



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S REGIONAL PROGRAM FOR THE MANAGEMENT OF AQUATIC RESOURCES AND ECONOMIC ALTERNATIVES IN CENTRAL AMERICA

AUDIT REPORT NO. 1-596-13-009-P
September 24, 2013

SAN SALVADOR, EL SALVADOR



Office of Inspector General

September 24, 2013

MEMORANDUM

TO: USAID/EI Salvador Mission Director, Kirk Dahlgren

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

SUBJECT: Audit of USAID's Regional Program for the Management of Aquatic Resources and Economic Alternatives in Central America (Report Number 1-596-13-009-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 to help USAID/EI Salvador improve implementation of its Regional Program for the Management of Aquatic Resources and Economic Alternatives in Central America. Based on your written comments and the documentation you submitted in response to the draft report, final action has been taken on all the 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

According to USAID, reforming governance and management of coastal and marine resources in Central America is critical to stable and long-term economic development. To help achieve that, the Agency wants to reduce threats posed by unsustainable fishing practices and coastal development in the region.¹

On March 11, 2010, USAID/EI Salvador (manager of the Central American regional program) signed an \$11.7 million contract with Chemonics International Inc. to implement the Management of Aquatic Resources and Economic Alternatives Program. The mission subsequently increased the award to \$12.6 million with an estimated completion date of September 30, 2014. As of March 31, 2013, cumulative obligations and expenditures under the program totaled \$11,372,626 and \$8,649,844 respectively.

The program had two objectives:

- Promote effective monitoring and enforcement of coastal and marine resource policies and legislation.
- Foster rights- and market-based mechanisms² and management initiatives for the conservation and sustainable use of coastal and marine resources and ecosystems, with an emphasis on ecosystem-based approaches to management.

The purpose of this audit was to determine whether the program was reducing threats posed by unsustainable fishing practices and coastal development in Central America. We found that it was implementing activities to help reduce these threats and was making progress toward its second objective. Through March 31, 2013, the program had:

- Trained more than 4,700 fishermen on best practices.
- Trained more than 2,000 people from fisheries and governmental and nongovernmental institutions on improved enforcement practices and institutional capacity strengthening.
- Leveraged \$5.3 million of non-U.S. Government-financed conservation efforts.

However, despite the implementation of these and other activities, the audit also found that:

- The program did not make much progress toward its first objective of promoting effective monitoring and enforcement of coastal and marine resource policies and legislation (page 3).

¹ Countries in the region are Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

² According to USAID, the two most important rights in fisheries are “management,” which addresses who has the right to be involved in managing the fishery and “use,” which addresses who has the right to use the fishery or to go fishing. “Market-based mechanisms” are ways to match buyers with sellers, and they are driven by supply and demand.

- The mission and Chemonics did not adequately test the quality of the data used for monitoring the progress reported toward the program's second objective (page 4).

The audit team found other problems, discussed below.

- USAID/EI Salvador did not design indicators to measure several of the program's expected results (page 6). In addition, the mission did not design several monitoring indicators well.
- Contract compliance was weak in some areas (page 8). The mission staff did not monitor the program's cash flow, submit program reports to USAID's Development Experience Clearinghouse, and confirm that Chemonics conducted gender impact case studies.

In consideration of our audit findings, we recommend that USAID/EI Salvador:

1. Review the program's contract, and document and implement a plan for the completion of the program's objectives and targets, or terminate activities that cannot be completed and adjust the payment of the fixed fee to reflect actual accomplishments (page 4).
2. Establish and implement, in conjunction with Chemonics, data collection, and review procedures to correct errors identified in this report and confirm that the data used in reporting progress are accurate (page 6).
3. Prepare a written site visit schedule for the remaining contract period (page 6).
4. Review the contract, and develop performance indicators and targets for all of the program's expected results (page 8).
5. Revise the performance indicators that the audit found vague so they represent the intended results clearly and adequately (page 8).
6. Require the contractor to provide an annual budget by activity, and report on actual expenses compared with that budget (page 9).
7. Develop a list and submit all required documents in English to the Development Experience Clearinghouse (page 9).
8. Require Chemonics to conduct and document gender case studies as required by the contract (page 9).

