OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/SIERRA LEONE'S AGRICULTURAL ACTIVITIES

AUDIT REPORT NO. 7-636-12-003-P
DECEMBER 20, 2011

DAKAR, SENEGAL

Office of Inspector General

December 20, 2011

MEMORANDUM

TO: USAID/Sierra Leone Mission Director, Nancy Estes

FROM: Acting Regional Inspector General/Dakar, Benjamin Owusu /s/

SUBJECT: Audit of USAID/Sierra Leone's Agricultural Activities (Report No. 7-636-12-003-P)

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

The report includes 14 recommendations. On the basis of actions taken by the mission and supporting documentation provided, management decisions have been reached on Recommendations 1, 2, and 5–14. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action.

After reviewing management's comments, we determined that Recommendations 3 and 4 remain without management decisions. We ask that you provide us written notice within 30 days of actions planned or taken to implement Recommendations 3 and 4.

I appreciate the cooperation and courtesy extended to my staff during the audit.

U.S. Agency for International Development
Ngor Diarama
Petit Ngor
BP 49
Dakar, Senegal
www.usaid.gov/oig

CONTENTS

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOTR	agreement officer's technical representative
ARD	Associates in Rural Development
CAADP	Comprehensive Africa Agriculture Development Programme
FY	fiscal year
GPS	global positioning system
IEE	Initial Environmental Examination
M&E	monitoring and evaluation

SUMMARY OF RESULTS

Sierra Leone ranked 158th out of 169 countries on the United Nations Human Development Index for 2010, which measures a country's development based on life expectancy, educational attainment, and income. The United Nations further reports that life expectancy in Sierra Leone is 48 years, and the child mortality rate is 194 out of 1,000 births (seventh highest in the world in 2008). Sixty percent of the nation's population of 5.84 million depends on farming for its livelihood, making agriculture a critical component of Sierra Leone's economy.[1] In hopes of building this sector to address the humanitarian challenges described above, the Government of Sierra Leone signed a country compact under the Comprehensive Africa Agriculture Development Programme (CAADP)[2] focusing on the commercialization of agriculture.

In line with compact goals, USAID/Sierra Leone designed the Promoting Agriculture, Governance, and the Environment Program. A consortium led by ACDI/VOCA and including World Vision and Associates in Rural Development (ARD) started implementing the program in July 2008 under a 4-year, $13.2 million cooperative agreement with USAID. The objective was to increase household incomes by supporting producers' organizations and marketing associations through a market-driven, value chain-based approach. As the name suggests, the program has three components: the agricultural component (managed by World Vision), a governance component (managed by ARD), and a natural resource management component (managed by ARD). The partner and subpartners implement the program in four districts in Sierra Leone. As of October 25, 2011, USAID/Sierra Leone had obligated $13.2 million and disbursed $10.2 million for the program.

The objective of the audit was to determine whether USAID/Sierra Leone's program was on track to achieve its main goals related to building the capacities of targeted farmer, producer, agribusiness, and marketing associations.

The audit team found that, although the program had a significant positive effect on the beneficiaries visited and appeared to be on track to meet its main goals, it faced significant challenges in the remaining year of implementation that may hinder its ability to achieve its program goals. Specifically, the audit found that weak internal controls and a lack of budget control and management by the prime implementing partner, ACDI/VOCA, led to budget overruns on ten separate line items totaling $794,664 (as of September 30, 2011), leaving only 2.5 percent remaining in its share of the program budget for the last year of implementation. The overall program budget had 23.5 percent of its funds remaining, but most of the remaining funds belonged to the subpartners. With less than 1 year remaining for program implementation at the time of the audit, it will be critical for the mission to address these budget problems.

[1] Food and Agriculture Organization of the United Nations, "Sierra Leone Country Page," July 27, 2011.
[2] CAADP is an initiative of the African Union's New Partnership for Africa's Development. According to its Web site, "CAADP's goal is to eliminate hunger and reduce poverty through agriculture. To do this, African governments have signed compacts agreeing to increase public investment in agriculture by a minimum of 10 percent of their national budgets and to raise agricultural productivity by at least 6 percent" (http://www.nepad-caadp.net/about-caadp.php).

Furthermore, the audit team was not able to verify the results reported by the program or to reach a conclusion on the program's overall impact. The program did not provide supporting documentation for two of the four main indicators and based the results for the other two indicators largely on estimates, making it difficult to verify actual results achieved. More seriously, the mission was not able to measure the program's impact on the overarching goal of increasing household income in targeted areas. The program was required to conduct baseline, midterm, and final surveys to determine program progress on increasing household income. However, because the program had a slow start, the baseline survey was late and did not measure household incomes, and the program will not complete the midterm survey.

As previously noted, the program had a positive impact on the beneficiaries the audit team met. All of the agricultural training recipients interviewed reported that increased yields had helped them move from subsistence agriculture to farming as a business. The audit team also met with representatives of marketing associations that had united hundreds of smallholder farmers to combine yields and sell crops through bulk contracts to the United Nations World Food Program. These farmers and representatives praised the program for not only teaching them improved farming techniques, but also teaching them about business and helping empower the women in their communities.

Nevertheless, the audit disclosed the following areas of concern:

- Program performance data could not be verified, and impact could not be measured (page 4).

- The partner incurred unreasonable expenses and exceeded line-item budgets (page 6).

- The partner did not comply with cost-sharing or other award requirements (page 11).

- The program did not comply with environmental regulations (page 13).

To resolve these problems, the Regional Inspector General/Dakar recommends that USAID/Sierra Leone:

1. Work with the partner to develop and implement a plan to measure the program's impact on targeted areas by rebuilding a baseline from available data and using specific proxy indicators to determine the change in income levels from the onset of the program (page 5).

2. Work with the partner to develop and implement a plan to verify that performance data are organized, supported, and verifiable (page 6).

