



## OFFICE OF INSPECTOR GENERAL

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# AUDIT OF USAID/CAMBODIA'S HELPING ADDRESS RURAL VULNERABILITIES AND ECOSYSTEM STABILITY PROGRAM

AUDIT REPORT NO. 5-442-13-008-P  
AUGUST 16, 2013

MANILA, PHILIPPINES



*Office of Inspector General*

August 16, 2013

**MEMORANDUM**

**TO:** USAID/Cambodia Mission Director, Rebecca Black

**FROM:** Regional Inspector General/Manila, William S. Murphy /s/

**SUBJECT:** Audit of USAID/Cambodia's Helping Address Rural Vulnerabilities and Ecosystem Stability Program (Report No. 5-442-13-008-P)

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

This report contains nine recommendations to help the mission improve the overall effectiveness of the Helping Address Rural Vulnerabilities and Ecosystem Stability Program. After reviewing information the mission provided in its response to the draft report, we determined that final action was taken on Recommendations 8 and 9. We acknowledge management decisions on Recommendations 1 through 7. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the open recommendations.

Thank you and your staff for the cooperation and courtesies extended to us during the course of this audit.

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# SUMMARY OF RESULTS

Cambodia is predominately a rural society, with more than 70 percent of the population reliant on agriculture, fisheries, and forestry for their livelihoods.<sup>1</sup> However, agricultural productivity can vary significantly because of flooding and drought, creating food insecurity—the inability to get enough good food to live an active, healthy life. To address this problem, in December 2010 USAID/Cambodia awarded a 5-year, \$56.8 million contract to Fintrac Inc. to implement the Helping Address Rural Vulnerabilities and Ecosystem Stability (HARVEST) Program. The program’s primary goal is to improve food security through enhanced agricultural development and rational management of natural resources. The program was designed to encompass six provinces—Battambang, Kampong Thom, Prey Veng, Pursat, Siem Reap, and Svay Rieng (shown in the map below)—home to nearly 32 percent of Cambodia’s population. As of December 31, 2012, obligations under the program totaled \$18.5 million, and disbursements totaled \$14.4 million.



Source: UN Department of Peacekeeping Operations, Cartographic Division, Map No. 3860 Rev. 4, January 2004.

<sup>1</sup> *Cambodia and FAO Achievements and Success Stories*, FAO Representation in Cambodia, March 2011 (<http://www.fao.org/fileadmin/templates/rap/files/epublications/CambodiaedocFINAL.pdf>).

The objective of the audit was to determine whether the program was achieving its primary goal. The audit determined that the program was on track to achieve its goal. Program interventions should lead to increases in the availability of food and access to it. Two years into the contract, the program had achieved the results shown in Table 1 and in the following photo.

**Table 1. Results on Three Program Indicators, December 31, 2012 (audited)**

Indicator	Result	End of Program Target	Result as Percent of Target (%)
Households receiving technical assistance	42,600	70,000	61
Farmers applying new technologies or management practices	28,000	44,444	63
Individuals receiving training in natural resource management or biodiversity conservation	18,000	26,925	67



**The corn this program beneficiary in Kampong Thom province grew using program techniques (center) is taller and harder than that grown with the traditional methods (far right). (Photo by the Office of Inspector General, February 21, 2013)**

Other notable achievements under the program include the following:

- Rice farmers in Pursat Province noticed significant improvement in their yields and said they would continue using the program's techniques.

- A rice miller in Battambang Province said the program training completely changed the way he interacted with suppliers, typically small rice farmers. He now talks with farmers about his needs and the needs of his larger clients and how they can work together in producing higher-quality rice.
- A rice miller in Siem Reap Province said that before working with the program, he took out loans from informal local lenders. The program worked to link him to a formal financial institution, and he estimated his business now saves around \$20,000 annually in interest expense.
- Members of a community fishery organization in Kampong Thom Province said that because of the tools and community education provided by the program, illegal fishing in the protected areas has decreased, and locals have noticed an increase in the fish stock.

Notwithstanding the program's successes, the audit identified some problem areas:

- Coordination with provincial governments was weak (page 5).
- The sustainability of two natural resource management activities—pertaining to patrol boats used to enforce fishing restrictions and community forestry organizations involved in running tree nurseries—was questionable (page 6). The program provided the boats without clarifying the communities' patrolling responsibilities, and the nurseries were producing seedling varieties with little market appeal.
- The program did not focus enough on poor beneficiaries (page 7). Instead, program officials focused on recipients with the means to achieve results quickly, who could serve as persuasive test cases.
- Performance differed from contract specifications (page 8). For location, land laws, and level of effort (LOE), USAID/Cambodia had not modified the contract to reflect all mission instructions to the contractor, which explained the discrepancies; for scholarships, the contractor spent less than planned in the first two years of the program. In terms of reporting, the contractor chose reporting categories that did not mesh with those spelled out in the contract.
- The contractor did not brand and mark all program items, reducing the program's effectiveness in publicizing U.S. sponsorship of the assistance (page 11).
- One program official had an unjustified salary and a potential conflict of interest (page 11). In addition, the contractor did not report on some commodities purchased through technology funds, and the contractor's work with a large rice miller did not match the program's intended focus on small farmers (page 13).

The report recommends that USAID/Cambodia:

1. Work with the contractor to implement a plan to engage more provincial government staff members in program activities, and provide them with regular activity reports (page 6).
2. Require the contractor to work with community organizations to implement a community's expected contribution regarding the patrol boats (page 7).

3. Work with the contractor to implement a transition strategy for community forestry organizations involved in tree nurseries to improve their sustainability after program support ends (page 7).
4. Work with the contractor to implement a plan that will identify and focus program resources on a greater number of poor beneficiaries (page 8).
5. Work with the contractor to determine and document what contract requirements need to be changed, and modify the contract accordingly (page 10).
6. Review the scholarship program and determine whether the remaining \$2.6 million in funds could be reprogrammed or deobligated from the contract (page 10).
7. Provide clear written guidance to Fintrac Inc. to adhere to the branding and marking requirements in the program contract in the absence of any approved branding and marking contract modification or other official guidance (page 11).
8. Obtain written guidance from the regional legal advisor regarding the propriety of the program's agricultural economist/deputy chief of party serving as president of the Cambodian Economic Association (page 12).
9. Determine the allowability of \$82,625 in questioned costs (unsupported) and recover, as appropriate, any amounts determined to be unallowable (page 12).

