



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MOZAMBIQUE'S AGRICULTURE, TRADE, AND BUSINESS PORTFOLIO

AUDIT REPORT NO. 4-656-15-004-P
SEPTEMBER 22, 2015

PRETORIA, SOUTH AFRICA



Office of Inspector General

September 22, 2015

MEMORANDUM

TO: USAID/Mozambique Mission Director, Alexander Dickie

FROM: Acting Regional Inspector General/Pretoria, John Vernon /s/

SUBJECT: Audit of USAID/Mozambique's Agriculture, Trade, and Business Portfolio (Report No. 4-656-15-004-P)

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

The audit report contains eight recommendations to help USAID/Mozambique strengthen its agriculture, trade, and business portfolio. After reviewing information provided in response to the draft report, we determined that the mission has taken final action on Recommendations 1, 5, and 7 and has made management decisions on Recommendations 3, 6, and 8. We disagree with the management decision on Recommendation 1. Recommendations 2 and 4 remain open without management decisions. Please provide evidence of final action on the open recommendations to the Audit Performance and Compliance Division.

Thank you for the cooperation and assistance extended to the audit team during this audit.

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Abbreviations

The following abbreviations appear in this report:

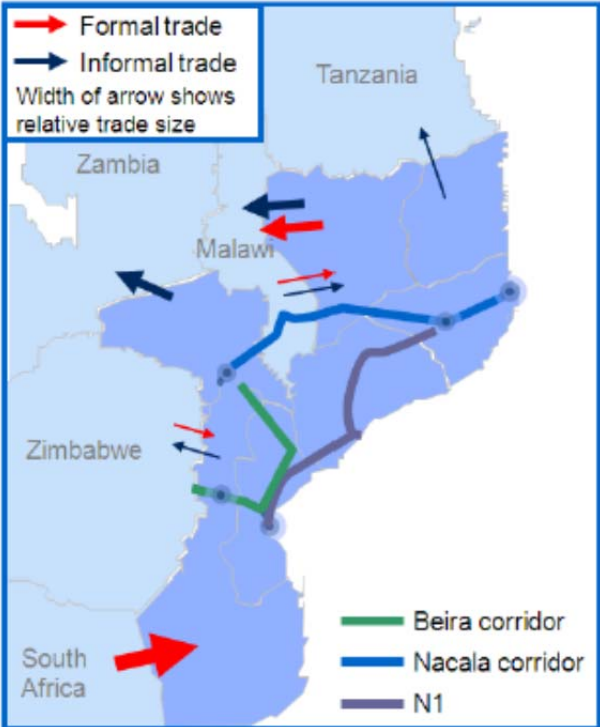
ADS	Automated Directives System
AOR	agreement officer’s representative
ATB	Agriculture, Trade, and Business office
CLUSA	Cooperative League of the USA
CO	contracting officer
COP	chief of party
COR	contracting officer’s representative
DAI	Development Alternatives Inc.
FAR	Federal Acquisition Regulation
FTF	Feed the Future
FY	fiscal year
IARC	international agricultural research center
MYAP	multi-year assistance program
PARTI	Platform for Agricultural Research and Technology Innovation
PIO	public international organization
SPEED	Support Program for Economic and Enterprise Development

SUMMARY OF RESULTS

Mozambique is one of the world’s poorest countries with a 59.6 percent poverty rate.¹ While its economy has grown at an average annual rate of 6 to 8 percent over the past decade, poverty is still widespread. The agriculture sector—employing 70 percent of the population—grew more slowly at only 4.6 percent in 2013. The private sector continued to struggle with conditions that inhibited formal trade and investment.

Mozambique’s geographic location and three main routes that link landlocked countries to Mozambican ports make it a critical country for regional food security, as shown in the map below. Its location and accessibility to international markets could encourage trade and attract investment and in the process could help improve Mozambique’s economic growth.

Map of Mozambique’s Trade Flows and Transport Corridors



Source: Feed the Future Multiyear Strategy for Mozambique, fiscal years 2011–2015.

To promote broad-based economic growth, including growth in the agricultural and private sectors, USAID/Mozambique implements a variety of assistance projects through its Office of Agriculture, Trade, and Business (ATB).² ATB’s objective is to achieve “inclusive growth of targeted economic sectors” by increasing private investment, employment, income, and exports.

¹ United Nations Development Programme, *Human Development Report 2013*. The rate is based on 2009 statistics, which are the most recent data available for Mozambique.

² Following the audit, the office was renamed Agriculture, Environment, and Business to reflect its current portfolio more accurately.

Reaching these goals is based on attaining the intermediate results, or outcomes, of increasing agricultural productivity and improving the business environment.

In fiscal year (FY) 2013, ATB's portfolio had 11 active projects worth about \$100 million. The audit focused on three projects that represented nearly 79 percent of the portfolio's value and the range of ATB's assistance—from immediate policy interventions to long-range agricultural research. Table 1 reflects data as of September 2013, the end of FY 2013. Obligations and disbursements for the projects listed below were \$48.6 million and \$39.9 million, respectively, as shown in Table I-1 in Appendix I.

Table 1. Selected Projects as of September 2013 (Amounts Unaudited)

Implementer	Project Description	Period of Performance*	Total Estimated Cost (\$) ^
Development Alternatives Inc. (DAI) with subcontractor Nathan Associates	The Support Program for Economic and Enterprise Development (SPEED) worked primarily to influence policy changes that improve the business environment. It was implemented through a cost-plus fixed-fee term form contract, in which the contractor is reimbursed for expenses, and the fixed fee is payable at the end of the performance period if the contractor has performed as required.	8/30/2010-9/30/2014	19,464,282
Multiple organizations	The Platform for Agricultural Research and Technology Innovation (PARTI) helps increase agricultural productivity by developing and adopting improved agricultural policies and practices. PARTI is implemented by international agricultural research centers (IARCs) and paid for by the CGIAR Fund. Numerous donors including USAID created the fund to support IARCs. USAID provides funding through a contribution agreement with the World Bank, the fund's trustee. The agreement officer's representative (AOR) for PARTI works in Washington, D.C., and the activity manager at USAID/Mozambique oversees the daily management of the project.	10/1/2009-9/30/2014	34,800,000
Abt Associates Inc. with subcontractors TechnoServe and the Cooperative League of the USA (CLUSA)	AgriFUTURO aimed to increase the competitiveness of Mozambique's private sector by developing agricultural value chains. By doing so, it intended to improve the business environment, expand and strengthen agribusiness services, build links between agribusinesses and financial service providers, and facilitate and strengthen public-private partnerships. AgriFUTURO was implemented through a cost-plus fixed-fee completion form contract, which means the contractor is reimbursed for expenses and must complete specified deliverables within the estimated budget to receive the fixed fee.	5/1/2009-1/31/2014	24,291,292

* After audit fieldwork, ATB extended SPEED and AgriFUTURO until February 28, 2015, and June 30, 2015, respectively.

^ After audit fieldwork, ATB awarded cost extensions to PARTI and AgriFUTURO so that their total estimated costs reached \$37,325,000, and \$28,290,687, respectively.

The Regional Inspector General/Pretoria conducted this audit to determine whether USAID/Mozambique's ATB portfolio is increasing agricultural productivity and improving the business environment for trade and investment.

The audit concluded that SPEED improved the business environment (page 6). SPEED's activities directly influenced and improved Mozambique's rank in the World Bank's annual *Doing Business* report. According to the 2014 issue, Mozambique ranked 139 out of 189 countries for its business environment, above the sub-Saharan average of 142. In 2015 Mozambique rose in the ranks to 127.

We also concluded that PARTI helped improve agricultural productivity by supporting IARCs to develop improved technologies in Mozambique. Since 2011, the project developed 43 new seed varieties proven to increase crop yields, as shown in the photos below. These varieties—seven of which were released during FYs 2012 and 2013—have been approved and released for use in Mozambique.