3. Make a management decision on the allowability of the unapproved budget overruns of $794,664 and collect from the recipient any amounts determined to be unallowable (page 9).

4. Make a management decision on the allowability of the ineligible and unsupported questioned costs totaling $71,776 identified in Table 2 and collect from the recipient any amounts determined to be unallowable (page 10).

5. Work with the partner to develop and implement a plan to address the internal financial control weaknesses related to oversight and the segregation of duties (page 10).

6. Work with the partner to develop and implement a financial plan to monitor program expenditures against the approved program budget quarterly (page 10).

7. Work with the partner to realign the work plan as a result of the budget shortage created by cost overruns (page 10).

8. Work with the partner to develop and implement a plan to improve cooperation among the coalition partners in a way that more closely reflects the intent of the cooperative agreement (page 10).

9. Work with the partner to prepare and implement a plan to verify that the cost share reported is documented and allowable in accordance with the terms of this agreement (page 12).

10. Modify the cooperative agreement to clarify whether the cost-sharing amount is to be provided in accordance with the annual schedule (page 12).

11. Work with the partner to develop and implement a plan that requires the partner to reach the life-of-program cost-sharing requirement by the program's end date (page 13).

12. Work with the partner to determine and document essential activities that can be completed from the fiscal year (FY) 2010 work plan on a mutually agreed-upon schedule (page 13).

13. Establish and implement policies mandating compliance with environmental requirements for its entire portfolio and communicate these requirements to its staff and implementing partners in writing (page 14).

14. Require that all activity documents under the program be amended to incorporate appropriate language regarding environmental compliance and be approved by the appropriate officials (page 14).

Detailed findings appear in the following section. Appendix I contains information on the scope and methodology. Our evaluation of management comments is included in the report after each recommendation, and management comments are presented in their entirety in Appendix II.

AUDIT FINDINGS

Program Performance Data Could Not Be Verified, and Impact Could Not Be Measured

USAID's Automated Directives System (ADS) 203.3.5 lists data quality standards for USAID program data. Among other qualities, it states that data must be precise and valid. Imprecise data could cause difficulty determining whether changes were because of USAID interventions. The guidance further states that data should be as complete and consistent as management needs and resources permit.

The audit team noted that data reported and audited for the four main indicators used to measure annual program performance were incomplete or unsupported, as follows.

- *Number of hectares under improved technologies.* The program attempted to use global positioning system (GPS) units to measure the exact number of hectares improved. However, program staff did not provide GPS training until late in the program. Also, shade cocoa farms, which represented a large portion of the improved hectares, could not be measured using GPS units because the GPS signal was blocked by the overhead tree cover. As a result, the data collected for the number of hectares were incomplete. The partner was able to provide samples of GPS data that contributed to the total number of hectares reported, but was not able to provide a complete list of the hectares reported for this indicator.

- *Number of organizations benefiting from U.S. assistance.* The program provided a summary count of the totals for each category of organization (e.g., marketing associations, producer organizations) represented by the 341 organizations that it reported assisting in FY 2010, but it was not able to provide the audit team with lists of the names of the organizations that supported the total. This lack of data made the results difficult to verify.

- *Number of people trained.* To determine the number of people trained, program officials multiplied the average number of people in its farmer field schools (groups of 25 to 30 farmers that received training from the program) by the number of farmer field schools instead of simply totaling the number of people present at training events. Then program officials added this number to the total of participants from training events outside the activities at farmer field schools. This approach increased the risk of double counting training participants and also seemed to be unnecessarily based on estimates when the actual number of participants was available and could easily have been recorded. Furthermore, the program was not able to provide a list of the farmer field schools or of specific trainings that supported the total number of people reportedly trained (5,192). Therefore, the audit team was not able to verify the data reported for this indicator.

- *Number of vulnerable households receiving U.S. assistance.* To determine the number of vulnerable households, program officials used a formula based on the number of individuals participating in the program. Officials determined that there were 18,487 individuals and that approximately 80 percent of them were heads of households. Officials therefore concluded that 14,790 households were receiving assistance. Then, based on the UN's statistic that 74.5 percent of households in Sierra Leone live below the poverty line, program officials concluded that 74.5 percent of the households receiving assistance were vulnerable (resulting in a reported total of 11,018 households). However, while the program was able to provide some details as to how the total of 18,487 beneficiaries was calculated, the fact that the reported data were based on calculations and estimates instead of physical counts made it difficult to verify whether the reported number actually represented vulnerable households receiving U.S. assistance.

The problems with indicator data had multiple causes. Although the mission exercised thorough monitoring of the program, including conducting periodic data quality assessments, and the agreement officer's technical representative (AOTR) reported that he successfully validated all data reported for the main indicators, at the time of the audit the program did not have a monitoring and evaluation (M&E) specialist (as discussed in a later finding). Without this person, who had prepared the data reported to USAID, it was difficult for the program to provide support for the reported data. Poor planning also contributed to the problems. For example, the GPS approach for measuring hectares needed to be implemented with immediate training and a solution for shaded cocoa plantations, but the partner failed to provide the training until December 2010 for one program district. The partner added that this training was insufficient and that program staff was not ready to begin collecting GPS data until it completed a second training held in May 2010. No solution was found for the shade cocoa plantations.

In addition to the problems with the four output indicators, the program was to report on the overall impact of agricultural component activities by measuring the increase in household incomes. To do so, the cooperative agreement required the partner to conduct a baseline survey within 90 days of the award and follow this with midterm and final evaluations. However, program staff did not complete the baseline survey until November 2009—16 months after the program's start and one-third of the way through the 4-year implementation. Furthermore, both the prime partner and subpartners stated that the results of the baseline survey, which cost more than $45,000, did not provide baseline household incomes for the targeted areas, making it inadequate as a tool to measure the program's effect on household incomes. Beyond this, program officials decided not to conduct a midterm survey because of the tardiness of the baseline survey. Program officials also confirmed that a final survey would be of limited use in measuring the change in household incomes since this was not measured in the baseline survey, so it planned to use data from a U.N. survey and data for proxy indicators, such as household agricultural yields, to attempt to determine program impact. As a result, the program's impact on household income will be difficult to measure accurately.