Detailed findings follow. The audit scope and methodology are described in Appendix I. Our evaluation of management comments is included on page 15, and the full text of management comments appears in Appendix II.

# AUDIT FINDINGS

## Coordination With Provincial Governments Was Weak

The contract identifies the Ministry of Agriculture, Forestry, and Fisheries and local governments, including commune councils and regional and village entities, to be among key partners and clients of the program. The ministry works at the provincial level through its provincial departments of agriculture, which in turn have staff members working at the district level. These divisions work together to implement government policies and report to the ministry on all agricultural activities in their respective areas.

However, the program's coordination with provincial officials has been weak. Provincial department directors in three of the four program provinces<sup>2</sup> said that program representatives came to meet with them before implementation to introduce the program and request assistance with site selection. Afterward, program officials communicated very little. Two provincial department directors said this has recently changed; however, the third said the program has coordinated very little with his office. Additionally, all three directors expressed the belief that the program's policy is not to work with Cambodian Government officials.

In Pursat the provincial department director said that since April 2012, when he called for regular meetings with all donor organizations working in his province, coordination between his staff and the program has improved. The parties now meet regularly, and department staff members are invited to various program activities and workshops.

In Siem Reap, the provincial department director said that it was not until July 2012, when a conflict arose between the program and another donor organization over implementation locations, that program officials asked his office for assistance. This issue has since been resolved; however, it took program officials until January 2013 to contact his office and invite the staff to participate in a training event.

In Kampong Thom, the provincial department director said his office has had no coordination with program officials since site selection in January 2012. He said he feels frustrated his staff members are not included in program activities and do not know how program techniques work. As a result, he has no information regarding the program to report to his superiors in the ministry.

Contractor officials said that while they initially met with provincial department directors in each of the four provinces to introduce program activities and request assistance with site selection, the program works more closely with officials at the commune and village levels. These local community leaders are actively involved in assisting the program in identifying candidates for participation, attending field day events, and talking with program technicians regularly about upcoming activities. After the conflict in Siem Reap, contractor officials decided to assign two staff members the responsibility of communicating with the four provincial authorities regarding program activities.

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<sup>2</sup> As explained on page 8, the contractor is working in only four provinces.

Moreover, program officials said USAID's approach to working with the host government differs from that of other international donor organizations. USAID works jointly with host-government officials but does not hire local, provincial, or ministry officials to implement programs.<sup>3</sup> Because other donors do, this could partly explain why provincial officials misinterpreted how the program works with host-government employees.

However, had more communication taken place between the program and provincial officials, the conflict with the other donor organization in Siem Reap might not have occurred. In addition, more engagement with the departments would dispel the belief that the program is not allowed to work with government officials. We therefore make the following recommendation.

***Recommendation 1.*** *We recommend that USAID/Cambodia work with the contractor to implement a plan to engage more provincial government staff members in program activities and provide them with regular activity reports.*

## **Sustainability of Two Natural Resource Management Activities Was Questionable**

According to Automated Directives System (ADS) 200.3.1.5, "Build in Sustainability from the Start," the goal of development cooperation is "to enable developing countries to devise and implement their own solutions to key development challenges and to develop resilience against shocks and other setbacks." Among other things, sustainability demands that implementers "build the skills and capacity of local stakeholders critical for maintaining gains after the program or project ends."

Yet the sustainability of two program activities was questionable. The first involves assisting 12 community fishery organizations in patrolling fish sanctuaries by boat. The second involves establishing seven tree nurseries.

Auditors visited two community fishery organizations in the floating villages of Anlong Ta Uor and Prek Toal in Siem Reap Province, along Tonle Sap Lake. Each had recently received a new \$5,000 boat for patrolling the government-designated sanctuary area surrounding it. Protection of these sanctuaries from illegal fishing is crucial because they provide fish a place to breed and grow throughout the year before migrating into Tonle Sap Lake.

Community members were unclear on their patrolling requirements. Members could not answer questions about whether the program expected them to patrol the sanctuaries a certain number of hours per month or develop a system to schedule and document individuals to conduct patrols. However, members did have a good understanding from the program of ownership and proper use of the boats.

Program officials attributed the lack of clarity to timing. Officials said no patrolling requirement had been discussed because boats had been delivered only a few weeks before the audit to the two villages, and most communities had not yet received their boats. However, delivering the boats without outlining expected contributions from the community does not foster community

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<sup>3</sup> In its management comments, the mission further explains the prohibition against hiring or paying salary supplements to host-country government officials.

ownership or encourage achievement of activity objectives. Community members should be encouraged to use the boat to patrol the protected area effectively.

The second activity, establishing tree nurseries, was to provide seedlings for program beneficiaries working in home gardening and commercial horticulture, agroforestry and wood lot demonstration plots, and nutrition promotion. The program provided approximately \$6,500 in items to each nursery, including an irrigation system, netting, fencing, and small tools. In addition, the program committed to purchasing the seedlings the nurseries produced.

Operators of the tree nurseries, however, doubted their ability to carry on without program help because the seedlings produced for the program had little market appeal. For example, one tree nursery in Kampong Thom Province shared the sales records shown in Table 2.

**Table 2. Seedling Sales (not audited)**

Type	Sold to Program	Sold to Other Buyers
Papaya	6,700	100
Moringa*	514	0

\* Moringa leaves are highly nutritious, rich in vitamins, minerals, and protein.

Although they were exploring markets for these seedlings, operators said their organization has had little success to date.

Program officials said that because of changing objectives, the seven nurseries would be reduced to four by the end of 2013. While the remaining nurseries were still in their early stages, officials were hopeful the community forestry organizations would find nonprogram markets to sell their seedlings to after activities end. However, the audit team's visit to two additional tree nurseries indicates sustainability is unlikely; these other nurseries also sold very few seedlings to nonprogram buyers. We therefore make the following recommendations.

**Recommendation 2.** *We recommend that USAID/Cambodia require the contractor to work with community organizations to implement a community's expected contribution regarding the patrol boats.*

**Recommendation 3.** *We recommend that USAID/Cambodia work with the contractor to implement a transition strategy for community forestry organizations involved in tree nurseries to improve their sustainability after program support ends.*

## **Program Did Not Focus Enough on Poor Beneficiaries**

The Helping Address Rural Vulnerabilities and Ecosystem Stability Program is partly funded by the U.S. Feed the Future and Global Climate Change initiatives. Because program resources are significant, the contract states that the program is expected to decrease poverty and improve food security nationwide. Accordingly, the program set a target for reaching those classified as the "extreme poor" (or what the Cambodian Government characterizes as the very poor). Of the 70,000 households targeted to benefit from assistance, 10 percent or 7,000 should be classified as "extreme poor." While the contract does not explicitly dictate the economic

classification of the remaining program beneficiaries, one would assume a large portion of these would be defined simply as “poor.”