USAID's PARTI project has helped farmers (right) grow improved soya beans. At left is an assortment of beans and culinary products made from them. (Photos by OIG, January 16, 2014)

During fieldwork, we found that ATB's projects were linked to each other well. SPEED's efforts in reforming the agricultural sector through its assistance with barriers to trade, taxation, and transport logistics benefited AgriFUTURO's work in agricultural value chains.³

In another example, a local businessman who breeds plant seeds got technical assistance from AgriFUTURO and worked with one of PARTI's implementers, the International Institute of Tropical Agriculture, to produce improved soya seeds. He provided them to farmers, who then grew soya and sold seeds from the plants back to the breeder to process. He said he plans to work with another PARTI implementer to breed sugar beans and cowpeas.

However, the portfolio made limited progress in increasing agricultural productivity, as discussed on the next page.

³ A value chain refers to the whole range of goods and services necessary for an agricultural product to move from the farm to the final customer or consumer.

- PARTI's impact on agricultural productivity was limited (page 8). The seeds and agricultural technologies the project developed had not yet been distributed widely among and adopted by Mozambican farmers.
- AgriFUTURO lacked focus (page 9). The project had to be reorganized midway through to align with the Feed the Future (FTF) initiative. In addition, it went through four chiefs of party (COP) and had a poor relationship with one of its subcontractors.
- AgriFUTURO mismanaged its grants program (page 13). As a result, grantees were dissatisfied, and equipment worth more than \$141,000 was missing.
- AgriFUTURO was extended despite its poor performance (page 14). ATB's late decision to extend the project resulted in waste of nearly \$42,000 and continued reliance on a poorly performing contractor.
- SPEED's contract was not modified to reflect its scope of work (page 16). As a result, there were \$214,353 in questioned costs—a portion of the fixed fee that the contractor may not have been eligible to receive.
- The office did not comply with administrative procedures (page 17). Contracting officer's representatives (CORs) did not complete contractor evaluations or maintain adequate project files, and agriculture projects were not branded adequately.

To address the problems found, we recommend that USAID/Mozambique:

1. Determine whether a portion of the fixed fee for activities not started or completed under the AgriFUTURO contract should be withheld from payment to Abt (page 13).
2. Determine the allowability of \$141,183 in ineligible questioned costs arising from missing or stolen equipment and recover any amounts determined to be unallowable (page 14).
3. Implement tools, such as project management software, that identify key milestones and deadlines to improve its portfolio management (page 16).
4. Determine the allowability of \$214,353 in ineligible questioned costs and recover from DAI the amount determined to be unallowable (page 16).
5. Prepare a schedule of overdue contractor performance assessments and those that must be done within the next year, and make sure they are completed in accordance with federal requirements (page 17).
6. Institute an effective control, such as including a review of CORs' files as part of the annual review of the Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in 31 U.S.C. 1105, 1113, and 3512, to make sure that files are complete in accordance with administrative requirements (page 18).
7. Institute a control to make sure that responsible staff actively monitor the implementation of branding and marking plans for its projects (page 19).

8. Ask the AOR for PARTI to make a determination about branding requirements and responsibilities for USAID's agricultural research projects supported by its agreement and disseminate appropriate guidance to all participating USAID missions (page 19).

Detailed findings appear in the following section, and the audit scope and methodology appear in Appendix I. OIG's evaluation of management comments is on page 20, and the full text of them is in Appendix II.

AUDIT FINDINGS

SPEED Improved Business Environment for Trade and Investment

SPEED was intended to contribute to ATB's results by improving the business environment, strengthening the capacity of private-sector associations and government institutions for policy advocacy, and encouraging the government to implement policy reforms. According to SPEED's program description, its success depended on two outcomes: (1) enabling the associations and institutions to effectively promote and implement policies that foster trade and investment and (2) the Mozambican Government's successful implementation of several business reforms that enhance trade and investment.

To succeed, SPEED worked with a variety of beneficiaries, including government and local private institutions, to streamline administrative procedures, adopt policy reforms, and implement strategies to improve the business environment. SPEED also worked with civil society organizations to advocate for reforms. Through its policy analysis and by educating stakeholders about their policy options, SPEED also prevented certain policies from taking effect. For example, it prevented one that would have established government-controlled prices over basic commodities such as sugar and rice.

The following examples further highlight the impact of SPEED's work.

Maputo Municipality. SPEED helped the Maputo Municipality streamline administrative procedures for construction permits. As a result, the amount of time it took to get the permits in the country's largest city dropped by 247 days, saving an estimated \$3.8 million for Maputo's private sector. This single activity helped Mozambique improve its rank in the World Bank's *Doing Business* report for ease of obtaining building permits by 46 positions to 77, which improved the country's overall rank by 7 positions.

Ministry of Justice. SPEED helped the Ministry of Justice's Business Registration Division streamline and automate administrative procedures for registering new businesses in Mozambique. As a result, the time it took to look up a business entity's information—a necessary step in registering a new business—dropped from 15 days to 10 minutes. Furthermore, supervisors in the division said they used to review 15 to 20 new business files a day and had a tremendous backlog of business registrations; now they are able to review up to 60 files a day. Because of these improvements, the total time it took to register a business was reduced from 30 days to only 5.

Ministry of Finance. In the past, traffic congestion and blockades affected the mobility and costs of transportation. With SPEED's support, representatives from the Tax Authority held workshops with customs officials and clearing agents from Mozambique's borders and three international ports and hired technical experts to help revise laws governing the movement of goods. As a result, officials at the authority said, goods move more easily.

In addition, to address criticism about limited access to shipping information, SPEED helped the Tax Authority develop a Web portal that provides instant access to the information.

All of these aspects of SPEED helped improve Mozambique's business environment. In FY 2012 SPEED reported that it exceeded annual targets for three of five indicators (2.1.1, 2.1.2, and 2.2.3 in Table 2 below). In FY 2013 it reported meeting or exceeding targets for three of five indicators, reaching 95 percent of the target for indicator 2.1, and meeting most of the targets for the stages of indicator 2.1.1.

Table 2. SPEED's Performance Indicators, Targets, and Results for Fiscal Years 2012-2013

Indicator	Unit of Measurement	2012 Target	2012 Results (Unaudited)	2013 Target	2013 Results (Audited)
<i>2.1. Reduction in costs for the private sector resulting from reform</i>	\$ (million)	20	1.1	4	3.8
<i>2.1.1. Status of targeted reforms following an improved policy process*</i>	Number analyzed	16	25	16	11
	Number presented for consultation	12	24	12	9
	Number presented for legislation	6	13	6	6
	Number passed	4	7	4	9
	Number of implementations initiated	4	6	4	15
<i>2.1.2. Policy advocacy of civil society organizations strengthened</i>	Number	10	12	5	10
<i>2.1.3. Policies advanced through civil society organizations</i>	Number	12	5	5	5
<i>2.2.3. Policies the Government of Mozambique reforms with U.S. Government support</i>	Number	6	7	6	17

* This indicator shows the number of reforms in each of the five stages of the policy process.

SPEED produced the results ATB wanted because of its responsive approach to beneficiaries. The project's staff worked with the private sector to develop policies that improved the business environment. They also worked with the government in a similar vein; a technical adviser to the Ministry of Agriculture said SPEED responded to demands for policy reforms related to taxes and other business issues. These attempts to bridge the gap between the private and public sectors were commended by a senior private-sector development specialist at the World Bank, who also praised the project's flexibility.

Six of the seven beneficiaries we interviewed overwhelmingly expressed satisfaction with the timeliness and quality of SPEED's assistance.⁴ The interim executive director of the Confederation of Mozambican Businesses said the project provided the type of assistance one cannot get elsewhere; for example, it offered international best practices for Mozambican institutions and organizations. It also increased demand among beneficiaries for assistance, another measure of the project's success.

SPEED's achievements and positive reputation in Mozambique demonstrated its effectiveness in furthering economic governance. Therefore, we suggest that USAID/Mozambique ask USAID's Africa Bureau to disseminate SPEED's positive results and best practices to other missions in the region.