Incomplete or unsupported data limit USAID's ability to determine the program's impact. Managers need accurate and reliable data to determine program effectiveness; without proper data, the program's true accomplishments and impact cannot be determined. To address these concerns, this audit makes the following recommendations.

Recommendation 1. *We recommend that USAID/Sierra Leone work with the partner to develop and implement a plan to measure the program's impact on targeted areas by rebuilding a baseline from available data and using specific proxy indicators to determine the change in income levels from the onset of the program.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that the partner will use a regional specialist to complete the task by April 1, 2012. The mission will also engage a USAID/Guinea economist and the AOTR to oversee the specialist's work. A management decision has been reached on Recommendation 1.

__Recommendation 2.__ We recommend that USAID/Sierra Leone work with the partner to develop and implement a plan to verify that performance data are organized, supported, and verifiable.

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that, in addition to developing and implementing the plan, it will request that the partner hire a full-time M&E specialist. The mission's target date for completion is March 1, 2012. Accordingly, a management decision has been reached on Recommendation 2.

Partner Incurred Unreasonable Expenses and Exceeded Line-Item Budgets

According to 22 CFR 226, "Administration of Assistance Awards to U.S. Non-Governmental Organizations," Section 226.25, "The budget plan is the financial expression of the project or program as approved during the award process.…Recipients are required to report deviations from budget and program plans and request prior approvals for budget and program plan revisions in accordance with this section." In addition, Office of Management and Budget Circular A–122,[3] "Cost Principles for Non-Profit Organizations," provides specific guidelines for determining whether costs are allowable and chargeable to the government under a federal award.

Contrary to these regulations, ACDI/VOCA significantly overran multiple budget line items without prior approval from USAID and incurred unreasonable expenses as described below.

Budget Overruns. The $13.2 million cooperative agreement provided an annual budget by line item, which the partner was to expend in accordance with 22 CFR 226, as noted above.

However, ACDI/VOCA significantly overran the budget on ten line items without prior approval from USAID. Table 1 presents a comparison of budgeted and actual expenditures provided by ACDI/VOCA as of September 30, 2011. This comparison reveals budget line-item overruns totaling $794,664.

Seven of the ten overrun line items were not in the program's approved budget and therefore have zero balances in the "Approved Budget" column. This mismatch was partially caused by ACDI/VOCA's use of an accounting structure that did not match the program's budget, but is also evidence that the program incurred costs that were not intended in the cooperative agreement. For example, although the cooperative agreement's budget does not include any specific allowance for professional fees or office supplies and postage, program staff spent almost $200,000 on these two items.

USAID/Sierra Leone was reportedly not aware of the budget line item overruns until a subpartner expressed concerns to the AOTR during a field visit in March 2011 (2.5 years into implementation). The AOTR immediately recommended a financial review of the program's funds, which was not conducted until August 2011 because of staff shortages and turnover in

[3] Office of Management and Budget Circular A–122, Cost Principles for Non-Profit Organizations (as revised May 10, 2004), available at 70 Fed. Reg. 51927 (August 31, 2005).

Table 1. Line-Item Overruns in the Budget as of September 30, 2011 (not audited) ($)

Line Item	Approved Budget	Actual	Overrun
Fringe Benefits	472,912	539,471	66,559
Travel	183,457	397,138	213,681
Professional Fees	0	99,930	99,930
Equipment and Commodities	424,097	591,570	167,473
Office Supplies and Postage	0	89,489	89,489
Communications	0	103,738	103,738
Publications and Printing Fees	0	35,236	35,236
Meetings and Conferences	0	5,655	5,655
Staff Development and Recruitment	0	5,962	5,962
Staff Recruitment	0	6,941	6,941
Total	**1,080,466**	**1,875,130**	**794,664**

Source: ACDI/VOCA.

USAID/Senegal and USAID/Guinea.[4] Also, USAID/Guinea immediately sent a program officer to investigate and report on the financial and implementation problems. The program officer confirmed the difficulties, recommended recruiting an accountant to aid in the separation of duties, and agreed with the recommendation that USAID conduct a financial review of the program. USAID/Guinea followed this visit with two other visits from the mission director and a senior technical officer. These visits and USAID's financial review confirmed budget overruns and a dysfunctional relationship between the partner and subpartners (discussed below).

The ACDI/VOCA chief of party reported that he recognized that the ACDI/VOCA budget was too small very shortly after implementation started. Local housing and utility costs were found to be much higher than the budgeted costs once ACDI/VOCA was on the ground in Sierra Leone. According to the chief of party, the original budget also underestimated the costs—increasing fuel costs and the high maintenance costs for program vehicles—associated with regularly sending technical experts from Freetown to the program implementation sites in four of Sierra Leone's most remote districts. However, instead of working with USAID to resolve the budget problem, the chief of party only discussed the budget problems with the ACDI/VOCA home office. Following are other examples of poor budget control/management.

- In disbursing its budgeted funds, ACDI/VOCA focused little on program activities while overspending significantly on administrative costs. For example, as of July 2011 (with 1 year of implementation remaining), ACDI/VOCA had expended about 97.5 percent of its total funding, incurring cost overruns on ten line items related to administrative costs. However, it had issued only $508,433 of the $1 million program budget allocated for the issuance of grants to beneficiaries. Furthermore, while ACDI/VOCA was responsible for implementing program activities in one of the four program districts, site visits by the mission and a review of the program's quarterly reports revealed that the program implementation was very slow and had accomplished little in the district. This record stood in stark contrast

[4] USAID/Sierra Leone is technically considered to be a "twinned mission" with USAID/Guinea. The mission falls under the authority of the mission director based in USAID/Guinea. USAID/Guinea is also the accounting station for USAID/Sierra Leone, but the controller is based in USAID/Senegal.

to that of the subpartners, which had both made notable progress in program implementation and still had 23.5 percent of their budgeted funds remaining.