To determine whom to assist, the contractor uses the Government of Cambodia’s poverty identification system. It classifies households as Poor Level 1 (very poor), Poor Level 2 (poor), or Not Poor based on responses from heads of household to a questionnaire. Responses provide information on household construction materials, the main income activity of the head of household, asset ownership, and the number of dependents.

An analysis of the contractor’s records showed that only 19 percent of program beneficiaries targeted to receive commodity support and training were categorized as Poor Level 1 (very poor) or Poor Level 2 (poor). This 19 percent consisted of Poor Level 1 (very poor) beneficiaries (11 percent) and Poor Level 2 (poor) beneficiaries (8 percent). Therefore, the program was achieving its goal of reaching at least 10 percent of the extreme poor, but only 8 percent of beneficiaries were classified as poor. The remaining 81 percent of beneficiaries were classified<sup>4</sup> as not poor.

A mission official explained that the targeting fit with the technical approach the program applied, known as “proof of concept.” Accordingly, it chose farmers with the resources, like additional land, to demonstrate the program’s work and encourage others to participate.

A mission official acknowledged the pressure to achieve demonstrated results with economically better-off or nonpoor beneficiaries. The official noted that typically as a program like this evolves staff make an effort to reach out to poorer beneficiaries, or in this case Poor Level 2 (poor), although doing so is not required by the contract.

If the program does not focus resources on and include a larger percentage of beneficiaries categorized as poor, this critical group of individuals will not derive benefits under the program. We therefore make the following recommendation.

***Recommendation 4.*** *We recommend that USAID/Cambodia work with the contractor to implement a plan that will identify and focus program resources on a greater number of poor beneficiaries.*

## **Performance Differed From Contract Specifications**

The contract specifies the services Fintrac will provide to implement the program: where, how much, and what type of work will be performed. However, the audit disclosed five discrepancies between contract specifications and what is being performed. These five discrepancies are described below.

**Location.** The contract states that program activities will take place in six provinces, which contain approximately 32 percent of Cambodia’s population. However, the contractor is only working in four provinces—Pursat, Battambang, Siem Reap, and Kampong Thom—not in Prey Veng or Svay Rieng.

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<sup>4</sup> In its management comments, the mission elaborated on the inadequacies of the classification system and its plan to work with the contractor to better target poor households.

Although not included in the original contract, contractor and mission officials said that because the program is now funded in part by Feed the Future, Washington requested that the program focus on the four provinces. In October 2011, the contractor asked for a contract modification to eliminate Prey Veng and Svay Rieng and work more extensively in the four remaining provinces. This request was never approved. A mission official explained that the mission wanted flexibility to work in the other provinces later. However, not modifying the contract creates confusion as to where the contractor should be focusing work.

**Level of Effort.** The contractor implements the program under a cost-plus-fixed-fee, term, LOE contract.<sup>5</sup> LOE refers to the total number of person-days the contractor can charge the contract for work done by professional staff members. Each professional staff member is budgeted 260 LOE days per year. The contract's total LOE is 65,390 person-days. Once the contractor reaches the maximum LOE, work must cease even if the contractor has not expended the total budget of \$56.8 million.

The contractor estimates that, at current staffing levels, it will need to increase the maximum LOE by 19,004 person-days between now and the program's completion date of December 21, 2015. Contractor officials said they have had to increase staff in order to meet Feed the Future agricultural and nutrition targets. However, a mission official said the contractor could use staff from local nongovernmental organizations instead of professional staff to implement activities. The contractor believes doing so would not be as efficient, given the level of training that such individuals need. Regardless, without resolution of this issue, contractor officials believe they will be forced to stop work as early as December 2014.

**Land Law.** The contract states that the program will work to support analyses and activities pertaining to the effective implementation of Cambodia's 2001 land law and identify opportunities to clarify and secure resource rights. Inconsistent implementation of the law and associated subdecrees has led to unclear property rights, resource disputes, and low investment.

However, contractor officials said they had only worked with some community forestry groups to interpret the law, nothing more. The officials also said the mission instructed them not to perform work under this contract activity because of potential legal implications. A mission official stated this was not an important contract activity and would be more appropriate under a democracy and governance program.

**Scholarships.** The contract budgeted \$3 million to fund education and training activities. The contractor provides scholarships and high-profile training events to increase the long-term capacity of students and leaders in agriculture, environment, and food security. In all, 38 students have received scholarships to pursue master's degrees in these areas at local, regional, and U.S. universities. And Cambodian leaders have attended high-profile training events in Cambodia and abroad.

However, as of December 31, 2012, only \$368,600 (or 12 percent) of the \$3 million had been spent. Contractor officials said that because the mission's funding in the first and second year was below their expectations, they decreased focus on education and training activities. Furthermore, officials said they would no longer be in a position to fund scholarships given the time remaining in the program. However, mission officials believe the program was sufficiently

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<sup>5</sup> Federal Acquisition Regulation 16.306.

funded. Regardless, it appears that the contractor might not be able to spend the \$2.6 million remaining under the training program.

**Reporting.** The program is large, reaching out to beneficiaries ranging from farmers input suppliers, and rice millers to community organizations and government officials. The contract and approved performance management plan organize activities under four components:

1. Increased food availability
2. Increased food access through rural income diversification
3. Improved natural resource management and improved resilience to climate change
4. Increased capacity of public, private, and civil society to address food security and climate change

However, in quarterly and annual reports to the mission, Fintrac organizes activities and accomplishments using the following five components:

1. Agribusiness value chains
2. Aquaculture and fisheries
3. Natural resource management, biodiversity, and climate change
4. Social inclusion and capacity development
5. Policy and enabling environment

Fintrac officials said that their company uses these five program components to report results for all of their projects and that organizing information as the contract and monitoring and evaluation plan do would duplicate information. Mission officials never questioned this reporting format.