PARTI's Impact on Agricultural Productivity Was Limited

The *USAID Forward* reform strategy says, "Some of the greatest successes in development have come from extending the reach of science and technological breakthroughs to those who lacked access." ATB's agricultural research project, PARTI, echoes that strategy in that its intent was to increase the productivity of Mozambique's agricultural sector through the development and adoption of improved agricultural policies, technologies, and practices, thereby increasing "availability, access to, and use of improved agricultural and environmental technologies and practices . . . by farmers, livestock producers, and agribusiness."

The project's IARCs successfully developed 43 new seed varieties intended to improve agricultural productivity. However, they were limited in their ability to distribute the seeds to beneficiaries. In FY 2012 PARTI implementers met or exceeded their seed distribution targets for three of six different crops,⁵ and in the following year, they met or exceeded their targets for four of the six, and nearly met the remaining two. Despite this improvement, the six PARTI implementers we surveyed said their limited ability to disseminate improved agricultural practices, seeds, and fertilizers was one of the project's biggest challenges.

The constraints ATB and PARTI faced in achieving this goal stemmed from several factors. First, the Ministry of Agriculture did not have enough staff or funding to provide a strong system of public and private extension services.⁶ Second, there were very few seed companies in Mozambique, and their products were neither easily accessible nor consistently good.

Third, the unexpected end of ATB's multi-year assistance programs (MYAPs)⁷ in July 2013 meant that PARTI had fewer people in the field who could work with farmers.⁸ Before then,

⁴ These beneficiaries represented the range of key stakeholders that SPEED worked with to develop and implement targeted reforms and policies; they represented the interests of Mozambican government ministries, municipal governments, and the private sector.

⁵ The six crops were beans, cowpeas, groundnuts (peanuts), pigeon peas, sesame, and soybeans.

⁶ Agricultural extension refers to a system or service that teaches farmers to use scientific research to improve their agricultural practices.

⁷ This Title II program was implemented by nongovernmental organizations that carried out four separate programs related to food security. According to the 2013 program evaluation, the MYAPs also provided training and demonstrations on agricultural practices to farmers.

⁸ The MYAPs ended in July 2013 because a Mozambican company did not pay \$7.3 million to World Vision for 20,000 metric tons of U.S. wheat it received for distribution and sale to Mozambicans. As a

PARTI had been able to use the MYAPS' resources to help disseminate its seeds and agricultural practices.

And fourth, at the time of audit, USAID/Mozambique had not developed a strategy to determine how best to get PARTI's newly developed seeds and fertilizers to farmers.

Without effective and sustainable approaches in place to disseminate the new technologies, PARTI's and ATB's impact on agricultural productivity will continue to be limited. Moreover, Mozambican farmers will continue to miss the benefits of higher incomes associated with improved productivity.

Following audit fieldwork, ATB developed a plan that emphasizes the distribution of new agricultural technologies among farmers to achieve greater productivity. As part of that plan, ATB considered how its existing projects could strengthen public and private extension services. For example, AgriFUTURO, under its extension through February 2015, planned to introduce new technologies and strengthen links between farmers, traders, and buyers. In addition, under a 9-month extension of PARTI through June 30, 2015, ATB wrote that it expects the various IARCs to focus on supporting the mission's plan by helping develop, evaluate, and promote ways to disseminate research results to farmers. Furthermore, ATB planned to conduct a performance evaluation of PARTI during the extension period and anticipated using its recommendations to help design future programs.

Given the actions that ATB has planned to take to address the problem of dissemination and adoption of agricultural technologies, we are not making a formal recommendation.

AgriFUTURO Lacked Focus

The AgriFUTURO contract, subsequent modifications, and annual work plans listed the activities that Abt was supposed to implement. According to USAID's Automated Directives System (ADS) 202.3.7, USAID/Mozambique and ATB are "responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-effective and timely manner."

However, USAID and project staff said AgriFUTURO lacked focus, and as a result, the project's results were poor, activities were not started or finished, and beneficiaries were confused about the project's purpose.

According to Abt officials in Washington, ATB staff gave different directions on how to implement the projects. For example, the technical direction given to AgriFUTURO was not always in line with FTF's focus on farmers because some ATB employees preferred to concentrate on larger, commercial agricultural enterprises. In addition, ATB's office director asked for activities that were not in the project's scope of work or budget, such as paying for Mozambican Government officials to travel to Ethiopia, South Africa, and the United States. According to the director, these trips were related to the objectives of AgriFUTURO because they were part of a plan to develop an agricultural commodity exchange and participate in a program that links agribusinesses to small farmers.

result, four large-scale, \$20 million annual development programs in the provinces of Cabo Delgado, Nampula, and Zambezia shut down their operations.

The lack of focus was evident in the differences between the annual work plans and performance reports. For example, activities listed in the work plan were rarely included in the annual report, and it was very difficult to determine what the project was aiming to accomplish because targets were adjusted twice in 1 year.

These problems were caused and compounded by the FTF initiative, high turnover in the COP position, and Abt's poor relationship with one of its subcontractors.

FTF. AgriFUTURO had been under way for 2.5 years and was 15 months away from completion when, according to ATB's director, USAID/Washington insisted that FTF be incorporated into the mission's existing portfolio. Therefore, the AgriFUTURO contract was modified to:

- Place greater emphasis on small farmer/producer organizations
- End activities in the maize and commercial forestry value chains
- Add a pulses value chain⁹
- End activities in Niassa and Tete Provinces
- Limit geographic coverage to Manica, Nampula, and Zambezia Provinces
- Change the performance monitoring plan from 17 to 175 indicators (including subindicators and those disaggregated by sex)

Mission staff said it was appropriate to incorporate FTF into an ongoing project because it was seen as a "refinement" or small change. However, closing and opening offices in new provinces, removing and adding value chains, and shifting the focus to small farmers were significant, disruptive changes that diluted the focus.

Turnover in COP Position. The project had three COPs in 4 years,¹⁰ and each one had different implementation strategies and management problems. The COR said the first COP was incapable of making decisions, which meant that the project made limited progress during his yearlong tenure. The contracting officer (CO) then asked Abt to replace him.

The second COP was in place for 2 years. According to the COR, she was the best because she was able to manage the project through the FTF transition and get good results. However, she did not have a good relationship with subcontractor TNS or ATB's director. Ultimately, the director's requests and changes in technical direction prompted the COP to leave because she was concerned about being held accountable for changes to the project's scope without a modification, especially since contractors are held accountable for a contract's scope of work, not informal requests. The project had performed relatively well under her leadership, as shown in the FY 2012 performance results in Table 3 below.

The COR said the third COP had a better relationship with the director of ATB. However, he explained, that COP constantly changed plans and initiated new activities—such as a new

⁹ The pulses value chain included pinto beans, pigeon peas, and cowpeas.

¹⁰ Following audit fieldwork, we learned that the project was extended through February 2015 with its fourth COP.

access to finance initiative and irrigation schemes—toward the end of the project. According to the subcontractors, these additional activities were not included in their scopes of work and burned through the budget to the point that they had to shut down field activities in October 2013 instead of January 2014. The project's results dropped to their lowest levels in FY 2013 under his leadership.

Poor Relationship With Subcontractor. Because AgriFUTURO's objective was to "increase Mozambique's private-sector competitiveness by strengthening targeted agricultural value chains," Abt assigned specific value chains to its subcontractors. TNS was responsible for fruit,¹¹ cashews, and forestry, and CLUSA was responsible for oil seeds,¹² pulses, and maize. As stated by the CO in a May 2011 letter, the key factor in selecting Abt was the "strength of the consortium members proposed."

However, staff from the mission, Abt, and the subcontractors characterized the relationship between Abt and TNS as contentious and unproductive. This was exacerbated by an ambiguous subcontract that did not include a detailed scope of work, deliverables, or reporting requirements. The relationship deteriorated to the point that Abt hired another contractor to oversee the fruit and cashew value chains and implement activities assigned to TNS such as planting pineapple seedlings.