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

AUDIT FINDINGS

Program Did Not Make Progress Toward Its Monitoring Objective

The program aims to reduce threats posed by unsustainable fishing practices and coastal development in Central America. To accomplish this, USAID/EI Salvador established two objectives: promote effective monitoring and enforcement of coastal and marine resource policies and legislation, and foster rights- and market-based mechanisms and management initiatives to conserve and use coastal and marine resources and ecosystems in a sustainable manner, with an emphasis on ecosystem-based approaches to management.

USAID/EI Salvador awarded a completion cost-plus-fixed-fee contract to Chemonics. Federal Acquisition Regulation 16.306 defines this type of contract as one that “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.”

According to Automated Directive Systems (ADS) 202.3.6, monitoring the quality and timeliness of outputs produced by implementing partners is a major responsibility for missions. They should make adjustments in tactics—including contract modifications—if necessary to make sure a project is on time and can succeed.

The mission used several performance indicators and targets to track progress toward achieving the program’s first objective. The March 31, 2013, quarterly report stated that the program has made little progress toward the first objective as noted in the following table.

Status of Indicators, as of March 31, 2013 (Audited)

Indicator	Target	Result	Progress (%)
<i>Number of coastal and marine resources conservation and sustainable use policies and legislation implemented</i>	22	9	41
<i>Number of coastal and marine resources law monitoring and enforcement strategies drafted and implemented</i>	5	1	20
<i>Trend in reporting target species-related violations</i>	3	0	0
<i>Increase effectiveness in processing species-related violations</i>	3	0	0
<i>Number of people from fisheries and environment governmental and nongovernmental institutions trained</i>	1,500	2,113	141
<i>Number of regional mechanisms implemented to foster research and provide information to sustainably manage coastal and marine resources</i>	14	2	14
<i>Number of technical and scientific articles on coastal and marine resources</i>	30	17	57
<i>Number of countries adopting and implementing the Inter-American Convention for the Protection of Sea Turtles or any other agreement among countries to protect species</i>	2	0	0

While the program exceeded the target established for providing training, it did not make much progress in having policies and legislation geared to monitoring and enforcement adopted and

implemented in the seven Central American countries. USAID/EI Salvador officials blamed this on the challenges inherent to implementing a complex, multi-country program and difficulty in reforming policies in seven countries with different policy priorities and agendas. They also said several problems were beyond the mission's control, such as high turnover rates of key stakeholders in government agencies and nonprofits and political crises in some countries.

USAID/EI Salvador recognized the lack of progress and amended the contract in October 2011, lowering expectations. This amendment modified the language for many of the indicators and targets. For example, policies and legislation no longer needed to be "adopted" but merely "proposed." Mission officials said they did this after considering the region's political realities.

However, lack of progress during the subsequent 2 years indicates that additional action by the mission appears warranted. With little more than 1 year left in this program, the lack of progress in promoting the effective monitoring and enforcement of coastal and marine resources policies and legislation will hurt the program's ability to reduce the impact of unsustainable fishing practices and coastal development.

Without prompt intervention, the significant investment of USAID funds is not likely to result in the desired outcome. Therefore, we make the following recommendation.

***Recommendation 1.** We recommend that USAID/EI Salvador review the Regional Program for the Management of Aquatic Resources and Economic Alternatives contract and implement a plan for the completion of the program's objectives and targets, or terminate activities that cannot be completed and adjust the payment of the fixed fee to reflect actual accomplishments and document their decision.*

Mission and Contractor Did Not Verify Quality of Data Used for Performance Monitoring Adequately

Chemonics is required to prepare quarterly performance reports that compare actual accomplishments with the established targets.

According to ADS 202.3.6, monitoring the quality and timeliness of outputs produced by contractors is a major task for Agency officials. In addition, according to ADS 200.3.5.5, missions should track whether projects will achieve intended results by (1) planning how they will systematically monitor and evaluate progress, (2) regularly monitoring the achievements of programs and projects, and (3) collecting and analyzing performance information to track progress toward planned outcomes. Missions should then use this information as well as evaluation findings when making decisions and allocating resources, and communicate the results to stakeholders and to the Agency overall.