This discrepancy, however, makes it difficult for mission personnel to match program activities with the corresponding contract component. For example, while the contractor focuses an entire component on aquaculture and fisheries activities, the contract category on rural income diversification does not emphasize aquaculturists above rice farmers or input suppliers. Furthermore, this different reporting structure could obscure areas where little work has been performed. Reporting under different components makes it difficult to monitor program activities and accomplishments against those outlined in the contract.

To align performance with contract specifications in all five areas, we make the following recommendations.

***Recommendation 5.*** We recommend that USAID/Cambodia work with the contractor to determine and document what contract requirements need to be changed, and modify the contract accordingly.

***Recommendation 6.*** We recommend that USAID/Cambodia review the scholarship program and determine whether the remaining \$2.6 million in funds could be reprogrammed or deobligated from the contract.

## **Contractor Did Not Brand and Mark All Program Items**

The contract outlines the program's branding implementation and marking plan requirements. They state that the program will be named USAID-HARVEST, and Fintrac will prominently display the USAID identity on commodities, equipment, print communications, publications, and signage.

However, many of the commodities provided to beneficiaries were not marked with the USAID-HARVEST logo. These included large clay water jars and plastic water storage containers provided to home garden and commercial horticulture clients for irrigation needs. The logo was also absent from equipment such as binoculars, communications radios, and cameras used by community fishery organizations to patrol protected areas. In addition, the program-funded vehicle assigned to the top program official, the chief of party, was not marked.

Contractor officials said that items provided to beneficiaries were not branded because USAID and Feed the Future personnel had indicated the program's name would change. Around April 2012, the contracting officer's representative instructed Fintrac to change the program's name from USAID-HARVEST to Cambodia Harvest. Then in September 2012, the director of the Office of Food Security in Washington, D.C., came to Cambodia and advised the program to use Feed the Future branding because the program receives funding from Feed the Future. However, without a contract modification or official guidance from Washington, the contractor was uncertain how to proceed and did not order new signage when supplies ran out.

Regarding the absence of marking on the chief of party's vehicle, he stated this was for personal security reasons. However, mission officials said this concern was not valid and the vehicle should be marked with the program's logo.

The lack of clear guidance has led to contractor uncertainty as to how to brand and mark items provided to beneficiaries, leading to items not being labeled. To address this concern, we make the following recommendation.

***Recommendation 7.** We recommend that USAID/Cambodia provide clear written guidance to Fintrac Inc. to adhere to the branding and marking requirements in the Helping Address Rural Vulnerabilities and Ecosystem Stability Program contract in the absence of any approved branding and marking contract modification or other official guidance.*

## **Program Official Had Unjustified Salary, Potential Conflict of Interest**

Key personnel are individuals "whose professional and technical skills are . . . essential for the successful implementation of contract activity."<sup>6</sup> The contract outlines five key positions, including the program's agricultural economist, who has been working as one of the program's two deputy chiefs of party. The audit found two problems pertaining to this official: unjustified salary and potential conflict of interest.

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<sup>6</sup> ADS 302.3.5.4, "Key Personnel."

**Unjustified Salary.** The mission approves all key personnel after reviewing their qualifications and the salaries proposed for them by the contractor. The contractor must support proposed salaries with a biographical data sheet listing each individual's previous employment and salary history. Approved salary levels typically fall within a 5-10 percent range of an individual's current salary, according to a USAID contracting official. Anything approved above this range would require a written salary justification.

The mission approved a significantly higher salary for one official but could not provide written justification. An annual salary of \$84,000 was approved after he disclosed his previous salary of \$48,000 as an investment consultant. This is a 75 percent increase in salary from the previous job. Additionally, in February 2012 the program increased his salary to \$88,200. A mission official said this rate was appropriate given the position. The audit team calculated the difference in additional earnings between his last salary and what he had been paid under the program as of January 31, 2013. This totaled \$82,625. We believe these expenditures are not properly justified and represent questioned costs.

**Potential Conflict of Interest.** The Federal Acquisition Regulation requires the contractor to have a written code of business ethics and conduct.<sup>7</sup> Fintrac's Code of Business Ethics and Conduct states that conflict of interest cases include instances when employees receive "payment from non-Fintrac sources for work . . . during their Fintrac employment."

Contrary to this guidance, the program official was also president of the Cambodia Economic Association (CEA). CEA is a professional organization promoting economic research and development in Cambodia. A mission official stated that they were aware of his position as president of the CEA before approving him for the key position, and believed this was an asset. Furthermore, after an informal discussion with a USAID regional legal advisor, the mission official was verbally assured by Fintrac that this program official was not receiving a salary from CEA and that all his work pertaining to CEA was done on his own time. The audit team reviewed all program vouchers from inception through January 2013 and found that his full monthly rate was charged each month to USAID/Cambodia.

For this official to serve simultaneously as the president of the CEA and in a key position on USAID/Cambodia's largest program presents a potential conflict of interest. Representing CEA, he attended several international conferences in 2012 in both Japan and the Philippines. As CEA president he was also interviewed and quoted in two Cambodian newspaper articles, with no mention of the program. Additionally, he sat in on a meeting with USAID/Cambodian officials representing CEA and not the program. The audit questions this official's time spent working on behalf of the CEA while also working as a USAID-funded program official.

Because of these two concerns, we make the following recommendations.

***Recommendation 8.*** We recommend that USAID/Cambodia obtain written guidance from the regional legal advisor regarding the propriety of the program's agricultural economist/deputy chief of party serving as president of the Cambodian Economic Association.

***Recommendation 9.*** We recommend that USAID/Cambodia determine the allowability of \$82,625 in questioned costs (unsupported) and recover from the Helping Address Rural Vulnerabilities and Ecosystem Stability Program, as appropriate, any amounts determined to be unallowable.

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<sup>7</sup> Federal Acquisition Regulation Subpart 3.10, "Contractor Code of Business Ethics and Conduct."

# OTHER MATTERS

## **Contractor Did Not Report on Some Commodities Purchased Through Technology Funds**

The contract states that until all contractor-procured commodities are received and installed, the quarterly reports will include an update on the procurement plan. The mission approves the purchase of specific commodities provided to beneficiaries under a technology fund request submitted by the contractor. This includes items such as irrigation systems, hand tools, and equipment. These commodities, used by beneficiaries with program technical assistance, promote increased productivity and crop yield. The program currently has 16 approved technology funds totaling \$5.6 million.