AgriFUTURO's lack of focus resulted in a number of adverse effects, discussed below.

Poor Performance Results. AgriFUTURO did not meet its performance targets consistently. As shown in Table 3, in FY 2012 7 of the 12 indicators met their targets.¹³ But in FY 2013 only 1 did, and 9 missed their targets by more than 50 percent.

Table 3. AgriFUTURO's Performance Indicators, Targets, and Results for Fiscal Years 2012 and 2013 (Unaudited)

Indicator	FY 2012 Target	FY 2012 Results	Percent Achieved	FY 2013 Target	FY 2013 Results	Percent Achieved
<i>Value of sales at the farm (\$)</i>	21,817,076	36,515,873	167	25,294,053	27,551,265	109
<i>Value of targeted exports (\$)</i>	58,711,496	39,384,508	67	47,651,000	30,940,855	65
<i>New jobs created</i>	18,321	27,325	149	29,743	7,842	26
<i>New private investment (\$)</i>	41,477,251	8,046,872	19	20,051,000	6,269,920	31
<i>Value of agricultural loans (\$)</i>	2,764,552	5,540,936	200	3,239,616	1,027,085	32

¹¹ The fruit value chain included bananas, mangos, and pineapples.

¹² The oil seeds value chain included sesame and peanuts.

¹³ The audit team could not verify AgriFUTURO's reported results because there was no supporting documentation. Details are in the audit's scope and methodology in Appendix I.

Indicator	FY 2012 Target	FY 2012 Results	Percent Achieved	FY 2013 Target	FY 2013 Results	Percent Achieved
<i># of rural households benefitting directly from U.S. Government interventions</i>	86,428	132,326	153	135,457	48,709	36
<i># of enterprises receiving business development services</i>	7,723	4,721	61	4,790	1,483	31
<i># of public-private partnerships</i>	13	9	69	4	3	75
<i># of hectares with one or more technology or management practice</i>	29,826	44,382	149	50,850	14,272	28
<i># of private enterprises and producer organizations that applied new technologies or management practices</i>	7,723	4,694	61	4,770	1,327	28
<i># of farmers (and others) who applied new technologies or management practices as a result of U.S. Government assistance</i>	51,972	115,178	222	125,006	52,628	42
<i># of members of cooperatives and farmers associations</i>	61,311	98,413	161	99,000	47,328	48

Activities Not Started or Completed. As of October 1, 2013, only 63 percent of activities outlined in the project's action plan for May to November 2013 were completed. Those not completed included a cashew-replanting program, helping testing facilities get international certifications, and developing two training centers for banana farmers.

Federal Acquisition Regulation (FAR) 16.306 defines the AgriFUTURO cost-plus-fixed-fee completion form contract as one that "normally requires the contractor to complete and deliver the specified end product . . . within the estimated cost, if possible, as a condition for payment of the entire fixed fee." Based on the audit team's preliminary findings, the mission performed an analysis for payment of the fixed fee and then decided to withhold \$20,000 from it to encourage Abt to do a better job under the project's extension period.

Confusion Among Beneficiaries. Eleven of 14 beneficiaries we visited said they were not satisfied with the project's assistance due to implementation delays. Many reported not seeing project staff enough. Some could not explain how AgriFUTURO helped them and said they were not sure what the project's goals were.

Mission officials said they were aware of some of AgriFUTURO's problems, but they justified extending it through February 28, 2015 (as discussed in the finding on page 14).

Although the project ended, we suggest ATB develop and apply lessons learned from AgriFUTURO for future awards, stressing the importance of maintaining clear expectations for project implementation, managing relationships with subcontractors, and reducing disruptive changes in project management and technical direction. In addition, we recommend the following.

***Recommendation 1.** We recommend that USAID/Mozambique determine whether a portion of the fixed fee for activities not started or completed under the AgriFUTURO contract should be withheld from payment to Abt Associates Inc.*

AgriFUTURO Mismanaged Its Grants Program

The AgriFUTURO project had a grants program with a budget of \$2.3 million. The objective was to provide grantees with capital for investment projects, establish businesses that provide agricultural services and products to farmers, and provide grants for small initiatives. As of September 30, 2013, the project awarded 21 grants worth about \$1.23 million and disbursed nearly \$1.16 million to purchase equipment or build offices and warehouses.

However, grantees reported that it took an average of 1.5 to 2 years to receive grant approval followed by additional delays in receiving capital equipment furnished by the grant. For example, a grantee received equipment for his processing plant 2 years later than anticipated and no longer had access to the funds he needed to become operational.

The implementation delays resulted in undue hardship for grantees. Three grantees with a construction component in their awards were left with unfinished work and had to complete the construction themselves. A performance evaluation of the mission's agricultural portfolio finished in 2013 also captured the effect of excessive delays in AgriFUTURO's grant program:

None of the grant recipients was satisfied with the approvals and awards process for the grants due to delays, excessive administrative requirements, and overly complicated procedures. In several cases, an entire season's production was foregone, along with the corresponding amount of income, by the recipients due to the lengthy delays in awarding the grants. One person in Manica informed the team that he had waited for three years to obtain equipment provided to him under an AgriFUTURO grant.

Two of the seven grantees we visited were working. However, another two were no longer working with the beneficiaries identified in their grant agreements, and another grantee had not achieved the purpose of its agreement, which was to establish a certified commercial soil laboratory. Moreover, 2 years into the grant program, 4 of the project's 21 grantees were no longer in existence. Each one received equipment paid for by the project. It managed to

repossess some of the equipment and donate it to other beneficiaries. Yet as of September 2013, the project could not account for \$141,183 worth of equipment furnished to the four grantees, as shown in Table 4 below.

Table 4. AgriFUTURO’s Grantees No Longer in Business (Unaudited)

Grantee	Amount Disbursed (\$)	Amount Unaccounted (\$)
Okhalihera	5,552.13	1,851.67
KKU Cooperative	63,167.41	63,167.41
Priofood	74,238.65	-
Vinsion G&G	76,163.61	76,163.61
Total	219,121.80	141,182.69

The grants program was mismanaged because (1) the project’s staff did not have much experience managing grants, especially those that involved construction projects, (2) they were pressured by USAID/Mozambique to award grants, (3) grantees were not vetted properly, and (4) administrative bureaucracy led to delays in approving the grants manual and processing the awards.

AgriFUTURO did not have employees with grant management experience or a dedicated grant manager position until early 2011, about 2 years after the project began. It did not have employees who understood construction work, which hurt its ability to monitor the awards effectively. In fact, project officials acknowledged that these grants needed more stringent contract clauses to enforce compliance and allow for legal recourse.

Project officials said USAID/Mozambique pressured them to award grants despite the difficulty they had finding potential grantees and viable projects. Most prospective grantees did not pass the vetting process, and those that did required a lot of technical assistance. When AgriFUTURO did award grants, it did so noncompetitively to potential grantees identified by its field staff without assessing their ability.

In addition, project staff said delays occurred because Abt was excessively slow in processing grant approvals. A project employee said, “Rules and regulations crippled the grant program” and “bureaucracy did not take into account the planting and harvest season.” USAID was also slow in signing off on the grant manual and awards, a project official said.

Although the project ended, we suggest that ATB develop and apply lessons learned from AgriFUTURO’s grant program, particularly the importance of vetting grantees prudently and implementing and monitoring grant activities effectively, in the future. We also make the following recommendation.

Recommendation 2. *We recommend that USAID/Mozambique determine the allowability of \$141,183 in ineligible questioned costs arising from missing or stolen equipment and recover any amounts determined to be unallowable.*

AgriFUTURO Was Extended Despite Poor Performance

According to ADS 202.3.6, “Delays in completing outputs or problems in output quality provide

an early warning that results may not be achieved as planned. . . . Early action in response to problems is essential.” The guidance also states, “Changing projects . . . can create legal problems and disrupt implementation. Consequently, the risk of such changes must be balanced prudently against the intended benefit.”