In addition, ADS 203.3.11.1 states that high-quality data is the "cornerstone for evidence based decision-making and to be useful for performance monitoring should meet five standards of data quality: (1) Validity, (2) Integrity, (3) Precision, (4) Reliability, and (5) Timeliness." While the mission is not required to assess the quality of data for all performance indicators used in monitoring performance, ADS 203.3.11.2 states that managers should be aware of the strengths and weaknesses of all indicators. Further, ADS 203.3.11.3 notes that the mission is responsible for identifying data quality issues and solutions as they become apparent any time during the activity.

The mission used several performance indicators and targets to report progress on a quarterly basis to track progress toward achieving the second objective of fostering rights- and market-based mechanisms.

The March 31, 2013, quarterly report demonstrated that the program has made progress toward the second objective. However, the audit team found problems with the following indicators and their reported accomplishments in that report.

- *Percentage increase of total harvest of selected species under rights-based mechanisms and best fisheries practices.* Chemonics reported that it successfully exceeded the target of 25 percent by achieving a 65 percent increase. Yet the reported results were from only 4 of the 16 different fisheries that received some form of USAID-funded assistance. To be a more accurate reflection of the program's impact in this area, results from all 16 fisheries receiving assistance should be included.
- *Number of quotas established for the sustainable use of coastal and marine resources.* Chemonics reported that it established three quotas. However, what the contractor reported were not actual quotas established and monitored by a legal authority; they were plans developed to help manage resources.
- *Number of communications efforts.* Chemonics reported making 24 communication efforts, and the support for that figure shows that these were mainly posters, flyers, and brochures. However, the contractor did not have information on their impact. In addition, it included a Web site that never went live because USAID/Washington did not approve it. Chemonics also incorrectly counted the development of strategy papers on best management practices as a communication effort.
- *Number of model plans and programs drafted or updated and implemented for coastal and marine resource management.* Chemonics reported that it drafted and implemented nine model plans. While the contractor provided supporting documents to show that it had drafted and or updated nine model plans or programs, there was no evidence that they were implemented. For example, the contractor updated the management plan for El Salvador, but the government there has not approved the plan.
- *Value (U.S. Dollar) of additional sales of products or services that can be directly attributed to the activity interventions and which support conservation and/or sustainable use efforts.* The contractor reported that the program resulted in about \$3.8 million in additional sales. It calculated that amount based on data from a handful of fisheries and subpartners. Chemonics manually enters the data into an Excel spreadsheet but does not link the totals to supporting documentation, or test the support for accuracy. In addition, it is not clear how Chemonics is directly relating the sales increase to the USAID-funded assistance. In some cases, the contractor is reporting the total sales of fisheries receiving support and not the increase from a baseline.

These inconsistencies in reporting happened because the data received from Chemonics' subcontractors in seven countries were either weak or incomplete. In addition, Chemonics did not perform a detailed analysis and test of all data received from its subcontractors, which in some cases simply misinterpreted USAID reporting requirements.

The mission contracting officer's representative (COR) said he meets weekly with Chemonics to discuss activity implementation. He said he reviews the quarterly progress reports and makes remarks, recommendations, and asks for clarifications on certain figures and statements about program indicators and results. In addition, he conducted a number of site visits. However, mission officials acknowledge that they did not visit sites regularly nor did they perform detailed tests of the reported results regularly to confirm that data met the Agency's standards.

Without regularly monitoring the achievements of programs and projects, and collecting and analyzing performance information to track progress toward planned outcomes, the mission cannot determine whether the program is progressing as planned or make decisions based on the current situation in the field. Furthermore, mission officials cannot properly approve payments to Chemonics if they cannot verify its accomplishments. Based on the problems discussed above, we make the following recommendations.