Initially, the contractor reported on the purchase of commodities needed for start-up. Subsequently, the contractor has been reporting only sporadically on commodities purchased and distributed to beneficiaries. Fintrac officials said they did not think this reporting applied to commodities purchased under technology funds, and mission officials never asked them for the information.

However, without knowing the status of these purchases, it is difficult for mission officials to track progress in the field. For example, one technology fund for irrigation equipment and canal rehabilitation is valued at just over \$2 million. With this funding, the program is to provide drip irrigation systems valued at \$1.6 million to 6,000 home gardening and 800 commercial horticulture clients; construct 200 wells with submersible pumps totaling \$244,000 for 200 villages; and rehabilitate 10 kilometers of one water irrigation canal at a cost of \$234,000. Mission officials have not been advised of the procurement or distribution of the irrigation equipment or progress of the wells, making it difficult for them to know whether activities are progressing on time. We therefore suggest the mission consider requiring the contractor to report on the status of commodities purchased for beneficiaries under approved technology funds.

## **Work With Large Rice Miller Did Not Match Program's Focus on Small Farmers**

The program works to implement agricultural solutions to poor productivity, postharvest losses, and lack of market access by vulnerable rural populations. The contract outlines activities relating to improving the market access of small farmers, including linking them to buyers. In Cambodia, many small rice farmers sell their paddy<sup>8</sup> directly to local millers or intermediaries that collect and sell it to millers.

Despite this focus on small farmers, in the province of Kampong Thom the program was assisting a large rice miller, which was permissible under the contract. The mill, which began operating in 2009, owns 2,000 hectares of land on which it grows rice. Company officials said

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<sup>8</sup> The term paddy refers to rice still in its husk, not yet milled.

these 2,000 hectares supply approximately 20 percent of the mill's rice paddy; officials buy the remaining 80 percent from local or regional farmers. Company officials said that the program connected them to a third-party software provider to upgrade their accounting system, and they have requested program assistance in developing a business plan, seed purification training, and exporting. A Fintrac official confirmed he was working to assist them in developing a business plan.

However, assisting a large organization that has considerable financial resources is not an effective use of program resources. As stated in the first finding, the contractor is already requesting a large increase in LOE allowed under the contract. Furthermore, the assistance the contractor was providing to this large mill appears to be outside the contract's scope. The mission's contracting officer's representative and alternate contracting officer's representative for the program agreed with this assessment and said the contractor should be focusing any assistance provided to such large rice millers in a more defined, effective manner.

Program officials said they work with rice millers of all sizes. This miller, along with small and medium-size millers in the province, was invited to a program workshop introducing them to the program. Afterward, mill officials approached program officials for assistance with accounting software and a business plan.

If the contractor were to continue expending limited staff resources on assisting such a large rice miller, resources would be reduced for the core group of target beneficiaries—small farmers and households trying to increase yields and diversify their cropping mix to increase their incomes and better meet their nutritional needs. While it is necessary for the program to understand the needs of such large rice millers to help small farmers meet large buyers' demands, careful consideration needs to be given as to exactly how the program should engage such businesses. Although the work with this particular large rice miller is relatively minor and permissible under the contract, we suggest that the mission work with the contractor to define what assistance, if any, should be provided to such millers.

# EVALUATION OF MANAGEMENT COMMENTS

The mission provided comments in response to the draft report. On the basis of information provided in that response, we determined that final action was taken on Recommendations 8 and 9. We acknowledge management decisions on Recommendations 1 through 7. Our evaluation of management comments follows.

**Recommendation 1.** The mission suggested rephrasing a statement in the finding to further explain the prohibition against hiring or paying salary supplements to host-country government officials. We agree with the mission that it is an appropriate practice and do not believe that the finding gave the contrary impression. However, we added a footnote to the finding to refer the reader to the mission's management comments, which go into greater detail on the topic.

The mission agreed with the recommendation and made a management decision to work with the contractor to engage provincial government staff members in program activities and share reports with them. Specifically, the contractor has begun holding regular meetings and sharing reports with relevant provincial departments; participating in monthly development partners' coordination meetings sponsored by the provincial government officials; and strengthening coordination and cooperation between its field supervisors and provincial departments. Final action should be achieved by October 31, 2013, after the mission verifies and provides documentation to support that the improved coordination is working.

**Recommendation 2.** The mission agreed and made a management decision to require the contractor to implement the recommendation. The contractor is working with the community fisheries committee on a usage schedule as well as on a management and maintenance plan for the patrol boats. The mission expects to take final action by January 31, 2014, after it conducts a follow-up review in December 2013 to ensure full implementation of the recommendation.

**Recommendation 3.** The mission agreed and made a management decision to work with the contractor on a transition plan. The plan includes activities such as conducting a market survey on the demand for tree seedling types in the four provinces; providing business administration training and technical assistance that promotes market linkages; and assisting with business promotion. The mission expects to take final action by January 31, 2014, after it conducts a follow-up review in December 2013.

**Recommendation 4.** The mission indicated that households currently classified as "not poor" by the Cambodian government's identification and classification system actually means not yet classified. The mission further indicated that the system was outdated and did not include many households in the provinces where the program was being implemented. Accordingly, the mission suggested revising the recommendation to place more emphasis on differentiating between categories in the classification system. We have not changed the recommendation because we believe the mission's actions will meet the intent of the existing recommendation and focus program resources on a greater number of poor beneficiaries. In addition, we note that Oxfam America is undertaking a research project on the effectiveness of Feed The Future. An Oxfam researcher conducting the research in other countries observed that the poorest

producers, who need the support most, continue to be overlooked in Feed The Future programs.

The mission made a management decision to work with the contractor on measures to ensure proper classification of households not yet categorized by the government system; this work should result in better targeting of poor households. The target date for final action is January 31, 2014.

**Recommendation 5.** The mission agreed and made a management decision to prepare a contract modification correcting the five discrepancies noted. The target date for final action is December 31, 2013.

**Recommendation 6.** The mission agreed and made a management decision to evaluate providing scholarships to additional students pursuing master's degrees for 2014. After that evaluation, the mission will work with the contractor to determine whether the remaining balance, \$2.6 million at the time of audit, should be reprogrammed or deobligated. The target date for final action is December 31, 2013, after the mission has provided evidence of actual deobligation or reprogramming of funds.

