducted annually. For example, after eight computers worth approximately \$7,600 were stolen from six schools and one computer was stolen from the contractor, the contractor continued to list the stolen equipment as being located at the schools. The contractor also did not notify the mission of the stolen laptops. Moreover, the contractor was required to submit an annual inventory listing to the mission but did not until the project had ended.

Internal control weaknesses persisted because of inadequate monitoring by the mission. According to mission officials, staffing constraints and other priorities took the focus away from monitoring. The contracting officer’s representative stated that for the first 2 years of the project, 2010 and 2011, she was acting as deputy office director and could not devote full attention to monitoring the project. She was not able to conduct site visits to the schools and instead stayed

in touch with the contractor through e-mails and visits to the main office in Kingston. As a result, the procurement and inventory processes were susceptible to fraud, waste, and abuse.

To correct this situation, we make the following recommendations.

Recommendation 4. *We recommend that USAID/Jamaica verify that Juarez & Associates has corrected all procurement and inventory deficiencies identified in this report and document results.*

Recommendation 5. *We recommend that USAID/Jamaica make a management decision regarding the overpayment of purchases totaling \$11,977 and recover from the contractor the amounts determined to be unallowable.*

Recommendation 6. *We recommend that USAID/Jamaica obtain a final inventory listing and conduct a physical inventory to verify the location of all equipment and supplies purchased.*

Recommendation 7. *We recommend that USAID/Jamaica investigate and furnish a written report of all incidents of loss, damage, destruction, or theft of the property purchased under this project and recover those costs.*

Recommendation 8. *We recommend that USAID/Jamaica, in conjunction with the Ministry of Education, implement a monitoring and oversight plan for the follow-on project to confirm that it achieves its desired results.*

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, the mission indicated it had made management decisions on seven of the eight recommendations and taken final action on three recommendations. A management decision has not been reached on Recommendation 3. Our evaluation of management comments follows.

Recommendation 1. USAID/Jamaica agreed and made a management decision to work with the Ministry of Education to implement important lessons learned from the Basic Education Project and include targets and performance indicators for the follow-on project. The mission expected to finalize the performance management plan and work plan for the Basic Education Government to Government activity by January 31, 2014. We acknowledge the mission's management decision.

Recommendation 2. USAID/Jamaica agreed and made a management decision to include in the scope of work for the follow-on project a requirement to build capacity within the Ministry of Education to monitor classroom performance. The mission's work plan for the Basic Education Government to Government activity outlines how the activity will build capacity within the Ministry and monitor school performance in the classroom. The work plan is being revised to ensure that indicators are measurable; mission officials expect that the plan will be finalized by January 31, 2014. Mission officials noted that the follow-on activity will build on existing School Improvement Plans to establish strategic plans with goals and targets on which principals and teachers will report and be monitored. We acknowledge the mission's management decision.

Recommendation 3. USAID/Jamaica disagreed with this recommendation. The mission stated that the contractor completed the tasks as required by the contract and that the contractor was paid a fee based on work actually completed. Yet as the audit report disclosed, the mission wrote that the contractor completed seven of ten performance requirements in the modified contract. However, the audit found that the contractor did not meet the standards established for three of those seven requirements, and mission officials acknowledged that they incorrectly listed these performance requirements as being completed. Therefore, the contractor should not have been paid the full fee amount for work not completed.

Accordingly, a management decision has not been reached on this recommendation. To achieve a management decision on this recommendation, we request that the mission clarify why the contractor was paid for the contract requirements that were not completed, determine the amount of the fee that should not have been paid to the contractor based on uncompleted work, make a management decision regarding the allowability of these costs, and recover the amounts determined to be unallowable.

Recommendation 4. USAID/Jamaica disagreed with the recommendation, stating that it was not necessary to follow up on the deficiencies identified in the audit report because the project has ended, and there are no further procurement actions to be executed by the contractor. Mission officials also noted that the contractor provided a complete verified inventory and disposition plan that USAID's Regional Contracting Officer approved. Accordingly, we acknowledge the mission's management decision and final action on this recommendation.

Recommendation 5. USAID/Jamaica partially disagreed with the recommendation, stating that although overpayments were made, the contractor has since recovered most of the funds. The mission made a management decision that the overpayment of \$2,977 for laptops purchased was unallowable. The mission received a refund of \$2,733 from Juarez and Associates. A bill for collection for the remaining \$244 will be issued to the vendor. The mission also determined that the overpayment of \$9,000 was unallowable and provided evidence that the vendor submitted a refund. We acknowledge the mission's management decision.

Recommendation 6. USAID/Jamaica agreed with the recommendation and conducted site visits to 16 project schools over a 2-day period to verify that they had the equipment assigned on hand. Mission officials noted that the contractor provided a complete, verified inventory and disposition plan approved by USAID's Regional Contracting Officer. We acknowledge the mission's management decision and final action on this recommendation.