Recommendation 2. *We recommend that USAID/EI Salvador establish and implement, in conjunction with Chemonics, data collection and review procedures to correct errors identified in this report and to confirm that the data used in reporting progress are accurate.*

Recommendation 3. *We recommend that USAID/EI Salvador prepare a written site visit schedule for the remaining contract period.*

Indicators and Targets Were Missing or Poorly Designed

According to ADS 203.3.2, performance indicators are the “basis for observing progress and measuring actual results compared to expected results.” USAID TIPS No. 6, “Performance Monitoring and Evaluation,” defines performance indicators as:

Measures that describe how well a program is achieving its objectives, and . . . tell specifically what to measure to determine whether the objective has been achieved. . . . Performance indicators define the data to be collected to measure progress, allowing results achieved to be compared with planned results.

When deciding on performance indicators and determining the extent to which they will be useful in making decisions, a factor to keep in mind is the “degree to which performance indicators and their related data accurately reflect the process or phenomenon they are being used to measure.”³ ADS 203.3.11.1 notes that data should clearly and adequately represent the intended result. Additionally, ADS 203.3.6 states that when selecting performance indicators, “USAID Missions/Offices and Washington operating units should ensure that the selected indicators will lead to performance monitoring data that meet the quality standards of validity, integrity, precision, and reliability.”

USAID/EI Salvador did not design indicators to measure several of the program's expected results. In addition, the mission did not design several monitoring indicators very well.

Missing Indicators. The mission did not develop performance indicators and targets for 6 of the 11 expected results.

³ USAID TIPS No. 12, “Guidelines for Indicator and Data Quality.”

1. Lobster population increase by at least 20 percent in at least two select marine sites of regional importance. Mission officials said they did not develop this because tracking an increase in the lobster population is impossible to measure without a baseline and within the activity's time frame.
2. All Central American countries adopt and implement harmonized policies on sustainable shark fisheries. Officials said the program's priorities changed, and they decided not to focus on shark fisheries.
3. All Central American countries adopt and implement harmonized policies for coral reef and mangrove management as critical ecosystems to adapt and build resilience to climate change. Officials said they did not think it was worth the time and effort to have a separate indicator to track minor results.
4. At least two labor standard manuals, codes, or guidelines drafted and validated with local communities, the private sector, and government officials. Officials said they were not sure what expected result needed to be tracked.
5. Sustainable, productive pilot projects to provide new jobs for scuba divers who harvest lobsters along the Honduran and Nicaraguan Miskito Coast. The new jobs, which would provide better pay and working conditions, should benefit more than 750 families in Gracias a Dios Department, Honduras, and more than 500 families in the North Atlantic Autonomous Region of Nicaragua. Officials at the mission said they thought the number of scuba divers who were trained and got jobs was tracked sufficiently through a general training indicator.
6. At least 900 disabled scuba divers or members of their families trained in new skills and abilities to start their own businesses or gain employment through alternative economic activities, earning higher revenues in Gracias a Dios Department, Honduras, and in the North Atlantic Autonomous Region of Nicaragua. Mission officials said they thought the number of disabled divers who were trained and got jobs was tracked sufficiently through a general training indicator.

Vague Indicators. The program has 18 indicators to observe progress and measure actual results compared with expected results; however, the four listed below were designed poorly.

- *Number of communication efforts.* Chemonics officials agreed that this was vague and said they did not have a clear definition of what exactly a "communication effort" was until the fourth year of the program. Additionally, it is unclear how much of an impact a target of 40 communications efforts could have on any of the expected results.
- *Number of sea turtle hatchlings protected and released.* This indicator does not clearly and adequately represent the intended result of protecting 1.5 million sea turtles hatched using "public-private alliances and best management practices" in selected areas throughout Central America. As a result, Chemonics reported on all sea turtles hatched, not just those hatched under public-private alliances. Additionally, the indicator does not make it clear that the numbers reported are estimated, not actual.
- *Number of hectares in areas of biological significance under improved management as a result of [U.S. Government] assistance.* This indicator does not clearly define "under improved management." Chemonics officials established seven standards that needed to be

in place before they considered an area to be under improved management. If Chemonics helped accomplish any of those standards, they reported the area as being “under improved management.”