- According to the cooperative agreement's program description, the M&E specialist position would be filled by an expatriate only during the first year of implementation. This person would then train a Sierra Leonean replacement, who would fill the position by the end of the first year to reduce costs. However, ACDI/VOCA retained the expatriate for 3 years because, according to the chief of party, there were no local employees capable of filling the position even after a year of training. When the expatriate had to resign unexpectedly for personal reasons in July 2011, the program was left without an M&E specialist. The program paid salary and benefits for the expatriate for 2 years longer than intended. In addition, ACDI/VOCA's current budget predicament has prevented it from recruiting a new M&E specialist, subjecting program data to other risks.

- ACDI/VOCA, the prime implementing partner, and its two subpartners (World Vision and ARD) did not cooperate as intended. Although the cooperative agreement clearly stated that World Vision would enable a rapid start-up by providing shared office space and resources in two districts where it was already operating, World Vision did not allow staff from partner organizations to share its office resources, forcing ACDI/VOCA to relocate staff and operate out of its own office. World Vision reported that it had not seen the original proposal that led to the commitment in the cooperative agreement to share office space. There is no mention of shared office space or resources in ACDI/VOCA's subagreement with World Vision. This was just one of several conflicts among the partner and subpartners. USAID involvement helped resolve the most pressing issues, but the audit team noted that the relationship among the partners remained strained. Each partner continued operating in its own offices though sharing office resources would have benefited program implementation and reduced the cost of office rent, utilities, supplies, and travel.

Unreasonable and Unsupported Expenses. A financial review of the program conducted by USAID in August 2011 revealed significant cost overruns as well as concerns about the validity of some expenses. Because of these concerns, the audit team performed detailed testing on a judgmentally selected sample of 100 disbursements made by ACDI/VOCA under the program to determine the reasonableness of the disbursements. Table 2 presents $71,776 of unreasonable expenses (expenses questioned because they were either unsupported or ineligible program costs) identified by the audit team. The questioned costs include travel reimbursements without receipts, unreasonable amounts paid for lodging, costs charged for lodging in hotels not approved by the program, payment of unnecessary taxes, and payments made without official invoices. The audit team noted that, in many instances, the documentation was unclear as to when and why the travel took place. Although ACDI/VOCA had rules in place to govern travel reimbursements, the rules were not enforced, resulting in insufficient supporting documentation for these reimbursements.

Poor internal controls at ACDI/VOCA contributed significantly to the budget line item overruns and the questioned disbursements. For example, the USAID financial review noted that ACDI/VOCA clearly did not have segregation of duties. The program chief of party was the sole signatory on the program's bank account and was responsible for requesting and approving all expenditures, including those pertaining to him. Segregation of duties is critical to effective internal control; it reduces the risk of mistakes and inappropriate actions and decreases fraud risk by increasing oversight. Internal controls are the responsibility of management, and ACDI/VOCA should have ensured at a minimum that these controls were designed effectively.

Table 2. Unreasonable and Unsupported Expenses (audited) ($)

Category	Amount
Unsupported travel payments	14,168
Unapproved travel	1,965
Unreasonable hotel prices	1,587
Unsupported salary payments	12,908
Payments without official invoices	20,474
Consulting – Insufficient scope of work	18,102
Other	2,572
Total	**71,776**

Furthermore, the financial manager at ACDI/VOCA had never seen the program budget and was therefore unable to monitor spending against budgeted line items. This allowed program staff and the chief of party to continue to make many local disbursements without regard to the budget.

A second factor contributing to the budget line item overruns and questioned costs was a lack of USAID involvement due to the nature of the cooperative agreement and the configuration of USAID/Sierra Leone's financial management office. Under the cooperative agreement, ACDI/VOCA's financial reporting requirement consisted of submitting U.S. Government standard forms 269 and 272 on a quarterly basis. These forms request only high-level information that would not have revealed the budget overruns until very late in the program, if ever. The AOTR's designation letter places the responsibility for accounting for funds and balances with the overseas controller, in this case USAID/Senegal's office of financial management. However, turnover in that office and the geographic separation from the program made close monitoring difficult.

The financial management problems significantly inhibited program implementation. Without immediate attention to the budget problems, it is unlikely that the program will achieve intended outputs (e.g., number of people trained) or outcomes (e.g., building agricultural capacities). At the time of the audit, the prime partner had frozen some activities because of pending questions on budget realignment. For example, the partner had stopped issuing grants to beneficiary farmers and organizations, which will be problematic because grant distribution needs to be coordinated with the farming calendar in order for the funds to be useful. Since the audit, the chief of party has continued to postpone recruitment of a new M&E officer because of the budget problems, which will result in an accumulation of disorganized and unverified data. To address these concerns, this audit makes the following recommendations.

> ***Recommendation 3.*** *We recommend that USAID/Sierra Leone make a management decision on the allowability of the unapproved budget overruns of $794,664 and collect from the recipient any amounts determined to be unallowable.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it is working with the regional agreement officer to reach a decision by February 1, 2012. For recommendations with questioned costs, the mission must determine the amounts allowable or unallowable in order to achieve a management decision. Accordingly, a management decision will be reached on Recommendation 3 when the mission provides its final determination on the questioned costs.

Recommendation 4. *We recommend that USAID/Sierra Leone make a management decision on the allowability of the ineligible and unsupported questioned costs totaling $71,776 identified in Table 2 and collect from the recipient any amounts determined to be unallowable.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it is working with the regional agreement officer to reach a decision by February 1, 2012. For recommendations with questioned costs, the mission must determine the amounts allowable or unallowable in order to achieve a management decision. Accordingly, a management decision will be reached on Recommendation 4 when the mission provides its final determination on the questioned costs.