Recommendation 7. USAID/Jamaica agreed with the recommendation and made a management decision to visit the schools where the laptops were stolen. Mission officials determined that adequate measures were in place to secure the equipment. USAID/Jamaica also concluded that the schools were not required to pay for the stolen computers since the loss was not caused by their negligence. On the basis of the mission's described actions, we acknowledge the mission's final action on this recommendation.

Recommendation 8. USAID/Jamaica agreed with the recommendation and made a management decision to work closely with Ministry representatives on completing the follow-on monitoring and oversight plan. The mission expected to complete the performance management plan by January 31, 2014. We acknowledge the mission's management decision 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/Jamaica's Basic Education Project achieved its main goal of strengthening the Ministry of Education's education reform efforts by providing technical assistance, materials, and training.

In planning and performing the audit, the audit team assessed significant management controls the mission used to manage the program and ensure that it provided adequate oversight. The team reviewed USAID/Jamaica's 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, midterm performance evaluation, performance management plan, and other reports.

On January 7, 2010, USAID/Jamaica signed a \$12.7 million contract ending on September 30, 2013, with Juarez & Associates Inc. to implement the Basic Education Project. On September 25, 2012, the mission subsequently decreased the award to \$8.9 million. As of September 30, 2013, the entire project had been obligated and expenditures totaled \$7.9 million. The expended amount represents the amount tested.

The audit covered the entire life of the project. We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to the program, including Automated Directives System Chapters 200, 201, 202, 203, 204, 253, 302, 320, and 540, and supplemental guidance. The audit relied on the following sources of evidence: the contract; interviews with USAID/Jamaica, the contractor, various local government officials, and beneficiaries; and documentation maintained at the mission and at the contractor's main office in Kingston. The audit team conducted fieldwork in Jamaica from August 12 through 23, 2013, and conducted site visits to 20 of the 172 schools receiving some form of assistance under the program from September 16 through 20, 2013.

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 partner, and the effectiveness of activities. We met with officials from USAID/Jamaica and the contractor. We also interviewed beneficiaries and officials from the Jamaican Government.

Through these interviews and the review of project documentation, the audit team obtained an understanding of (1) the program's goals, (2) how performance indicators, targets, and baseline data were established to measure progress, (3) how the mission ensures the quality of the data that the contractor reported, (4) how the mission monitors program activities, and (5) whether

the mission is aware of any allegations of fraud or other potential illegal acts or noncompliance with laws, regulations, or agreement terms.

In addition, we performed the following audit tests:

- Reviewed and tested the performance indicators, targets, and baselines to determine their appropriateness.
- Reviewed and tested the procedures the mission established to monitor and confirm the accuracy of the program's reported results.
- Documented and tested compliance with requirements for contract documentation, gender analysis, human trafficking, sustainability, branding and marking, and environmental compliance.

To verify the status of activities completed, we examined documentation maintained at the contractor's office in Kingston that supported the reported results. In addition, we judgmentally selected 20 of the 172 schools receiving assistance under the project to perform site visits. Sample selection was based on an analysis of factors including the number of objectives relevant to the site and its diversity of activities. We conducted field visits to validate reported results to the extent possible. Since 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



Memorandum

To: Jon Chasson, Regional Inspector General, San Salvador

Through: Amr Elattar, Regional Controller, USAID/DR /s/

From: Jeannette Vail, USAID/A/Mission Director, USAID/ Jamaica /s/
 Claire Spence, AOR, USAID/Jamaica /s/

Date: December 3, 2013

Subject: Mission Comments on Draft Audit Report No. 1-532-14-00X-P, Performance Audit of USAID/Jamaica's Basic Education

The following are the management decisions for the recommendations made based on subject audit.

Recommendation 1: We recommend that USAID/Jamaica, in conjunction with the Ministry of Education, use lessons learned from the Basic Education Project to implement targets and performance indicators for the follow-on project that represent the intended results clearly and adequately.