For example, Chemonics reported that 647,000 hectares within the Bahia Islands National Marine Park in Honduras were now under improved management because the contractor provided input to local organizations that participated in developing a management plan. Yet the Honduran Government has not approved and implemented the plan.

- *Number of fishermen in compliance with the protected area management plan.* This indicator is not useful for making decisions. For example, counting the number of fishermen in compliance does not provide meaningful information that could help determine how much impact the assistance had in this area. Additionally, a target of 15 is insignificant. Furthermore, Chemonics agreed and noted that the indicator should be the number of co-management plans developed and implemented in the region that fishermen complied with.

Without clearly defined indicators that observe progress and measure actual results compared with expected results, the mission cannot measure the program’s progress toward its objectives, nor can it make informed decisions about how to make the program more effective. Further, because this is a cost-plus-fixed-fee contract, Chemonics receives a fixed fee of approximately \$700,000 based on accomplishing the program’s goals or targets. However, without developing indicators for all of the expected results and not defining some indicators well, it is unclear how the mission can verify the results and approve the payment. Therefore, we make the following recommendations.

Recommendation 4. *We recommend that USAID/El Salvador review the Regional Program for the Management of Aquatic Resources and Economic Alternatives contract, and develop performance indicators and targets for all of the program’s expected results.*

Recommendation 5. *We recommend that USAID/El Salvador revise the performance indicators identified in the audit as vague so they represent the intended results clearly and adequately.*

Contract Compliance Was Weak in Some Areas

According to the contract, Chemonics is required to complete a number of deliverables. To make sure it does so, ADS 200.3.5.5 requires the mission to regularly monitor the contractor’s program achievements and verify any progress toward completion.

The audit found that Chemonics did not meet the following contract requirements.

Monitor Cash Flow. Chemonics is required to report the total expenditures by country annually to ensure that the implementation of activities is “balanced” or divided evenly by country. In addition, it is required to provide a quarterly analysis and explanation of cash flow management.

The contractor provided a report to the mission that shows that El Salvador received the bulk (41 percent) of the funding. However, Chemonics officials said they did not allocate overhead cost and other fixed costs of the principal office in San Salvador among the other countries. As a result, the mission cannot use this report to determine whether the contractor is implementing

activities in a balanced manner. Also, Chemonics is not providing an annual budget of costs by activity, nor is it comparing actual expenses with the budget.

Program Reports and Information/Intellectual Products. Chemonics is required to submit, in English, copies of all reports and products that “describe, communicate or organize program/project development assistance activities” to USAID’s Development Experience Clearinghouse.

However, the mission has not determined how many reports and products Chemonics should submit to the clearinghouse. According to the March 31, 2013, quarterly progress report, Chemonics completed about 60 different strategy reports, management plans, communication efforts, and other program documents. However, none of them went to the clearinghouse. Some were submitted to the mission, but many of them were in Spanish and it was not clear whether Chemonics submitted all that were required. With little more than a year remaining in the program, translating a large number of reports and products into English as required by the contract will be challenging.

Gender Impact Case Studies. Chemonics is required under its contract to conduct a selected number of case studies to demonstrate how the program is affecting men and women. However, it has not done so. Without this information, it is hard to know what role gender has played in the program and what impact it may or may not be having on the management of aquatic resources.

Mission officials said they recognized that this aspect of program monitoring and oversight could be improved. They attributed the deficiency to a lack of resources and other competing priorities. The COR assigned to the program has other duties, which limits the time available for monitoring and oversight.

Not confirming that Chemonics complied with all of the contract’s deliverables means that the mission has a limited ability to monitor expenditures and be sure the program is achieving a balance by country, learn from the program’s intellectual products, and know what impact—if any—gender had. Therefore, we make the following recommendations.

Recommendation 6. We recommend that USAID/EI Salvador require in writing that the contractor provide an annual budget by activity and report on actual expenses compared with that budget.