**Recommendation 7.** The mission agreed and made a management decision to implement the recommendation. As a result, the contractor is implementing the branding and marking plans as required in the contract. The target date for final action is December 31, 2013, after the mission has conducted a follow-up review to verify proper implementation.

**Recommendation 8.** The mission agreed and made a management decision to seek written guidance from the regional legal advisor in Bangkok. The regional legal advisor determined that the contractor's ethics rules govern the matter; the contractor's chief executive officer confirmed that the association of its deputy chief of party with the CEA did not violate the contractor's ethics policies, a conclusion that the regional legal advisor saw no need to question. Additionally, the deputy chief of party resigned from his position at CEA to avoid any appearance of a conflict. These actions constitute final action.

**Recommendation 9.** The mission agreed and made a management decision to refer action on the recommendation to the regional contracting officer in Bangkok. That officer reviewed appropriate documentation and made a determination that the questioned costs were reasonable, allowable, and allocable to the program. That determination constitutes final action.

# SCOPE AND METHODOLOGY

## Scope

We conducted this performance 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/Cambodia's Helping Address Rural Vulnerabilities and Ecosystem Stability Program was achieving its primary goal of improving food security through enhanced agricultural development and rational management of natural resources. The program linked the achievement of this goal to the following results: (1) increased food availability, (2) increased food access, (3) improved natural resource management and resilience to climate change, and (4) increased capacity of public, private, and civil society to address food security and climate change. To implement this program, USAID awarded a \$56.8 million cost-plus-fixed-fee contract covering the 5-year period from December 22, 2010, through December 21, 2015, to Fintrac Inc. As of December 31, 2012, cumulative obligations and disbursements under the program totaled \$18.5 million and \$14.4 million, respectively. Because this was a performance audit looking at program implementation rather than specific financial transactions, the audit team did not audit a specific portion of the \$14.4 million in disbursements.

In planning and performing the audit, the audit team assessed significant controls related to management review, proper execution of transactions and events, and the use of performance targets and indicators. Specifically, we reviewed the following:

- Program work plans for fiscal years 2011 and 2012
- Monitoring and Evaluation Plan
- Certification required under the Federal Managers' Financial Integrity Act of 1982
- The contract and modifications
- Reported results
- Financial reports
- Data quality assessments

The audit was performed in Cambodia from February 7 through March 7, 2013, and covered reported results from the inception of the program through December 31, 2012. The audit team conducted site visits to observe program activities and interview program participants and implementer staff.

## Methodology

To determine whether the program was achieving its primary goal, we interviewed key staff at USAID/Cambodia and at the implementer's office in Phnom Penh to gain an understanding of the program, the key players and their roles and responsibilities, and the reporting procedures and controls for monitoring the program. Additional work to answer the audit objective entailed

interviews with officials at field-based subcontractors, provincial government offices, and participating financial institutions. We also conducted site visits to interview program participants and observe program-sponsored activities.

The audit team visited the program's four focus provinces—Pursat, Battambang, Siem Reap, and Kampong Thom. These visits largely consisted of interviews with program beneficiaries, including 14 home gardeners, 5 commercial horticulture clients, 16 pond or cage aquaculture producers, 11 rice growers, 9 community forestry groups, and 4 community fishery groups. The audit team also interviewed other program beneficiaries of technical assistance, such as input suppliers and rice millers.

The audit also performed limited testing to validate reported results for selected performance indicators. To determine the reliability of computer-processed data in the contractor's database related to program activities, the audit team selected a judgmental sample of five performance indicators to test the accuracy of reported results from the inception of the program through December 31, 2012. This process entailed checking the cumulative results data against figures recorded in the contractor's database and supporting documents on file.

We established a materiality threshold of 85 percent to assess the test results. For example, if at least 85 percent of tested results data were adequately supported, we concluded that the reported results were reasonably accurate.

# MANAGEMENT COMMENTS



July 10, 2013

## MEMORANDUM

**TO:** William S. Murphy  
Regional Inspector General/Manila

**FROM:** Rebecca Black /s/  
Mission Director, USAID/Cambodia

**SUBJECT:** Audit of USAID/Cambodia's Helping Address Rural Vulnerabilities and Ecosystem Stability Program, Audit Report No. 5-442-13-XXX-P

**REFERENCE:** 1) Draft Audit Report No. 5-442-13-XXX-P of June 14, 2013

The Mission would like to thank the Regional Inspector General (RIG)/Manila for its support and assistance during the performance audit of USAID/Cambodia's Helping Address Rural Vulnerabilities and Ecosystem Stability (HARVEST) Program. In response to the referenced draft audit report No. 5-442-13-XXX-P, we are hereby providing our response to the nine audit recommendations issued by the RIG under the subject audit report.

**Recommendation 1: We recommend that USAID/Cambodia work with the contractor to implement a plan to engage more provincial government staff members in program activities and provide them with regular activity reports.**

USAID/Cambodia agrees with OIG's finding in general but requests rewording of both the finding and the recommendation as discussed below:

Pages 4 and 5 of the report state, *"Moreover, program officials said USAID's approach to working with the host government differs from that of other international donor organizations. USAID works jointly with host-government officials but does not hire local, provincial, or ministry officials to implement programs. Because other donors do, this could partly explain why provincial officials misinterpreted how the program works with host-government employees."*

The Mission suggests rephrasing this statement (or deleting it) to reflect the fact that USAID practice is not an inappropriate practice as compared to other development partners. We suggest rephrasing the above statement as follows, "While USAID works jointly with host-

government officials on program implementation, USAID may not and does not hire local, provincial, or ministry government officials to implement programs. While some other donors do pay such supplements and provide funding directly to the government, USAID may not. Program officials acknowledged awareness of this restriction, and its distinction from some other donors during the audit. This restriction may partly explain why provincial officials have different expectations as to how the program should work with host-government employees. There is also the need to help clarify communication between different levels of the Cambodian government officials involved with the program. While USAID HARVEST staff and implementing partners work closely with village and commune level officials during planning and implementation of activities on the ground, this work is often not communicated up to provincial or national officials. Helping facilitate these lines of communication would benefit both the program and the overall enabling environment.”

As agreed by key development partners and the government of Cambodia, paying salary supplements to officials of the host government is not sustainable and therefore, should not be practiced. Furthermore, it is prohibited under US law without a waiver. While recognizing the fact that paying a government-rate daily allowance is widely implemented by other donors, hiring government officials to work in a particular program is part of the salary supplement package, and as stipulated in the contract (section H.16), the Contractor is not permitted to pay salary supplements or otherwise hire government officials to directly implement programs.