Management Comments

The Mission concurs with this recommendation. The Midterm Performance Evaluation of the USAID/Jamaica Basic Education Project sets out the recommendations in Appendix 1 of the G2G's Performance Management Plan (see page 27 of the draft PMP attached). USAID/Ministry of Education Partnership for Improved Reading outcomes, Government to Government (G2G) activity that commenced September 12, 2013 and is proposed to continue through August 2015 (see work-plan attached), will implement these recommendations. USAID/Jamaica will work with the Ministry on two levels; first, USAID/Jamaica will assist the Ministry to more realistically adjust the follow-on project's design to agree with the resources available in addressing areas of need for developing readers in the primary system in Grades 1 to 3. The new G2G activity retains the two main areas of focus (training school staff, and reading/writing fluency in grades 1-3). The important lessons learned from the JBEP program (see final progress report with lessons learnt), will be used to guide program design and implementation, such as 1) continue the use of reading coaches, 2) train classroom teachers

with materials being delivered by teacher trainers to ensure the quality and correctness of delivery, 3) provide more support to regional offices and require that they improve monitoring of project implementation, and 4) expand the ICT (Information Communication Technology) peer coaching program. The project activity implementation team already reviewed with the Ministry of Education, the interventions that are relevant to the follow-on activity to support sustainability and build on human capacity already developed under the JBEP, and the MOE has agreed to scale up the G2G activity in 427 public schools. The performance indicators (see page 7 of the Performance Management Plan) have been agreed, and the system of accountability has support from the regional level. The schools are selected from the six education regions, and each region has an assigned Regional Literacy Coordinator who reports to the National Literacy Coordinator. The Regional Literacy Coordinators supervise the ninety Reading Coaches who provide clinical supervision at the classroom level.

The Performance Management Plan and Work-plan for the Basic Education G2G Activity are currently being revised and will be finalized by January 31, 2014

Recommendation 2. We recommend that USAID/Jamaica include within the scope of work for the follow-on project a requirement to build capacity within the Ministry of Education to monitor school performance in the classroom.

Management Comment

The Mission concurs with this recommendation. USAID/Jamaica will continue to support the Ministry's efforts in instituting system accountability. The Work-plan for the G2G Basic Education Activity outlines how the activity will build capacity within the Ministry and monitor performance in the classroom. This however is being revised to ensure that the indicators are more measurable and should be finalized by January 31, 2014. Unlike the previous project that depended on the Regional Education Officers, and the Jamaica Teaching Council to improve accountability, under the G2G the focus of accountability at the school level will be addressed. The ninety reading coaches assigned to 427 schools are responsible for monitoring approximately five or less schools. They in turn, are supervised at the regional level by a Regional Literacy Coordinator. The objective of the activities could include 1) strengthening governance and management at the school level, developing strategic plans, setting achievable goals, implementing monitoring and reporting systems; 2) providing continued technical assistance to the teachers at the school level; and 3) training principals to monitor school performance. USAID/Jamaica will assist the Ministry, through the Regional Literacy Coordinators, to design systems for increasing school responsibility. These systems will address more autonomy while improving monitoring and reporting requirements. The follow-on activity will build on existing School Improvement Plans to establish strategic plans with goals and targets on which principals and teachers will report and be monitored.

Recommendation 3. We recommend that USAID/Jamaica (a) determine the amount of the award fee that should not have been paid to the contractor based on uncompleted work, and make a management decision with regards to the allowability of these costs, and (b) recover the amounts determined to be unallowable.

Management Comment

The Mission disagrees with this recommendation. Under the JBEP contract, the Jamaica Ministry of Education was the implementer. J&A only provided technical assistance and training to the Ministry to help in the Ministry's effort to achieve project performance requirements.

Based on the fact that the JBEP project required only that the contractor provide technical assistance and training to the Ministry, we contend that the contractor completed the tasks as required by the contract. It was the responsibility of the Ministry to apply what was learned from the technical assistance and training undertaken to achieve the goals outlined in the scope of work.

Further, Contract Modification No. 7 removed at least three requirements and reduced the project budget and the corresponding fee for these activities. Consequently the Contractor was only paid a fee based on work actually completed under the contract and not the original "fixed fee." It should be noted that this project was not an "award" fee contract but a fixed-fee contract.

USAID did not withhold any portion of the fixed fee under this award. FAR 52.216-8 (May 1997) states that the Contracting Officer **may withhold a percentage of fixed fee**. There is no language in the award to suggest that the CO made a determination to withhold any portion of the fixed fee hence this was not done.

USAID/Jamaica has determined that the total amount of fixed fee paid to Juarez and Associates is allowable.

Recommendation 4. We recommend that USAID/Jamaica verify that Juarez & Associates has corrected all procurement and inventory deficiencies identified in this report and document results.

Management Comment

The Mission Disagrees with this recommendation. The project ended on September 30, 2013 so Juarez & Associates is no longer procuring items for USAID thus there is nothing to correct and document since the contract has ended. Furthermore, the contractor has provided a complete verified inventory and disposition plan that has been approved by the RCO.

Recommendation 5. We recommend that USAID/Jamaica a) make a management decision with regards to the over payment of purchases totaling \$11,977 and (b) recover from the contractor the amounts determined to be unallowable.