Recommendation 7. We recommend that USAID/EI Salvador develop a list and submit all required documents in English to the Development Experience Clearinghouse.

Recommendation 8. We recommend that USAID/EI Salvador require Chemonics to conduct and document gender case studies as required by the contract.

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/EI Salvador agreed with all eight recommendations. Based on our evaluation of management comments on our draft report, we have determined that final action has been taken for all the recommendations. Our detailed evaluation of management comments follows.

Recommendation 1. USAID/EI Salvador agreed with the recommendation and has implemented a plan to complete the program's objectives and targets. Accordingly, final action has been taken on this recommendation.

Recommendation 2. USAID/EI Salvador agreed with the recommendation and, jointly with Chemonics, has updated the monitoring and evaluation (M&E) plan to establish procedures for segregation of duties related to data collection, review, and verification. Accordingly, final action has been taken on this recommendation.

Recommendation 3. USAID/EI Salvador agreed with this recommendation and has prepared a schedule to conduct site visits during the remaining contract period. Accordingly, final action has been taken on this recommendation.

Recommendation 4. USAID/EI Salvador agreed with this recommendation and, jointly with Chemonics, has updated the M&E plan to include performance indicators and targets for all of the program's expected results. Accordingly, final action has been taken on this recommendation.

Recommendation 5. USAID/EI Salvador agreed with this recommendation and has updated the M&E plan with precise definitions for all performance indicators. Accordingly, final action has been taken on this recommendation.

Recommendation 6. USAID/EI Salvador agreed with this recommendation and has required Chemonics to provide an annual budget by contract expected results (activity) and report on actual expenses compared with that budget. Accordingly, final action has been taken on this recommendation.

Recommendation 7. USAID/EI Salvador agreed with this recommendation and has developed and submitted to the Development Experience Clearinghouse a list of all required documents in English. Accordingly, final action has been taken on this recommendation.

Recommendation 8. USAID/EI Salvador agreed with the recommendation and has required Chemonics to conduct and document gender case studies during the rest of the program. 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 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's Management of the Aquatic Resources and Economic Alternatives Program was achieving its main goal of reducing threats posed by unsustainable fishing practices and coastal development in Central America.

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 Central America Regional's operating reports, the fiscal year 2012 annual self-assessment of management controls (which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act), environmental compliance due diligence, award and modification requirements, the COR's designation letter, and other reports.

On March 11, 2010, USAID/EI Salvador signed an \$11.7 million contract with Chemonics to implement the 4.5-year program. The mission subsequently increased the award to \$12.6 million with an estimated completion date of September 30, 2014. As of March 31, 2013, cumulative obligations and expenditures for the program totaled \$11,372,626 and \$8,649,844, respectively. This represents the amount tested.

The audit covered project activities from March 2010 through March 31, 2013. We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to the program, including ADS 200, 201, 202, 203, 204, 253, 302, 320, and 540, and supplemental guidance. For evidence, the audit relied on the contract and interviews with employees from USAID/EI Salvador, Chemonics, subpartners, and various local government officials and beneficiaries; we also used documentation maintained at the mission and at Chemonics' main office in San Salvador. The audit team conducted fieldwork in El Salvador, Nicaragua, Panama, Belize, and Honduras from April 17 through May 15, 2013, including visits to four of the seven regional government offices and all four program trans-boundary sites.

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 implementing partners, and the effectiveness of activities. We met with officials from USAID's regional program for Central America, Chemonics, and subpartners. We also interviewed beneficiaries, officials from the Nicaraguan, Panamanian, Belizean, and Honduran Governments, and members of the private sector.

Through these interviews and 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 Chemonics 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, and agreement terms.