The decision to extend AgriFUTURO was not made in a timely manner. In February 2013 the project was extended to January 2014, which project officials said was a last-minute decision that disrupted project activities. However, the project closed its field offices in October 2013 because it was running out of funds; the following month ATB decided not to extend the project.

ATB reversed that decision while the project was closing out in January 2014. It was extended for 1 month, and then a nearly \$4 million cost extension was granted in February 2014 for 1 year through February 2015. The last extension was particularly concerning because of the problems found with the project’s performance, as discussed in the findings on pages 9 and 13.

According to ATB, pressure from USAID’s Bureau of Food Security to deliver short-term FTF results in FY 2014 and to spend funds allocated to the initiative in light of its midterm review influenced the decision to extend the project. Because ATB could not find another way to spend FTF funds and continue activities to have reportable FTF results, it reversed its initial decision. Also, ATB officials said they thought they could persuade Abt to manage AgriFUTURO better during the extension period. The director of ATB explained that the decision to extend AgriFUTURO was not easy but he characterized it as the “lesser of two evils.”

Unanticipated delays in the approval and award of a new, large acquisition also limited ATB’s options. In 2013 ATB began designing new projects that would complement and carry forward critical activities that would otherwise end under the existing awards. By mid-2013, ATB—in conjunction with the mission’s senior leadership—decided to combine separate projects into one large one. The decision to do so increased the cost of the proposed project and subjected it to additional acquisition reviews at USAID/Washington, including the approval of USAID’s administrator.¹⁴ These additional reviews prolonged the approval of the proposed acquisition, and ATB’s existing projects such as AgriFUTURO and SPEED were due to end.

ATB officials said they did not anticipate the amount of time needed for such reviews. So, in an effort to avoid gaps in programming, they extended all three projects under audit: AgriFUTURO, PARTI, and SPEED. Essentially, the portfolio was operating on extensions until the new project began. An ATB official admitted that the office was too reactive in “putting out fires” rather than proactively managing its portfolio and said it needed more management tools.

By the time AgriFUTURO was operational again, it had missed the planting season and could report results for only a limited number of FTF indicators related to post-harvest activities under the project’s new end date of February 2015.

Because of ATB’s late decision to extend AgriFUTURO, USAID spent more than \$188,000 on employee severance payments and wasted nearly \$42,000 on costs associated with closing and subsequently reopening its field offices and starting up operations. The mission director acknowledged that the delayed planning wasted funds and meant they had to rehire qualified

¹⁴ USAID’s Contract Review Board reviews acquisitions that cost more than \$25 million, and they are reviewed again in the acquisition and assistance review and approval process. USAID’s administrator must approve awards worth more than \$75 million beforehand.

field personnel for the project. To help the mission make timely decisions about projects within ATB's portfolio, we make the following recommendation.

Recommendation 3. *We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business implement tools, such as project management software, that identify key milestones and deadlines to improve its portfolio management.*

SPEED's Contract Was Not Modified to Reflect Scope of Work

According to the COR designation letter, the COR is responsible for notifying the CO when there are "any changes needed in the scope of the contract, including any changes to technical provisions of the contract that affect the timing of the deliverables/services or the overall cost-price of the contract."

However, the SPEED contract was not modified to reflect changes to the scope of work. The contract originally was signed in August 2010 with a budget of \$19.5 million. Two months later, the COR and CO developed an informal budget and scope of work to "reflect the realities of [the office's] funding";¹⁵ the new budget was \$14.2 million, and at least 20 percent of SPEED's activities were removed from the contract. These activities included performing a survey of the business environment, improving access to credit, and increasing economic activity through registered businesses. They then e-mailed these changes to DAI, but did not modify the contract.

The COR explained that they did not modify the contract because the former CO said it was not necessary to do so. The award budget was not formally reduced by \$5.3 million because, according to the COR, those funds may become available later and could be used for additional work or project extensions.¹⁶

Since the mission did not modify SPEED's contract to reflect the scope of work, DAI's fixed fee may be inappropriately high. The original contract's budget had an associated fixed fee of \$1,071,763 or about 5.8 percent of the cost of the award (excluding the fee).¹⁷

FAR 16.306 defines a cost-plus-fixed-fee contract as a cost-reimbursement contract with a negotiated fixed fee set at the beginning. FAR also says, "The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work." Because SPEED's contract was never modified to reflect the approximate 20 percent reduction in the scope of work to be performed, neither was the fixed fee of \$1,071,763. Therefore, DAI may owe the mission the corresponding amount of the fixed fee of \$214,353.

Recommendation 4. *We recommend that USAID/Mozambique determine the allowability of \$214,353 in ineligible questioned costs and recover from Development Alternatives Inc. the amount determined to be unallowable.*

¹⁵ The award itself originally was for \$18,392,519, with a fixed fee of \$1,071,763.

¹⁶ After audit fieldwork, we learned that the SPEED contract was modified to extend the project for 5 more months through February 28, 2015, without any changes to the original scope of work or budget.

¹⁷ The negotiation memorandum explains that the fixed-fee is calculated based on 6.5 percent of total costs, excluding grants.

OTHER MATTER

Office Did Not Comply With Administrative Procedures

During the audit, we found that ATB staff did not complete contractor evaluations, maintain adequate project files, and monitor the branding and marking of agricultural projects adequately.

Contractor Evaluations. FAR 42.1502 states that contractor performance evaluations must be prepared at least annually and submitted to the contractor performance assessment reporting system or database. ADS 302.3.8.7 refers to FAR and USAID Acquisition Regulation, and says, “USAID must evaluate contractor performance.” The CORs’ designation letters emphasize that they are responsible for preparing the evaluation and addressing areas of performance such as the quality of services or products, timeliness of deliverables, and cost control.

However, during audit fieldwork, the CORs for AgriFUTURO and SPEED had not submitted contractor evaluations into the database. In January 2014 the CO provided the audit team with draft evaluations for both projects, which covered contractor performance for a 1-year period from 2012 to 2013.

The CORs said they had not submitted the evaluations because they did not know they were supposed to; the CO at the time of the audit confirmed that this was the case. In fact, the CORs said they had not even heard of the database until early FY 2014 and admitted they had never prepared and submitted these evaluations.

By not completing contractor evaluations, the CORs hamper the system’s effectiveness as a tool for providing useful performance information to COs throughout the federal government. Therefore, we make the following recommendation.

Recommendation 5. *We recommend that USAID/Mozambique’s Office of Agriculture, Trade, and Business, in coordination with its contracting officer, prepare a schedule of overdue contractor performance assessments and those that must be done within the next year, and make sure they are completed in accordance with federal requirements.*

Project Files. According to the CORs’ designation letters, their files are the primary tools for carrying out duties and responsibilities for the contract, and CORs must document actions taken and the reasons behind them to inform anyone who needs to know in the future. In addition, these files are intended to provide adequate documentation for audit purposes.

The COR files for AgriFUTURO and SPEED were missing required documentation. For instance, files for AgriFUTURO hardly contained any documentation related to financial management, performance monitoring and evaluation (including site visits), and communications with the contractor. While the COR files for SPEED were better, they too were missing documentation related to performance monitoring and management and did not have much documentation of communications with the CO, contractor, and other government officials. The CO had acknowledged that COR documentation and record keeping needed improvement based on the results of the contracting office’s file review in July 2013.

Because ATB's office director had not emphasized the importance of compliance with administrative matters, some ATB employees did not make it a priority. Officials from other divisions in the mission expressed concern about ATB's management and described it as an office lacking accountability with limited staff oversight.

Inadequate COR files could hinder a successor from managing the contract and therefore could jeopardize the project. While the CO planned to re-administer the file review after offices had time to prepare their files in compliance with requirements, and the mission's contracting office provides training to CORs as needed, we make the following recommendation.