Management Comment

The Mission partially disagrees with this recommendation. The contractor has provided verifiable evidence that although there were overpayments made based on incorrect invoices issued, most of the funds were recovered using both cash and credit note. The Auditor on page 7 of the draft report asserts that an overpayment of \$9,000 was made for the purchase of books and an overpayment of \$2,977 was made for the purchase of laptops.

With respect to the assertion that there was an overpayment of \$2,977 for the purchase of computers, it was explained to the auditor that the vendor, Unicomer, initially issued an incorrect invoice. The contractor paid the invoice upon delivery of the computers. It was later realized that the invoice was incorrect and a revised invoice for a lesser amount was issued. J&A immediately requested a reimbursement for the excess payment and worked diligently for several months to secure a refund of the amount due. The RIG auditor was provided a copy of the refund check drawn on National Commercial Bank, check no. 0695539 in the amount of

JMD \$275,996 as well as documentation of J&A's efforts to recover the amount due. Based on the exchange rate at USAID on the date the refund was made (J\$101:1), this would be equivalent to US\$2,733. The maximum amount that should be refunded is therefore US\$244. With respect to the assertion that there was an overpayment of \$9,000 to Reading Solutions for the purchase of literacy materials, it was again explained to the auditor that the initial invoices that had been marked paid were incorrect because they reflected incorrect prices. The auditor was provided with the final invoice with the correct amount as well as documentation showing the payment of the amount stated on the invoice. The contractor also requested discounts from Reading Solutions due to the volume of purchases that were made. Reading Solutions has responded by providing 17 additional sets of literacy materials with a value of JMD \$854,658. In addition, Reading Solutions has issued a refund check in the amount of JMD \$ 199,751.23. The total value of the credit and the refund check is JMD \$ 1,054,409.23, or approximately USD \$10,139 at the current exchange rate J\$104:1. Based on this documentation, USAID/Jamaica has determined that there was no overpayment on this item.

A bill for collection will be issued for US\$244 relating to the overpayment to Unicomer for computer purchase.

Recommendation 6. We recommend that USAID/Jamaica obtain a final inventory listing and conduct a physical inventory to verify the location of all equipment and supplies purchased.

Management Comment

The Mission concurs with this recommendation. The contractor has provided a complete verified inventory and disposition plan that has been approved by the RCO. USAID/Jamaica Education Specialist and Financial Analyst conducted site visits at a selected number of project schools in Regions 1, 4 and 6 during November 20 and 22, 2013 (see enclosed site visit report with details of schools visited) and found that all the schools had the equipment assigned to the schools visited. In order to verify the location of all the equipment and supplies purchased, more time would be required than allotted for the completion of the audit recommendations, and such an exercise would require a great deal of cost and staff time.

Recommendation 7. We recommend that USAID/Jamaica investigate and furnish a written report of all incidents of loss, damage, destruction, or theft of the property purchased under this project and recover those costs.

Management Comment

The Mission agrees with this recommendation. The USAID Education Specialist and Financial Analyst assigned to that portfolio conducted site visits to the schools that reportedly had computers stolen. The purpose of the site visits was to ascertain if adequate measures were put in place to properly secure the equipment by interviewing persons, examining the facilities where the equipment was kept as well as to collect documentation of the reported robberies.

It was determined that all schools had taken the necessary precautions to secure the equipment, however due to lack of financial resources most schools did not have security guards or watchmen on the compound and they were not able to afford insurance for the equipment. The details of the schools visited and the findings are in the attached site visit report. Evidence of reports made by the schools is also attached.

The determination is that all the schools where the robbery had taken place will not have to repay USAID for the equipment since they had taken the necessary precautions and the robberies were not due to their negligence.

Recommendation 8. We recommend that USAID/Jamaica, in conjunction with the Ministry of Education, implement a monitoring and oversight plan for the follow-on project to confirm that it achieves its desired results.

Management Comment

The Mission agrees with this recommendation. USAID/Jamaica is working closely with a wide range of Ministry representatives to complete the follow-on Activity Monitoring and Oversight Plan to improve educational accountability. USAID and MOE will propose consensus building activities appropriate for the specific tasks and responsibilities of the participating authorities. USAID and MOE will cooperate in both the development and training required for new tools needed in performance monitoring by national and regional authorities. A focus of the work will be to assist the targeted schools and their constituents manage their new responsibilities of accountability. The final list of schools is now complete for the follow-on activity, therefore USAID, and MOE will work with the previous JBEP Monitoring and Evaluation specialist to design and administer pre tests/baseline, so that the activity will achieve the desired results and achieve targets.

The Performance Management Plan is being revised and should be completed by January 31, 2014.

USAID/Jamaica appreciates the RIG's consideration of the Mission's comments on these recommendations and look forward to receiving the final audit report. Please let us know if you need any additional information.

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