In addition, we performed the following audit tests:

- Reviewed and tested the performance indicators, targets, and baselines to determine their appropriateness and document progress.
- 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 during the program's implementation from March 2010 through March 31, 2013, we examined documentation maintained at the contractor's office in San Salvador that supported the reported results. In addition, we judgmentally selected five of the seven countries and all four of the trans-boundary sites receiving USAID-funded assistance 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 they 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

From: Kirk Dahlgren, Mission Director, USAID/EI Salvador

Date: September 12, 2013

Subject: Draft Audit of USAID/EI Salvador's Regional Program for the Management of Aquatic Resources and Economic Alternatives in Central America dated July 26, 2013

Thank you for the opportunity to provide comments on the draft report of the audit of USAID/EI Salvador's Regional Program for the Management of Aquatic Resources and Economic Alternatives in Central America (MAREA). USAID/EI Salvador appreciates the effort by the audit team and the constructive recommendations. In response to these recommendations, please find our management decisions and corrective actions.

Recommendation 1. We recommend that USAID/EI Salvador review the Regional Program for the Management of Aquatic Resources and Economic Alternatives contract and implement a plan for the completion of the program's objectives and targets, or terminate activities that cannot be completed and adjust the payment of the fixed fee to reflect actual accomplishments and document their decision.

USAID agrees and has prepared a plan for the completion of the Program's objectives and targets. Attachment 1 shows the plan prepared by USAID Contractor and its approval by the COR. Please note that the plan is already under implementation.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 2. We recommend that USAID/EI Salvador establish and implement, in conjunction with Chemonics, data collection and review procedures to correct errors identified in this report and to confirm that the data used in reporting progress are accurate.

USAID/EI Salvador agrees with the importance of establishing and implementing data collection and review procedures that ensure that data used in reporting progress towards achieving results are accurate and free of error. USAID jointly with Chemonics has updated the Monitoring and Evaluation (M&E) Plan to establish the recommended procedures. The newly established procedures call for segregation of duties related to data collection, review and verification. This procedure will sufficiently ensure the accuracy of data being reported.

Attachment 2 shows the revised M&E plan. Please see the new procedures added to each Performance Indicator Reference Sheet included in the M&E plan. Additionally, a section called Summary of Changes has been added to the M&E plan to indicate the new procedures.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 3. We recommend that USAID/EI Salvador prepare a written site visit schedule for the remaining contract period.

USAID/EI Salvador agrees with this recommendation and has prepared a schedule to conduct site visits during the remaining contract period. Please see Attachment 3 for a copy of the schedule.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 4. We recommend that USAID/EI Salvador review the Regional Program for the Management of Aquatic Resources and Economic Alternatives contract, and develop performance indicators and targets for all of the program's expected results.

USAID/EI Salvador agrees with this recommendation, and jointly with Chemonics has updated the M&E plan to include performance indicators and targets for all of the program's expected results. Performance indicators and targets (results) have been included in each Performance Indicator Reference Sheet included in the M&E plan. See Attachment 2.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 5. We recommend that USAID/EI Salvador revise the performance indicators identified in the audit as vague so they represent the intended results clearly and adequately.

USAID/EI Salvador agrees with this recommendation. As indicated in the response to Recommendation No. 4, the M&E plan has been revised and now includes the recommended measure that performance indicators should have precise definitions.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 6. We recommend that USAID/EI Salvador require in writing the contractor to provide an annual budget by activity and report on actual expenses compared with that budget.

USAID/EI Salvador agrees with this recommendation and has required in writing the contractor to provide an annual budget by contract expected results (activity) and report on actual expenses compared with that budget. See Attachment 4 for a copy of the instructions given to the contractor.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 7. We recommend that USAID/EI Salvador develop a list and submit all required documents in English to the Development Experience Clearinghouse.

USAID/EI Salvador agrees with this recommendation. A list of all documents in English required to date has been developed and submitted to the Development Experience Clearinghouse. See Attachment 5 for a copy of the list as well as the evidence of submission.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

Recommendation 8. We recommend that USAID/EI Salvador require Chemonics to conduct and document gender case studies as required by the contract.

USAID/EI Salvador agrees with the recommendation and has required Chemonics to conduct and document gender case studies during the remaining life of the project. See Attachment 6 for the letter sent to Chemonics by the COR and a copy of a success story related to USAID's work with a women's cooperative.

Based on the actions taken, as stated above, we request that this recommendation be closed upon issuance of the audit report.

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