Recommendation 5. *We recommend that USAID/Sierra Leone work with the partner to develop and implement a plan to address the internal financial control weaknesses related to oversight and the segregation of duties.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and has worked with the partner to develop and implement a plan to replace the chief of party, hire a deputy, and hire a new financial manager. The partner has also agreed to send its regional financial manager to Sierra Leone to implement key internal controls and aid the transition of the new financial manager. The mission stated that it will continue to monitor and work with the partner and expected these transitions to begin by December 31, 2011. Accordingly, a management decision has been reached on Recommendation 5.

Recommendation 6. *We recommend that USAID/Sierra Leone work with the partner to develop and implement a financial plan to monitor program expenditures against the approved program budget quarterly.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that the regional controller's office will work with the new program financial manager to suggest a new financial reporting format and recommend systems that should be used to monitor expenditures on a quarterly basis. The mission's target date for completion is April 1, 2012. Accordingly, a management decision has been reached on Recommendation 6.

Recommendation 7. *We recommend that USAID/Sierra Leone work with the partner to realign the work plan as a result of the budget shortage created by cost overruns.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that, working with the program manager, the AOTR will request that the new chief of party develop an appropriately realigned work plan for FY 2012 that accomplishes the key project targets without the funds spent on cost overruns. The mission's target date for completion is March 1, 2012. Accordingly, a management decision has been reached on Recommendation 7.

Recommendation 8. *We recommend that USAID/Sierra Leone work with the partner to develop and implement a plan to improve cooperation among the coalition partners in a way that more closely reflects the intent of the cooperative agreement.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it will work with the new chief of party to review the deficiencies of the current structure for project communication and reporting. The AOTR will play an active monitoring role in meetings of the prime implementing partner and subpartners to ensure that open communication is taking place. The mission's target date for completion is April 1, 2012. Accordingly, a management decision has been reached on Recommendation 8.

Partner Did Not Comply With Cost-Sharing or Other Award Requirements

USAID and ACDI/VOCA entered into a cooperative agreement on July 31, 2008, with total funding of $13,244,003, to provide support for the program. According to the agreement, ACDI/VOCA agreed to make cost-sharing contributions totaling $1,143,163 over the 4-year life of the program. The agreement's budget specified that contributions were to be largest in the first year (about 72 percent of this amount) and less in the last 3 years, and that the cost share would be in the form of in-kind contributions. The agreement also required a work plan outlining the activities.

ACDI/VOCA did not meet the annual cost-sharing requirements stipulated in the agreement, nor did it complete some activities in the FY 2010 work plan.

Cost Sharing. The cooperative agreement specified that ACDI/VOCA was to provide $822,276 in cost-sharing funds during the first year of implementation, followed by a little over $100,000 per year for each of the following 3 years to reach the total $1,143,163. The largest part of the contribution was due in the first year to ensure that it maximized its effect on the program. Unfortunately, ACDI/VOCA did not make the first year's cost-sharing contribution. Furthermore, at the time of the audit (the start of the program's fourth and final year), the partner had provided only $598,380. At this time, according to the schedule in the cooperative agreement, ACDI/VOCA should have contributed at least $1,035,953, meaning that it was behind schedule by $437,573. Moreover, the partner had only 1 year left to contribute the $544,783 necessary to meet the life-of-program requirement.

This discrepancy occurred largely because of a lack of monitoring by both the implementing partner and USAID. The AOTR was responsible for ensuring that ACDI/VOCA was making progress toward meeting the cost-sharing requirement. The quarterly financial forms submitted by the partner included an area to report cost-sharing contributions. The AOTR reported that he was checking the cost-sharing contributions each quarter, but the mission and partner were under the impression that the cost share was a life-of-program amount and that the partner was not required to meet annual targets. This impression, which contributed to the cost-sharing shortage, was the result of a contradiction in the cooperative agreement. One section of the agreement implied that the partner was required to provide annual amounts in accordance with the cost-sharing schedule, but a later section of the document implied that there was no annual cost-sharing requirement, only a life-of-program requirement of $1,143,163. The partner's failure to provide the contribution on time will diminish its influence on the program.

Work Plan Activities. The partner did not complete activities under the FY 2010 work plan in accordance with the requirements of the cooperative agreement. The audit team reviewed the partner's completion of nine "key outputs" in the agricultural productivity section of the work plan and found that seven activities were not done, done late (in FY 2011), or reportedly done but not supported, as indicated in Table 3.

Table 3. Program Work Plan for FY 2010: Key Agricultural Activities (audited)

Activity	Result
25 innovation grants awarded to agribusinesses, market associations, and communities	Not done
4,500 individuals receive U.S. Government-supported short-term agricultural productivity training	Not supported
Memorandum of understanding with a civic society organization established for literacy and numeracy training to village savings and loans	Done late
15 agribusinesses have been supported in business plan development	Done Late
Market intelligence units based in Freetown and Kenema gather market information on various value chains and disseminate this information to producers	Not done
Advocacy plans and/or direct dialogue by producer groups with decision makers on policy issues/implementation initiated with program support	Not supported
Women vegetable producers have initiated common advocacy planning to obtain government quality certification	Not done

Although each incomplete task had a unique cause, some overarching factors significantly affected the partner's ability to complete the tasks and support their completion. First, delays caused by disagreements among Government of Sierra Leone agencies and the slow pace of working with local organizations were significant impediments. Second, the absence of the M&E officer (described above) made it difficult for the program to provide support for many reported results.

The failure to implement the activities as planned diminished the program's ability to meet its goals. For example, program officials planned to support private sector development efforts by awarding innovation grants to help groups that produce emerging food commodities procure capital items such as weighing and shipping equipment. Without this equipment, the organizations' ability to maximize production is limited, indirectly affecting the program goal of increasing household incomes. Because each key work plan output is designed to help the program achieve this goal, failing to accomplish them decreases the program's ability to succeed. To address these concerns, this audit makes the following recommendations.