Recommendation 6. *We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business, in coordination with the contracting officer, institute an effective control, such as including a review of contracting officer's representatives' files as part of the annual Federal Managers' Financial Integrity Act of 1982 review, to make sure that files are complete in accordance with administrative requirements.*

Inadequate Branding. ADS Chapter 320 says a branding strategy must be developed, and it must identify the project name, how the materials and communications will be placed, the desired level of visibility, and any other organizations to be acknowledged. The branding implementation plan must address how the project will tell beneficiaries that the assistance is from the American people and how it will publicize the project or activities within the country. Furthermore, the ADS requires public international organizations (PIOs such as the World Bank or the UN) to follow marking requirements for assistance awards if USAID is the sole donor for a specific project or activity, or in cases of cobranding¹⁸ with other bilateral donors. CORs and AORs are responsible for monitoring partners' compliance with USAID branding and marking requirements, according to ADS 320.2.d.¹⁹

Contrary to Agency guidance, some of AgriFUTURO's beneficiaries and PARTI's stakeholders did not know that the assistance they got was paid for by USAID. We found that the stakeholders primarily recognized only the names of implementing partners or subcontractors, most of whom had a long history of working in Mozambique's agricultural sector.

Because the IARCs implementing PARTI receive funding from other donors, it created confusion about the branding and marking requirements and who is responsible for enforcing them. PARTI is supported by the CGIAR Fund through an agreement between USAID and the World Bank, the fund's trustee. However, USAID's agreement with the World Bank and proposals from the individual IARCs did not include any branding and marking requirements.

The AOR said the mission's activity manager is responsible for managing PARTI (and similar agricultural research projects supported by the PIO agreement)²⁰ on a daily basis. However, the general guidelines the AOR gave the activity manager only address aspects of technical and financial management, and they do not include responsibilities related to branding and marking.

¹⁸ Cobranding and comarking mean that the program name represents both USAID and the implementing partner (ADS 320.3.3.1).

¹⁹ According to ADS 308.3.11, "Barring a policy or legal determination otherwise . . . USAID policies and procedures are applicable to funds that USAID extends to PIO recipients." Therefore, PARTI's AOR was responsible for monitoring the program as defined in the designation letter and Agency guidance.

²⁰ USAID's contribution agreement with the World Bank to provide funding to the CGIAR Fund supported agricultural research projects in 17 USAID missions at the time of audit fieldwork.

In the case of AgriFUTURO, the branding and marking plan provided guidance about how the project's name and activities would be publicized, but it was not always followed, and the COR did not monitor the branding requirements actively. We found that the subcontractors retained their own identity in the field and when associating with project beneficiaries. For example, subcontractor employees wore TNS and CLUSA shirts in the field rather than AgriFUTURO shirts that referred to USAID.

Because of inadequate branding and marking, some beneficiaries and stakeholders could not pinpoint how ATB's projects helped them and how the projects sought to improve Mozambique's agricultural sector. In addition, without clear, effective branding, the U.S. Government and the American people did not receive appropriate recognition for their assistance to Mozambique. And the lack of clarity about applicable branding and marking requirements and responsibilities under the PIO agreement presents a missed opportunity for recognition in countries beyond Mozambique where agricultural research projects are implemented.

To correct problems with branding, we make the following recommendations.

Recommendation 7. We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business institute a control to make sure that responsible staff actively monitor the implementation of branding and marking plans for its projects.

Recommendation 8. We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business ask the agreement officer's representative for PARTI to make a determination about branding requirements for USAID's agricultural research projects supported by its public international organization agreement and disseminate appropriate branding guidance to all participating USAID missions.

EVALUATION OF MANAGEMENT COMMENTS

In its comments, USAID/Mozambique agreed with the audit report's eight recommendations. The mission took final action on Recommendations 1, 5, and 7 and made management decisions on Recommendations 3, 6, and 8. However, we disagree with the decision on Recommendation 1. Recommendations 2 and 4 remain open without management decisions. Below is our detailed evaluation.

USAID/Mozambique stated that it "questions many of the findings as outlined in the report, but largely agrees with the recommendations." However, we think the findings still apply. We discussed them with mission officials during audit fieldwork and presented them at our exit conference in January 2014. In addition, we gave mission officials an early draft of the report in February 2015, and carefully reviewed and considered their comments and supporting evidence when we prepared the report.

Recommendation 1. USAID/Mozambique agreed to determine whether a portion of the fixed fee for activities not started or completed under the AgriFuturo contract should be withheld from payment. The mission provided an analysis done in May 2014, which resulted in the contracting officer withholding \$20,000 to encourage Abt to do a better job under the project's extension.

We acknowledge management's decision but disagree with it. The analysis did not include a review of the contractor's work plans or progress in doing the activities outlined in the contractor's action plan as described on page 12 of this report. Our intent with the recommendation was to have the mission determine what portion of the fixed fee was associated with activities not started or completed.

We acknowledge management's decision and final action taken on Recommendation 1.

Recommendation 2. USAID/Mozambique agreed to determine the allowability of \$141,183 in ineligible questioned costs arising from stolen or missing equipment and recover any amounts determined to be unallowable. Mission officials said AgriFUTURO tried and in some instances was able to recover equipment and redistribute it to other grantees. Although they said the contracting officer determined that \$141,183 were not recoverable, only \$58,407 could be supported by documentation from the officer. The mission is waiting for more information from Abt on the remaining questioned costs of \$82,776. The contracting officer said these costs probably will be allowable and allocable.

Per ADS 595.3.1.2.a, a management decision is reached when a decision is made on the allowability of questioned costs and, as applicable, a target date is set for collecting disallowed costs. Because the mission has not made a decision on the allowability of the full amount of ineligible questioned costs, this recommendation remains open without a management decision.

Recommendation 3. USAID/Mozambique's Office of Agriculture, Trade, and Business agreed to use tools like project management software to improve its portfolio management. The office plans to complete this action by December 31, 2015. We acknowledge management's decision.

Recommendation 4. USAID/Mozambique agreed to determine the allowability of \$214,353 in ineligible questioned costs and recover the amount determined to be unallowable from DAI. The mission plans to finalize its analysis of the fixed-fee payments and determine the allowability of questioned costs upon receipt of DAI's final invoice, and as applicable, recover any that are unallowable. The mission intends to complete these actions by December 31, 2015.

For the same reasons described under Recommendation 2 above, this recommendation remains open without a management decision until the allowability of \$214,353 in ineligible questioned costs is determined.

Recommendation 5. USAID/Mozambique's Office of Agriculture Trade, and Business agreed with the recommendation and prepared a schedule of contractor performance assessments that are overdue or due within a year. In addition, officials said that office's performance assessments for all of its contracts have been completed, including those for AgriFUTURO. We acknowledge management's decision and final action taken on Recommendation 5.

Recommendation 6. USAID/Mozambique's Office of Agriculture, Trade, and Business agreed to, in coordination with the contracting officer, institute an effective control as part of the annual FMFIA review, to make sure that files are complete in accordance with administrative requirements. The office plans to have the office director check COR files each year as part of the review. In addition, the deputy office director will check COR files 6 months after the review. The mission plans to complete these actions by June 30, 2016. We acknowledge management's decision.

Recommendation 7. USAID/Mozambique's Office of Agriculture, Trade, and Business agreed to institute a control to make sure that responsible staff actively monitor the implementation of branding and marking plans for its projects. The mission included a step to verify branding in the site visit report template and will not approve travel until employees finish reports from previous trips. We acknowledge management's decision and final action taken on Recommendation 7.

Recommendation 8. USAID/Mozambique's Office of Agriculture, Trade, and Business agreed to ask the PARTI AOR to make a determination about branding requirements for USAID's agricultural research projects supported by its PIO agreement and disseminate appropriate branding guidance to all participating USAID missions by December 31, 2015. We acknowledge management's decision.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards. They 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 the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID/Mozambique's ATB portfolio is increasing agricultural productivity and improving the business environment for trade and investment. The audit covered FYs 2012 and 2013. As of September 30, 2013, the portfolio consisted of 11 awards worth \$100,067,576.

