

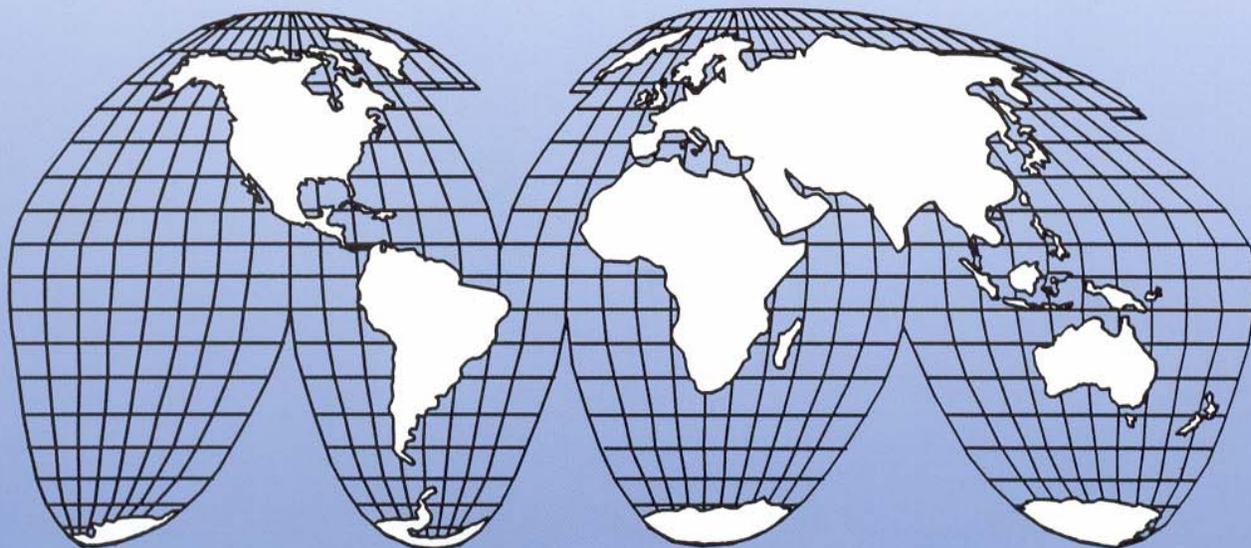
USAID

OFFICE OF INSPECTOR GENERAL

Audit of the Central America Mitigation Initiative

Audit Report No. 1-515-05-006-P

March 21, 2005



San Salvador, El Salvador



March 21, 2005

MEMORANDUM

FOR: USAID Office of Foreign Disaster Assistance/Costa Rica Senior Regional Advisor, Tim Callaghan

FROM: RIG/San Salvador, Steven H. Bernstein “/s/”

SUBJECT: Audit of the Central America Mitigation Initiative (Report No. 1-515-05-006-P)

This memorandum is our final report on the subject audit. This report does not contain any recommendations for your action and does not include your comments as none were provided to us.

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

This page intentionally left blank.

Table of Contents

Summary of Results	5
Background	5
Audit Objectives	6
Audit Findings	7
Did Central America Mitigation Initiative activities achieve planned results?	7
Were funds remaining under the Central America Mitigation Initiative available for deobligation?	11
Evaluation of Management Comments	12
Appendix I – Scope and Methodology	13

This page intentionally left blank.

Summary of Results

The Regional Inspector General/San Salvador conducted this audit to determine if Central America Mitigation Initiative activities achieved planned results and if funds remained under the Central America Mitigation Initiative that were available for deobligation (page 6).

Central America Mitigation Initiative activities achieved its planned results as follows: American Red Cross met or exceeded its targets on 14 of 29 indicators and was within 90 percent of the planned outputs on all indicators except for one; Catholic Relief Services met or exceeded its targets on all 16 indicators; Cooperative Assistance and Relief Everywhere met or exceeded its targets on all 10 indicators; Cooperative Housing Foundation met or exceeded its targets on all 8 indicators; and World Vision met or exceeded its targets on all 16 indicators (page 7).

There was approximately \$58,000 remaining under the Central America Mitigation Initiative from Catholic Relief Services that was available for deobligation. However, deobligation was pending the approval of the final indirect cost rate by USAID (page 11).

We did not make any recommendations in this report.

USAID Office of Foreign Disaster Assistance/Costa Rica did not provide any comments on the audit report.

Background

In October 1998, Hurricane Mitch swept through Central America causing devastating floods and mudslides, massive infrastructure and property destruction, and significant population displacement. Up to 10,000 people were killed, an estimated 3.6 million people were affected, and nearly 100,000 homes were completely destroyed. As part of the \$630 million U.S. Government response, USAID Office of Foreign Assistance (OFDA) announced a three-year approximately \$11 million Central America Mitigation Initiative (CAMI) for the region, with preference to the most severely affected countries of El Salvador, Guatemala, Honduras, and Nicaragua.

The Central America Mitigation Initiative's goal was to reduce or negate the impact of natural disasters in Central America by financing activities that increase the capability of regional, national, and community authorities and organizations to forecast, respond to, and prevent disasters. To carry out CAMI activities, USAID/OFDA authorized funds to non-governmental organizations, USAID's missions, and other agencies/organizations as follows:

Table 1: CAMI Funding Levels

<u>Organization</u>	<u>Amount Authorized</u>
Non-Governmental Organizations	
American Red Cross	\$1,192,000
Catholic Relief Services	1,250,000
Cooperative Assistance and Relief Everywhere	1,625,000
Cooperative Housing Foundation	925,000
World Vision	401,000
Idaho Water Resources Research Institute	300,000
Zamorano University	125,000
Total non-governmental organizations	\$5,818,000
USAID Missions	
USAID/El Salvador	500,000
USAID/Guatemala	500,000
USAID/Honduras	1,500,000
Total USAID Missions	\$2,500,000
Other Agencies/Organizations	
U.S. Geological Survey	1,500,000
National Oceanic and Atmospheric Administration	875,000
Pan American Health Organization	200,000
Total Other Agencies/Organizations	\$2,575,000
Total CAMI Funds Awarded	\$10,893,000

Note: Amounts for USAID’s missions, other agencies and organizations were not audited. All amounts were rounded to the nearest thousand.