> ***Recommendation 9.*** *We recommend that USAID/Sierra Leone work with the partner to prepare and implement a plan to verify that the cost share reported is documented and allowable in accordance with the terms of this agreement.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it and the Regional Agreement Officer were actively working with the partner on cost-sharing documentation and allowability to comply with the terms of the agreement. The mission's target date for completion is February 1, 2012. Accordingly, a management decision has been reached on Recommendation 9.

> ***Recommendation 10.*** *We recommend that USAID/Sierra Leone modify the Promoting Agriculture, Governance, and the Environment cooperative agreement to clarify whether the cost-sharing amount is to be provided in accordance with the annual schedule.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that the Regional Agreement Officer will work with ACDI/VOCA contracts staff to review and modify the cooperative agreement to clarify the cost-sharing schedule for the remainder of the program. The mission's target date for completion is April 1, 2012. Accordingly, a management decision has been reached on Recommendation 10.

> ***Recommendation 11.*** *We recommend that USAID/Sierra Leone work with the partner to develop and implement a plan that requires the partner to reach the life-of-program cost-sharing requirement by the program's end date.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it will work with ACDI/VOCA to develop an appropriate cost-sharing plan in order to meet the requirement by the program's end date. The mission's target date for completion is February 1, 2012. Accordingly, a management decision has been reached on Recommendation 11.

> ***Recommendation 12.*** *We recommend that USAID/Sierra Leone work with the partner to determine and document essential activities that can be completed from the fiscal year 2010 work plan on a mutually agreed-upon schedule.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that it will work with the new chief of party to develop a work plan that accomplishes the essential activities on a mutually agreed-upon schedule. The mission's target date for completion is March 1, 2012. Accordingly, a management decision has been reached on Recommendation 12.

Program Did Not Comply With Environmental Regulations

The Foreign Assistance Act of 1961, as amended, Section 117, requires that USAID consider environmental impact and sustainability in designing and carrying out its development programs. This requirement is codified in 22 CFR 216, which establishes several requirements, including (1) assigning responsibilities within USAID for assessing the environmental impact of its actions, (2) requiring that environmental safeguards be part of program planning and design, and (3) directing that programs be continually monitored and modified when necessary to mitigate environmental impact.

ADS requires the activity manager to ensure that the 22 CFR 216 requirements for an environmental impact assessment have been met, approved in writing by the relevant bureau environmental officer, and incorporated into the implementation instruments. According to ADS 201.3.11.2, federal law mandates that the relevant bureau environmental officer must complete and approve in writing an Initial Environmental Examination (IEE), Request for Categorical Exclusion, Environmental Assessment, or other appropriate action under the USAID Environmental Procedures promulgated in 22 CFR 216 before funds are obligated.

However, USAID/Sierra Leone did not obtain all necessary approvals of the IEE for its agricultural activities, and the IEE was not prepared before program implementation. ARD, the subpartner in charge of the environmental component, did not prepare the program IEE until 2011, more than 2 years into program implementation. Furthermore, at the time of the audit, USAID's regional environmental adviser had approved the IEE, but the bureau environmental officer had not provided the final approval. In addition, environmental considerations and required environmental language were not included in program documents, including the ACDI/VOCA agreement and subagreements, as recommended in "Environmental Compliance: Language for Use in Solicitations and Awards—An Additional Help for ADS Chapter 204."

As a result, USAID/Sierra Leone did not follow USAID policies and procedures regarding environmental compliance, and the mission's activity managers and implementing partners may not have been fully aware of their responsibilities regarding environmental compliance. The AOTR was not familiar with all of the environmental requirements because he had never received training on environmental compliance. Moreover, the mission reported that USAID/Sierra Leone's position in the overall USAID mission structure contributed to delays in obtaining final approval of the document. USAID/Sierra Leone is not considered a full mission and is supervised by the mission director in Guinea; a contracting officer in Ghana; and the controller's office in Senegal, which manages the program's finances through Guinea. Coordinating all of these parties to review, finalize, and approve a document such as the IEE is time-consuming. Not preparing the IEE on time increases the risks of implementing activities that could be harmful to the environment. To address these concerns, this audit makes the following recommendations.

> ***Recommendation 13.*** *We recommend that USAID/Sierra Leone establish and implement policies mandating compliance with environmental requirements for its entire portfolio and communicate these requirements to its staff and implementing partners in writing.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that the environmental officer from USAID/Guinea will ensure that environmental policies are updated and communicated to all staff and implementing partners in writing. The mission's target date for completion is March 1, 2012. Accordingly, a management decision has been reached on Recommendation 13.

> ***Recommendation 14.*** *We recommend that USAID/Sierra Leone require that all activity documents under the Promoting Agriculture, Governance, and the Environment Program be amended to incorporate appropriate language regarding environmental compliance and be approved by the appropriate officials.*

Evaluation of Management Comments. USAID/Sierra Leone agreed with the recommendation and reported that the AOTR will ensure that all activity documents under the program are amended to reflect appropriate environmental compliance standards. The mission's target date for completion is March 1, 2012. Accordingly, a management decision has been reached on Recommendation 14.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this performance audit in accordance with generally accepted government auditing standards.[5] 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 objective of the audit was to determine whether USAID/Sierra Leone's Promoting Agriculture, Governance, and the Environment Program was on track to achieve its main goals related to building the capacities of targeted farmer, producer, agribusiness, and marketing associations.