The audit team selected AgriFUTURO, PARTI, and SPEED based on the following factors:

- Total estimated cost. We considered the total estimated dollar value of awards to confirm that they represent at least 50 percent of the portfolio's dollar value. The total for the three we chose was about \$78.6 million or nearly 79 percent of the value at the time of audit.²¹
- Performance period. We chose active awards that were at least midway through so we could determine whether and how they contributed to ATB's goals.
- Award type. We selected two contracts, along with a PIO agreement that was awarded from USAID/Washington. It serves as USAID's contribution to the World Bank's CGIAR Fund, and USAID/Mozambique is one of 17 missions participating in the mechanism.²²
- Sector/assistance. We chose awards that represented the range of ATB's assistance in the agricultural and business sectors with immediate (SPEED), midterm (AgriFUTURO), and long-term (PARTI) approaches.

In FY 2012 PARTI had seven ongoing projects implemented by several IARCs. Given the complexities of PARTI and the time allotted, the audit team focused on three projects that accounted for 59 percent of the FY 2012 budget and reflected the variety of work performed under the mechanism. The judgmentally selected projects included:

- Agricultural Input Market Strengthening II and III implemented by the International Fertilizer Development Center.

²¹ After the audit, these projects were extended; AgriFUTURO and PARTI were granted cost extensions with the updated total estimated costs shown in Table 1.

²² OIG has limited audit authority over PIOs. Nonetheless, we gained an understanding of the agreement and how it contributed to ATB's goals in the agriculture sector. Furthermore, with 17 USAID missions participating in the centrally managed mechanism, it was an opportunity to identify possible operational improvements.

- Strengthening Partnerships for Innovation in Beans, Groundnuts and Sesame Research and Technology Transfer in Mozambique implemented through a joint effort by the International Institute of Tropical Agriculture, the International Crops Research Institute for the Semi-Arid Tropics, and the International Center for Tropical Agriculture.
- The Consortium Facilitation Unit—the coordinating body for PARTI—is responsible for managing issues that PARTI’s partners have in common. It includes representatives from the Agricultural Research Institute of Mozambique, the Brazilian Agricultural Research Corporation, and the IARCs.

Audit fieldwork began on November 4, 2013, and ended on January 28, 2014. Due to election-related insecurity and restricted travel outside of Maputo, we completed fieldwork during two separate trips to Mozambique. In performing the audit, we conducted more than 70 interviews and site visits with USAID/Mozambique’s technical and support offices, implementing partners, subcontractors, government officials, beneficiaries, and other stakeholders. We conducted site visits in four of Mozambique’s 11 provinces: Manica, Maputo City, Nampula, and Zambezia.

In planning and performing the audit, we assessed significant internal controls that USAID/Mozambique used to monitor program activities, including monitoring and evaluation plans, performance management plans, and progress and financial reports. We also gained an understanding of ATB’s organizational structure and the size and composition of its portfolio. We reviewed ATB’s portfolio results framework and determined which intermediate results and indicators would serve as the basis for answering the audit objective, which we confirmed with mission and implementing partner staff.

Additionally, we reviewed USAID/Mozambique’s FMFIA reports for FYs 2012 and 2013 and past audit reports to gain an understanding of the mission’s relevant internal controls and whether they were working effectively.

Methodology

To answer the audit objective, we reviewed program documentation, including the scope, terms, and conditions included in contracts and subcontracts, agreements, and subagreements. We also reviewed progress reports and corroborated documented information with interviews and site visits. We interviewed implementing partners, subcontractors, and project beneficiaries. We met with officials from USAID/Mozambique including staff and managers within ATB and supporting offices, and economic officers from the U.S. Embassy. We met with officials in Mozambique’s Ministries of Agriculture, Industry and Commerce, Justice, and the Ministry of Finance’s Tax Authority. We also met with officials from the Maputo Municipal Council and Confederation of Mozambican Businesses, as well as from the Brazilian Agricultural Research Corporation and the World Bank in Maputo.

We judgmentally selected site visits for each project based on the factors described below.

- For SPEED, the selection process entailed reviewing project documentation (such as annual and quarterly progress reports) to identify key activities and stakeholders. Since most of the activities took place in and around Maputo with government stakeholders, we visited sites in that province.

- For AgriFUTURO, we consulted with the COR and reviewed the FY 2012 annual report to identify value chains that had problems during implementation and those that contributed most to results. We focused on the banana, cashew, sesame, soybean, and groundnut (peanut) value chains. We also considered, to the extent possible, beneficiaries who were also grantees of the project and the location of beneficiaries to ensure a productive use of time in the field. As a result, site visits for AgriFUTURO, including visits with grantees, occurred in Manica, Nampula, and Zambezia.
- For PARTI, we considered where selected implementers were conducting their activities, and coordinated PARTI's sites with AgriFUTURO's activity locations to maximize our time in the field, and to see whether the projects were coordinated with stakeholders in the same provinces. Therefore, we visited sites in Manica and Zambezia Provinces.

In addition, for PARTI's joint project with three IARCs, we reviewed a range of activities related to soybeans, cowpeas, peanuts, and sesame to inform our understanding of the value chain for improved varieties. We took the same approach with the International Fertilizer Development Center in understanding how its work reached farmers. In answering the audit objective of whether agricultural productivity has increased, it was important to understand the connection between improved agricultural technologies from research and development to dissemination and adoption among farmers.

During site visits, we interviewed beneficiaries about project activities and their effect. We compared anecdotal accounts to activities stipulated in agreements and project progress reports. We assessed the branding and marking of activities. We also developed a survey to get qualitative information from all the IARCs implementing PARTI. We shared the results with PARTI's AOR, activity manager, and project coordinator; we also used them for the finding related to PARTI on page 8. Since the projects and site visits were selected judgmentally, the results cannot be projected to the intended population. Nonetheless, we believe evidence gathered during fieldwork provided a reasonable basis for our findings and conclusions.

Additionally, for each project, we reviewed monitoring and evaluation processes and practices, and selected and tested performance indicators relevant to achieving project objectives and ATB's intermediate results. For the indicators, we examined data collection methods and, to the extent possible, verified reported results. We verified FYs 2012 and 2013 performance results for SPEED and selected IARCs under PARTI. Because our sample for testing PARTI's performance indicators was judgmental, the results of our testing cannot be projected to the population from which it was drawn. We noted that the IARCs used statistical software packages to gather, maintain, and analyze large sets of data used for reporting. The sophistication of the databases coupled with monitoring and evaluation procedures provided the audit team with assurance about the accuracy and reliability of the data.

We could not verify AgriFUTURO's reported results for selected performance indicators for FYs 2012 and 2013 because the project's field offices—where the supporting documentation was stored—closed in October 2013 and project field staff had been released. Despite advance requests, supporting documentation was not readily available by January 2014. However, because we were able to rely on other corroborating evidence, we believe the opinions, conclusions, and recommendations in the report are valid.

Because this audit focuses on performance instead of specific financial transactions, we limited financial disbursement testing to the mission's procedures for reviewing and approving invoices with supporting documentation for AgriFUTURO and SPEED. We tested 60 percent of the total

invoiced amount for each project. Testing ensured that there was sufficient support for each invoice and that adequate controls were exercised. These tests led us to conclude that the expenditure data for AgriFUTURO and SPEED are sufficiently reliable and projectable to provide reasonable assurance of the amounts shown in Table I-1 below.

Table I-1. Projects' Total Estimated Cost, Obligations, and Expenditures as of September 30, 2013 (Partially Audited)

Project	Total Estimated Cost (\$)	Obligations (\$)	Expenditures (\$)
AgriFUTURO	24,291,292	24,041,292	20,800,553
SPEED	19,464,282	11,004,506	9,310,548
PARTI	34,800,000	13,600,000	9,791,773
Total	78,555,574	48,645,798	39,902,874

The amounts in Table I-1 come from the Agency's financial systems. On November 17, 2014, OIG issued *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013* (No. 0-000-15-001-C), disclaiming an opinion because of material unsupported adjustments USAID made to reconcile its general and subsidiary ledgers. In FY 2015 OIG anticipates testing USAID's adjustments to determine whether they were accurate and appropriate. USAID intends to provide explanations and other support to demonstrate the adjustments' validity. We did not perform any additional tests during this audit to verify the accuracy of the reported amounts for PARTI. However, as described above, we performed limited financial disbursement testing to verify the accuracy of the reported expenditure amounts for AgriFUTURO and SPEED.