### **USAID/Cambodia’s Suggestion to Reword Recommendation 1**

The Mission suggests rewording Recommendation 1 as follows: *“We recommend that USAID/Cambodia work with the contractor to implement a plan to foster greater participation by provincial government staff in program activities and ensure improved connection between local (village and commune) officials (or top down – national officials) and their provincial counterparts where HARVEST activities are concerned. Further, HARVEST and USAID/Cambodia should work to ensure greater awareness of the program at the provincial level through regular meetings with provincial staff and sharing of activity reports by USAID/Cambodia and/or HARVEST staff.”*

In addition to the initial briefings held with provincial officials by USAID and HARVEST staff, on-going contact with and involvement of relevant provincial departments and district offices have improved. Importantly, the HARVEST team from the start has been regularly working with the commune and village level officials, but improving lines of communication between these different levels of government would help address the issue.

### **USAID/Cambodia’s Action Plan**

The HARVEST team has already begun to take action to address this recommendation, as described below:

1. HARVEST management is holding regular meetings and sharing reports with key officials from relevant provincial departments.
2. HARVEST’s senior management team is participating in monthly development partners’ coordination meetings sponsored by officials at the provincial level.
3. Field-based supervisory component-level staff are strengthening coordination and cooperation with provincial line departments of respective ministries.

These actions are being taken by the HARVEST team, and they will continue through the end of the project. The Mission will verify that this improved coordination is working and obtain documentation to support the above actions.

The target completion date for this recommendation is October 31, 2013.

**Recommendation 2: We recommend that USAID/Cambodia require the contractor to work with community organizations to implement a community's expected contribution regarding the patrol boats.**

USAID/Cambodia concurs and has already taken corrective actions to address this recommendation. HARVEST's management team confirmed that they are working with the committee of the community fisheries on the usage schedule as well as the management and maintenance plan for the boats. It should be noted that when the RIG team met with the community, the boats had only just arrived and HARVEST's planned discussions to review these issues with the community had not yet taken place. Those discussions have taken place now and the agreements are in place.

**USAID/Cambodia's Action Plan**

HARVEST confirmed that the usage schedule and the management and maintenance plan for the boats have been introduced to the community.

The Mission plans to conduct a follow up review in December 2013 to ensure full implementation of the recommendation.

The target completion date for this recommendation is January 31, 2014.

**Recommendation 3: We recommend that USAID/Cambodia work with the contractor to implement a transition strategy for community forestry organizations involved in tree nurseries to improve their sustainability after program support ends.**

While USAID/Cambodia agrees with the recommendation, the Mission would like to note that it was already part of the work plan scheduled to take place one year prior to the end of the program when these enterprises/organizations will no longer have HARVEST as a customer. However, based on the discussion with HARVEST team, some actions can be taken earlier than planned.

**USAID/Cambodia's Action Plan**

HARVEST has already begun to address this recommendation through the following actions:

1. Conducting a market survey on the demand of tree seedling types in the four provinces.
2. Providing technical assistance that promotes market linkages between tree seedling buyers (nurseries), NGOs and the private sector as, well as HARVEST clients.
3. Introducing the growing of vegetables under shade. Vegetables will be planted in a certain percentage of the nurseries in order to create additional sustainable income.
4. Providing basic business administration training and general shade house management.
5. Assisting with advertisement mechanisms for business promotion.

6. Investigating the marketing potential of establishing small and medium enterprises for tree types such as *Moringa* as well as for providing grafted fruit tree planting material.
7. Providing fruit tree grafting training.

HARVEST has begun implementing these activities. The Mission will perform a follow-up review in December 2013. The target completion date for this action is January 31, 2014.

**Recommendation 4: We recommend that USAID/Cambodia work with the contractor to implement a plan that will identify and focus program resources on a greater number of poor beneficiaries.**

USAID/Cambodia does not agree with the recommendation and suggests that the recommendation be reworded to address the core of the problem – the number of beneficiaries who have not been properly classified. The contractor has met the targets laid out in the contract; therefore, USAID/Cambodia suggests that the recommendation require the contractor to differentiate among beneficiaries who have been officially classified as ID Poor 1 (very poor), those that have been classified as ID Poor 2 (poor) and those that have not yet been classified under the existing host government system.

We suggest that the recommendation be reworded as follows, “*We recommend that USAID/Cambodia work with the contractor (and USAID Cambodia’s impact evaluation team) to better differentiate between beneficiaries who have been officially classified as ID Poor 1 (very poor), those that have been officially classified as ID Poor 2 (poor) and those that have not yet been classified by the ID Poor system.*”

The HARVEST team uses the Royal Government of Cambodia (RGC)’s identification and classification system of extreme poor households (ID1) and less poor households (ID2) in conjunction with an additional set of criteria for those farmers able to serve as small localized demonstration farms (access to a water source, land, labor, etc.). The 10 percent extreme poor farmers targeted specifically under the terms of this contract were identified based on the RGC’s criteria’s. The RGC system uses a set of easily observable and verifiable proxy indicators for poverty. Examples include house construction, condition and size; land ownership; ownership of productive and other durable goods; ownership of modes of transport; dependency ratio; school attendance; crises or shocks; etc.

- Extreme poor households (ID1) have the most constrained livelihoods. They are most likely to be landless or land poor. Most are engaged as day laborers and in petty trade.
- Less poor households (ID2) generally have some land and cultivate rice, grow vegetables and raise fish and/or other livestock. They tend to be more similar to non-poor households than they are to the extreme poor.

However, the RGC system only captures a small portion of households in Cambodia, which is why the HARVEST team uses an additional set of criteria. Many households in the provinces in which HARVEST works were not included in the RGC’s system. Furthermore, the system is outdated and household circumstances may have changed in the years since ID cards were issued. Households that have been assessed by the RGC ID Poor system and have been issued ID Poor cards since the system began were noted as having been officially classified as poor or very poor; however, there are significant numbers of HARVEST program beneficiaries who have not been classified in any way by the RGC system. This has led to a situation where those that do not have an ID Poor card, are informally noted by officials as “not poor,” which actually means “not ID Poor identified”. In fact, households may have since moved out of or into

poverty as a result of recent economic gains or losses. The ID Poor system is being rolled out by province in the remaining part of the country. The fact that 81 percent of beneficiaries are classified as “not poor” is a misstatement in that most of the 81 percent have simply not yet been classified as either very poor, poor or not poor. The Mission has recommended that HARVEST put in place measures to ensure that households not categorized yet by the ID Poor system be noted in some other way than simply “not poor” to avoid further confusion on this point and to better help targeting of poor households as required for this or subsequent programs.