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

- FY 2009, 2010, and 2011 country operational plans and FY 2009 and 2010 performance plans and reports for USAID/Sierra Leone
- Program work plans
- Program agreements and subagreements
- USAID and partner reports related to the program
- Certification required under the Federal Managers' Financial Integrity Act of 1982[6]
- USAID and implementing partner performance monitoring plans
- Financial reports and supporting documentation

We interviewed key USAID/Sierra Leone and USAID/Senegal personnel, implementing partner staff, and program beneficiaries. We conducted the audit at USAID/Sierra Leone in Freetown and at the office and activity sites of the implementing partners in Freetown, Kailahun District, and Kenema District. Audit fieldwork was conducted from October 3 to October 25, 2011. The audit covered activities that took place in FYs 2009, 2010, and 2011.

As of October 25, 2011, USAID/Sierra Leone had obligated $13.2 million and disbursed $10.2 million for the Promoting Agriculture, Governance, and the Environment Program, which was USAID/Sierra Leone's only agricultural program active during the period audited.

---

[5] *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).
[6] Public Law 97-255, as codified in 31 U.S.C. 3512.

Methodology

To answer the audit objective, we reviewed the implementation of agricultural activities for compliance with the approved work plan, sufficient documentation, and timeliness. We also reviewed agreements, progress reports, financial reports, and performance data of the implementing partner. We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Sierra Leone's agricultural activities, including annual certification required under the Federal Managers' Financial Integrity Act of 1982, ADS Chapters 202 and 203, program-specific regulations, and supplemental ADS guidance.

We interviewed program and financial staff at USAID/Sierra Leone and USAID/Senegal, as well as staff at the implementing partners' offices in Freetown, Kailahun, and Kenema.

Because our audit planning included discussions with USAID's Office of Financial Management, and these discussions revealed concerns about the implementing partner's internal controls, we extended audit procedures to include a review of disbursements made by the implementing partner.

We also performed site visits in the Kailahun and Kenema Districts of Sierra Leone to observe program implementation; verify reported results; and meet volunteers, implementers, and beneficiaries. During these site visits, we observed facilities benefiting from the technical assistance, interviewed individuals who were conducting activities, and interviewed program beneficiaries. The sample of sites visited consisted of activities that were (1) in progress during the time of our fieldwork, (2) located in areas where key program activities were being implemented, (3) accessible given audit time restrictions, and (4) representative of the activities being implemented. The results from the sample cannot be projected to the universe of all activities on a statistical basis. However, we believe that our work provides a reasonable basis for our conclusions.

MANAGEMENT COMMENTS

USAID | SIERRA LEONE
FROM THE AMERICAN PEOPLE

December 9, 2011

MEMORANDUM

TO: Gerald Custer, Regional Inspector General (RIG)/Dakar

FROM: Nancy Estes, Mission Director, USAID/Guinea & Sierra Leone
Jean Benedict, Country Program Manager, USAID/Sierra Leone

SUBJECT: Management Responses to RIG/Dakar Draft Report on Audit of USAID/Sierra Leone's Agricultural Activities (Report No. 7-636-12-00X-P)

On November 9, 2011, the USAID/Sierra Leone received the draft report on the subject audit. We appreciate the draft audit report which contains 14 recommendations to strengthen the systems and procedures in implementing and monitoring this challenging program in Sierra Leone. USAID also appreciates RIG's support to fully address specific issues identified during our financial review. The Mission has already taken significant actions for each of the recommendations in addition to our plans to address these items going forward. In addition, we are requesting that management decisions be issued for 11 recommendations and closure for one of the recommendations for actions recently taken. Details are as follows.

Overall, USAID would like to underscore the positive progress the Promoting Agriculture, Governance, and the Environment (PAGE) program has made toward meeting targeted results and the benefit it has provided toward Sierra Leone's development. It is also important to note the special circumstances in which US Government staff and partners have worked since 2008. The PAGE program in Sierra Leone operates in a USAID limited presence country. Its twinning mission, USAID/Guinea, provides additional support and oversight. During the course of the program USAID/Guinea experienced a prolonged ordered departure evacuation due to violence and unrest. Despite these constraints, USAID staff based in Sierra Leone worked closely with the implementing partners to monitor program activities and to improve procedures when they were deficient.

In providing our responses to the audit recommendations, USAID must also underscore that there are limitations as to how involved USAID can be with a partner operating under a cooperative agreement per the regulations. There are also limitations on the level of programmatic and staffing changes that USAID can realistically ask the partner to make considering the remaining time of the activity. Having said this, the following is our response to the audit recommendations:

Management Comments – Audit of USAID/Sierra Leone Agricultural Activities

Recommendation #1: Work with the partner to develop and implement a plan to measure the program's impact on targeted areas by rebuilding a baseline from available data and using specific proxy indicators to determine the change in income levels from the onset of the program (page 5).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission will work with the ACDI regional M&E representative to develop a plan to measure the program's impact on targeted areas by rebuilding a baseline from available data and using specific proxy indicators to determine the change in income levels from the onset of the program. ACDI has indicated in their corrective action plan submitted to the Mission on November 23rd that they will send a regional M&E Specialist to Freetown beginning the week of January 16th to assist in collecting the necessary data in order to create a meaningful baseline survey. ACDI has indicated that this person will remain in country as long as needed. Furthermore, USAID/Guinea has hired a new DLI Economist who will begin in January. This officer will assist in overseeing the PAGE baseline exercise and work with ACDI to ensure that the baseline data is appropriately collected and assimilated. The AOTR will also include this activity as part of his oversight mandate. The target completion date for this activity is April 1, 2012.

Recommendation #2: Work with the partner to develop and implement a plan to ensure that performance data is organized, supported, and verifiable (page 5).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission will work with the partner to develop and implement a plan to ensure that performance data is organized, supported, and verifiable. In addition, the Mission will request that ACDI provide a full-time M&E specialist to follow up the baseline survey data after the TDY visit of the regional ACDI M&E representative. If funds are not available for this position, the Mission recommends that ACDI fund this position as part of its unmet cost share requirement. These activities will be overseen by the AOTR and the new DLI Economist with a targeted completion date of March 1, 2012.