MANAGEMENT COMMENTS



August 5, 2015

Sarah Drever,
Regional Inspector General/Pretoria
U.S. Agency for International Development

Dear Sarah:

I am pleased to provide the USAID/Mozambique formal response to the OIG draft report entitled: "Audit of USAID/Mozambique's Agriculture, Trade, and Business Portfolio". (Report No. 4-656-15-00X-P).

The enclosed USAID/Mozambique comments are provided for incorporation with this letter as an appendix to the final report.

Thank you for the opportunity to respond to the OIG draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,
/s/
Alexander Dickie
Mission Director

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“Audit of USAID/Mozambique’s Agriculture, Trade, and Business Portfolio” (Report No. 4-656-15-00X-P).

USAID/Mozambique questions many of the findings as outlined in the report but largely agrees with the recommendations. In fact, numerous recommendations were identified and were being addressed when the audit occurred or were already partially resolved. Other recommendations, while appropriate at the time of the audit in 2013, have since proven to be unnecessary.

Recommendation 1. We recommend that USAID/Mozambique determine whether a portion of the fixed fee for activities not started or completed under the AgriFUTURO contract should be withheld from payment to Abt Associates Inc.

Management Decision: Agree

Planned Actions: N/A

Actions Taken: In May 2014, the COR completed an analysis of the products and services delivered under Task Order EDH-I-10-05-00005 with Abt Associates Inc. Based on the analysis, the Contracting Officer withheld \$20,000 of fixed fee (see analysis in Attachment I) from payment to Abt Associates Inc.

Recommendation 2. We recommend that USAID/Mozambique determine the allowability of \$141,183 in ineligible questioned costs arising from missing or stolen equipment and recover any amounts determined to be unallowable.

Management Decision: Agree

Planned Actions: N/A

Actions Taken: Based on the USAID-approved project Grants Manual, there was a set of qualification criteria for grant candidates which included existing capacity, expansion potential, market opportunities, and sound business and investment plans. Project field technicians identified candidates in the field willing to work with smallholder farmers in the Zone of Influence (ZOI) and worked with them to prepare their documents. The applications were reviewed by a separate project technical committee in Maputo, followed by Abt Associates’ contracts department, and finally approved by USAID COR. The approved grantees had all met the selection criteria, were awarded the grants and therefore the expenses were considered to be allowable.

The AgriFUTURO project attempted to recover purchased equipment and was able to do so in some cases (granting the recovered equipment to other grantees)

However, given the associated cost and likelihood of recovery, USAID has determined the questioned costs of \$141,183 to be unrecoverable. CO has decided to consider these costs allowable and allocable and thus USAID/Mozambique will not be pursuing collection. It is also noted that these costs represent approximately half of one percent of the contract amount.

Recommendation 3. We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business implement tools, such as project management software, that identify key milestones and deadlines to improve its portfolio management.

Management Decision: Agree

Planned Actions: AEB does not regularly utilize a specific project management software for our projects. We agree that this type of software would be most relevant for large complicated contracts similar to AgriFUTURO. We will review options for using this type of software for our large SAFRA project which is due to be awarded in the fall of 2015. Action to be taken by 12/31/15.

Actions Taken: USAID's ATB (now Agriculture, Environment and Business) Office uses a wide variety of management and control measures to track key indicators, milestones and deliverables. These measures include pipeline reports and semi-annual portfolio reviews, pre-obligation checklists and regular procurement planning reports, budget trackers, project workplans, branding plans, and performance monitoring plans, site visit reports, and quarterly and annual reports.

Recommendation 4. We recommend that USAID/Mozambique determine the allowability of \$214,353 in ineligible questioned costs and recover from Development Alternatives Inc. the amount determined to be unallowable.

Management Decision: Agree

Planned Actions: USAID/ Mozambique will determine the exact fee due to the contractor and determine unallowable costs upon submission of the final invoice and proceed to recover such costs as applicable. Action to be taken by 12/31/15

Actions Taken: The SPEED contract was for \$19.5 million with an associated fixed fee of \$1,071,763 or about 5.8% of the cost of the award. The total work ordered was \$18.55 million and USAID has paid \$17,211,249, which included a fixed fee of \$1,032,694. USAID has analyzed the payments to date and notes that the fee paid to date is approximately 6%. The contractor (DAI) has not submitted the last invoice yet. The project ended on February 28, 2015.

Recommendation 5. We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business, in coordination with its contracting officer, prepare a schedule of overdue contractor performance assessments and those

that must be done within the next year, and make sure they are completed in accordance with federal requirements.

Management Decision: Agree

Planned Actions: N/A

Actions Taken: USAID/Mozambique's AEB Office, in coordination with its contracting officer, prepared a schedule of overdue contractor performance assessments and those that were due moving forward. The CPARs for AgriFUTURO, including the one for the last extension period, were completed as were the CPARs for all other AEB Office contracts. (See Attachment II).

Recommendation 6. We recommend that USAID/Mozambique's Office of Agriculture, Trade, and Business, in coordination with the contracting officer, institute an effective control, such as including a review of contracting officer's representatives' files as part of the annual Federal Managers' Financial Integrity Act of 1982 review, to make sure that files are complete in accordance with administrative requirements.

Management Decision: Agree

Planned Actions: Every six months after the 2015 FMFIA review, the AEB Deputy Director will complete and document a spot check of COR files review results. Annually the AEB Office Chief, at the time of the Mission FMFIA, will manage the file compliance control function in coordination with CO. Action to be completed by 06/30/16.

Actions Taken: The CO maintains the official file for all contracting actions. The files for the AgriFUTURO project are currently in conformity with guidance for COR/AOR files and include the contract and amendments, COR designation letter, approved work plans (with approval), copies of all reports, site visit forms/reports, vouchers/finance reports, accrual estimate calculations, and copies of written correspondence/letters.

Starting with the 2015 FMFIA review, AEB included a management control comprising of a semiannual spot check of all current COR files by the Deputy Office Chief and a documented control testing by the Office Chief at the time of the Mission FMFIA.

Recommendation 7. We recommend that USAID/Mozambique's Office of Agriculture, Trade and Business institute a control to make sure that responsible staff actively monitor the implementation of branding and marking plans for its projects.

Management Decision: Agree

Planned Actions: N/A

Actions Taken: This recommendation was well taken and the Branding and Marking plan was followed throughout the last year of PARTI. We have also used this recommendation and evolving agency branding guidance to improve the branding and marking of other USAID projects (i.e., FINAGRO). The instituted control measure comprises an inclusion of a check on branding during all site visits. The check is included on the site visit report and no travel is approved unless the site-visit report from the previous trip is completed.

Recommendation 8. We recommend that USAID/Mozambique’s Office of Agriculture, Trade, and Business ask the agreement officer’s representative for PARTI to make a determination about branding requirements for USAID’s agricultural research projects supported by its public international organization agreement and disseminate appropriate branding guidance to all participating USAID missions.

Management Decision: Agree

Planned Actions: USAID /Mozambique intends to ask the agreement officer’s representative for PARTI to make a determination about branding requirements for USAID’s agricultural research projects supported by its public international organization agreement and disseminate appropriate branding guidance to all participating USAID missions. Action to be taken by 12/31/15.

Actions Taken: USAID/Mozambique advised PARTI management to improve its branding and marking. Guidance resulted in much improved compliance that was verified through various site visit reports. USAID/Mozambique has discussed the problem with the AOR in Washington and has come to an agreement that the PARTI “follow-on” will include strong language to enforce USAID branding and marking guidelines.

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