In addition, recent World Food Program statistical assessments using a host of national, commune and household data have been able to break down poverty determinations to the commune level to show high levels of poverty across the range of communes that HARVEST works in. Further, it is expected that the numbers of poor benefitting from HARVEST programs exceeds the numbers of poor that HARVEST works with directly. This “spill-over” effect from similar agriculture and economic growth projects in Cambodia has been documented by other donors (e.g. AusAID) and the recently ended Micro, Small and Medium Enterprise (MSME) program. Similar spill-over studies at the midterm and end of the program are planned as part of the performance evaluations that will be conducted on HARVEST.

It should also be noted that given the value-chain approach, those farms and firms assisted by HARVEST are not always the poor or extreme poor. For example, input suppliers, millers, and traders also need capacity building to increase their production, sales, and income; these improvements are necessary for the poor and extreme poor populations to improve their production, sales, and income. In some communities where the poor are the ultimate target for farm improvements and behavior change, initial demonstration farmers may not be poorer households, given that those poorer households’ lack basic assets and are not willing to take a risk on new technologies.

Regarding the targeted population, the HARVEST contract stipulated that “The Contractor shall conduct analyses and identify options to impact directly the food security status of Cambodia’s extreme-poor populations through HARVEST activities.” Based on the analysis, the target was set at 10 percent of the program’s beneficiaries to be classified in the extreme poor category. The program has achieved and exceeded this target with those classified officially as extreme poor by the RGC.

#### USAID/Cambodia’s Action Plan

In Phase 2 of the program, a key priority will be ensuring that the proportion of extreme poor households involved in home garden activities continues to meet the target of 10 percent. Data from RGC reports (or HARVEST reports or where ever from) of the ID Poor Program will be used to identify communes and, in particular, villages where the level of ID1 households is sufficient to facilitate client recruitment within this group.

In addition, the Mission will work with the Contractor to put in place measures to ensure that households not yet categorized by the ID Poor system should be noted in some other way than simply “not poor” to avoid further confusion on this point and to continue better targeting of poor households.

The target completion date for this action is January 31, 2014.

**Recommendation 5: We recommend that USAID/Cambodia work with the contractor to determine and document what contract requirements need to be changed, and modify the contract accordingly.**

USAID/Cambodia concurs with the RIG's recommendation.

USAID/Cambodia's Action Plan

A contract modification to correct the five discrepancies is being prepared. The target completion date for this recommendation is December 31, 2013.

**Recommendation 6: We recommend that USAID/Cambodia review the scholarship program and determine whether the remaining \$2.6 million in funds could be reprogrammed or de-obligated from the contract.**

USAID/ Cambodia agrees with the recommendation.

USAID/Cambodia's Action Plan

HARVEST will evaluate the possibility of providing scholarships to additional master students for 2014. USAID/Cambodia will then discuss with the HARVEST team to determine whether the remaining balance should be reprogrammed or de-obligated.

The target completion date of this recommendation is December 31, 2013.

**Recommendation 7: We recommend that USAID/Cambodia provide clear written guidance to Fintrac Inc. to adhere to the branding and marking requirements in the Helping Address Rural Vulnerabilities and Ecosystem Stability Program contract in the absence of any approved branding and marking contract modification or other official guidance.**

USAID/Cambodia concurs with the recommendation. HARVEST's management team confirmed they are working with their staff to ensure that the branding and marking plans are implemented in accordance with the contract and thus with the USAID Branding and Marking requirements.

USAID/Cambodia's Action Plan

The HARVEST team is now implementing the branding and marking requirements in accordance with the Contract, USAID-HARVEST Branding Implementation Plan and Marking Plan. USAID/Cambodia will conduct a follow up review to ensure the recommendation is implemented properly.

The target completion date for this recommendation is December 31, 2013.

**Recommendation 8: We recommend that USAID/Cambodia obtain written guidance from the regional legal advisor regarding the propriety of the program's Agricultural**

**Economist/deputy chief of party serving as president of the Cambodian Economic Association.**

USAID/Cambodia concurs with the recommendation.

It was confirmed by HARVEST's Chief of Party that while no conflict of interest is present, in order to reduce any concerns over possible issues of appearance, the Deputy Chief of Party (DCOP) has tendered his resignation from the Cambodian Economic Association (CEA) effective June 30, 2013 (Attachment A).

In addition, USAID/Cambodia has already received written guidance from the Regional Legal Advisor (RLA) in Bangkok noting that Fintrac's ethics rules govern the matter, and that the Mission had received confirmation from the CEO of Fintrac that the DCOP's association with CEA had not constituted an ethical violation under Fintrac's ethics policies (as a Fintrac employee, he is governed by their ethics rules). Further, based on the facts and a review of Fintrac's ethics policies, the RLA did not see a need to question Fintrac's conclusion in this matter—i.e., there did not appear to be evidence of fraud, waste or abuse that might be grounds for USAID to question Fintrac's determination. Additionally, as previously noted, in order to avoid any appearance of a conflict, the DCOP has officially resigned from his position at CEA,. The CEO has also provided USAID assurance that should there arise any financial interest between Fintrac or the employee and CEA in the future, appropriate recusals would be made. (Attachment B)

Based on the above, the Mission believes that Recommendation 8 is fully addressed and requests its closure upon report issuance.

**Recommendation 9: We recommend that USAID/Cambodia determine the allowability of \$82,625 in questioned costs (unsupported) and recover from the Helping Address Rural Vulnerabilities and Ecosystem Stability Program, as appropriate, any amounts determined to be unallowable.**

USAID/Cambodia concurs with the recommendation that the allowability of these costs should be determined. As such, the Regional Contracting Officer (RCO) has reviewed appropriate documentation and made the determination that the questioned cost is reasonable, allowable and allocable to HARVEST Program (Attachment C).

Based on the above, the Mission believes that Recommendation 9 is fully addressed and requests its closure upon report issuance.

**Attachments:**

- A – Email of DCOP's resignation from CEA
- B – RLA's advice on conflict of interest
- C – RCO's determination on the questioned costs

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