Recommendation #3: Make a management decision on the allowability of the unapproved budget overruns of $794,664 and collect from the recipient any amounts determined to be unallowable (page 9).

USAID/Sierra Leone is actively working with the Regional Agreement Officer concerning this recommendation. Targeted date for decision from the Regional Agreement Officer is February 1, 2012.
At the same time, to improve financial oversight and control, the Mission has worked with the partner to hire a new financial manager and send its regional financial manager to Sierra Leone to address immediate concerns. The Mission and the Financial Management Office will continue to work with the partner to resolve budgetary and financial issues.

Recommendation #4: Make a management decision on the allowability of the ineligible and unsupported questioned costs totaling $71,776 identified in Table 2 and collect from the recipient any amounts determined to be unallowable (page 9).

USAID/Sierra Leone is actively working with the Regional Agreement Officer concerning this recommendation. Targeted date for decision from the Regional Agreement Officer is February 1, 2012.

Recommendation #5: Work with the partner to develop and implement a plan to address the internal financial control weaknesses related to oversight and the segregation of duties (page 9).

USAID/Sierra Leone concurs with this recommendation and has worked with the partner to develop and implement a plan to replace the existing Chief of Party, hire a deputy, and hire a new financial manager in order to address the internal financial control weaknesses and improve segregation of duties. The partner has also agreed to send its regional financial manager to Sierra Leone to implement key internal controls and aid the transition of the new financial manager. These actions were proposed in ACDI/VOCA's Corrective Action Plan dated November 23, 2011 (attached) and have been approved by the Mission. The Mission will continue to monitor this plan and work with the partner as these transitions take place starting in December 2011.

In that regard, we kindly request that Recommendation #5 be closed upon issuance of the final audit report.

Recommendation #6: Work with the partner to develop and implement a financial plan to monitor program expenditures against the approved program budget on a quarterly basis (page 9).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission will work with the USAID/Senegal Regional Controller's Office to conduct a field visit to Freetown to coincide with the visit of ADCI's Regional Financial Manager, who plans to come to Freetown the week of January 16, 2012 to work with the new ACDI/PAGE Financial Manager. The Regional Controller's Office will work with the new PAGE Financial Manager to suggest a new financial reporting format and recommended systems that should be used to monitor expenditures on a quarterly basis. The target completion date for this activity is April 1, 2012.

Recommendation #7: Work with the partner to realign the work plan appropriately as a result of the budget shortage created by cost overruns (page 10).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. Working with the Program Manager, the AOTR will request that the new PAGE Chief of Party develop an appropriately realigned work plan for FY11-12 that accomplishes the key project targets without the funds which were spent on cost overruns. The target completion date for this activity is March 1, 2012.

Recommendation #8: Work with the partner to develop and implement a plan to improve cooperation among the coalition partners in a way that more closely reflects the intent of the cooperative agreement (page 10).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report The Mission will work with the new Chief of Party to review the deficiencies of the current project communication and reporting structure. The team will make recommendations to reconstitute the Board of Directors, which met infrequently over the last year. The AOTR will play an active monitoring role in prime and sub-partner meetings to ensure that open communication is taking place and that there are no operational bottlenecks. The target completion date for this activity is April 1, 2012.

Recommendation #9: Work with ACDI/VOCA to prepare and implement a plan to ensure cost share reported is documented and allowable as per the terms of this agreement (page 11).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission and the Regional Agreement Officer are actively working with the partner regarding cost share documentation and allowability to comply with the term of the agreement. Targeted date for completion is February 1, 2012.

Recommendation #10: Modify the Promoting Agriculture, Governance, and the Environment cooperative agreement to clarify whether the cost sharing amount is to be provided in accordance with the annual schedule (page 12).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Regional Agreement Officer will work with ACDI contracts staff to review and modify the cooperative agreement to appropriately reflect the cost share schedule for the remainder of the program. This action should be finalized by April 1, 2012.

Recommendation #11: Work with the partner to develop and implement a plan that requires them to reach the life of program cost sharing requirement by the program's end date (page 12).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission will work with ACDI's Senior Manager of Community Development to develop an appropriate cost share plan in order to meet the partner's cost sharing requirement by the program's end date. The Senior Manager of Community Development is listed in the PAGE corrective action plan submitted November 23rd and this individual will work to enhance communication between ACDI and the Regional Agreement Officer. The target completion date for this activity is February 1, 2012.

Recommendation #12: Work with the partner to determine and document essential activities that can be completed from the FY 2010 work plan on a mutually agreed upon time schedule (page 12).

USAID/Sierra Leone concurs with this recommendation concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission will work with the new PAGE Chief of Party to develop an appropriately realigned work plan that accomplishes the essential activities on a mutually agreed upon time schedule. The target completion date for this activity is March 1, 2012.

Recommendation #13: Establish and implement policies mandating compliance with environmental requirements for its entire portfolio and communicate these requirements to its staff and implementing partners in writing (page 13).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. The Mission has included the environmental officer from USAID/Guinea on the final quarterly field visit to the PAGE project sites in Sierra Leone. The officer will ensure that environmental policies are updated and communicated to all staff and implementing partners in writing. The target completion date for this activity is March 1, 2012.

Recommendation #14: Require that all activity documents under the Promoting Agriculture, Governance, and the Environment Program are amended to incorporate appropriate language regarding environmental compliance and are approved by the appropriate officials (page 13).

USAID/Sierra Leone concurs with this recommendation and request that a management decision be issued in the final audit report. At present, the environmental officer from USAID/Guinea is a member of the assessment team on the final quarterly field visit to the PAGE project sites in Sierra Leone. The AOTR will ensure that all activity documents under the PAGE program are amended to reflect appropriate environmental compliance standards as reviewed by the environmental officer. The target completion date for this activity is March 1, 2012.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
www.usaid.gov/oig