This audit covered CAMI activities performed by the five largest non-governmental organizations – American Red Cross, Catholic Relief Services, Cooperative Assistance and Relief Everywhere, Cooperative Housing Foundation, and World Vision during the period from February 2001 (the signing of the first implementing agreement) to August 2004 (the last implementer’s project end date). The total Central America Mitigation Initiative (CAMI) activities totaled approximately \$11 million.

Audit Objectives

As part of its fiscal year 2004 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following questions:

- Did Central America Mitigation Initiative activities achieve planned results?
- Were funds remaining under the Central America Mitigation Initiative available for deobligation?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did Central America Mitigation Initiative activities achieve planned results?

Central America Mitigation Initiative activities achieved its planned results as follows: American Red Cross met or exceeded its targets on 14 of 29 indicators and was within 90 percent of the planned outputs on all indicators except for one; Catholic Relief Services met or exceeded its targets on all 16 indicators; Cooperative Assistance and Relief Everywhere met or exceeded its targets on all 10 indicators; Cooperative Housing Foundation met or exceeded its targets on all 8 indicators; and World Vision met or exceeded its targets on all 16 indicators. Results were measured through outputs. Planned outputs or indicators were established in the grant proposals and progress reports. Tables 2 through 6 summarize the outputs planned and achieved by the end of the project for the five largest implementing partners.

Table 2: American Red Cross’s Final Results

Indicators	As of April 2003		
	Planned¹	Actual	Percent of Target Met
Volunteers trained	480	851	177%
Community residents trained	0	4,641	N/A
Teachers trained (CUSE) ²	600	844	141%
Trainers trained	0	86	N/A
Teachers trained (other courses)	0	1,022	N/A
Students trained	0	3,311	N/A
Others trained	0	600	N/A
Total people trained	0	10,892	N/A
Total course participants	0	17,566	N/A
Community emergency committees	60	54	90%
Community volunteer brigades	225	206	92%
Instruments for drills	4	5	125%
Community drills/simulations	120	131	109%
Community risk maps/vulnerability	60	54	90%
Community evacuation maps	60	54	90%
Community household visits	0	7,651	N/A

¹ American Red Cross did not establish planned outputs for some indicators because it was uncertain about the community response where activities took place.

² CUSE or “Curso de Seguridad Escolar” is a course directed at school administrators and teachers aimed to provide techniques in how to teach students to protect themselves in case a disaster occurs at school.

Indicators	As of April 2003		
	Planned	Actual	Percent of Target Met
School emergency committees	60	110	183%
School brigades	270	502	186%
School risk maps/vulnerability	60	87	145%
School evacuation maps	60	87	145%
School instruments for drills	4	4	100%
School drills/simulations	120	378	315%
Chapter instruments for drills	4	4	100%
Chapter drills/simulations	24	31	129%
Emergency operations centers fully equipped	12	11	92%
Emergency operations centers fully operational	12	2	17%
Educational materials	13	13	100%
Mitigation projects	52	51	98%
Beneficiaries	80,000	115,857	145%

Note: Actual results were not audited.³ Actual results were obtained from American Red Cross's last progress report.

Table 3: Catholic Relief Services's Final Results

Indicators	As of August 2003		
	Planned	Actual	Percent of Target Met
Hiring regional coordinators, disaster prevention coordinators and community facilitators	30	31	103%
Selection of communities	329	340	103%
Identification of leaders and community organizations	329	340	103%
Strengthening and/or formation of local emergency committees	329	340	103%

³ American Red Cross's results were not audited because its offices in Guatemala, Honduras, and Nicaragua were closed at the time of the audit. The office directors in those countries who were involved with the Central America Mitigation Initiative were either no longer with the organization or not available to provide the documentation needed for the audit. However, interviews with American Red Cross' officials in Washington and in El Salvador and interviews with officials from USAID/Costa Rica did not raise any concerns that the actual results reported were not accurate. Moreover, we were able to review supporting documentation and determine the completeness of all selected mitigation projects performed by American Red Cross. As a result, we were able to achieve a substantial level of comfort and were able to fully answer the audit objective.

	As of August 2003		
<u>Indicators</u>	<u>Planned</u>	<u>Actual</u>	<u>Percent of Target Met</u>
Training Emergency Action Committees	329	340	103%
Completion of community emergency action plans	329	340	103%
Community emergency action committee meetings to share action plan with community	324	323	99%
Emergency drills and simulations in communities	70	70	100%
Installation of early warning systems	16	23	144%
Community training on use and maintenance of the systems	16	23	144%
Training of Catholic Relief Services and its local partner staff in disaster mitigation, prevention and response	69	170	246%
Broadcasting spots on Catholic Radio or other local stations	48	48	100%
Public education activities focused on disaster mitigation and prevention (Number of forums)	27	30	111%
Implementation of an orientation program on disaster mitigations and prevention for primary school teachers	20	1,990	9,950%
Implementation of an orientation program on disaster mitigations and prevention for primary school children	200	2,650	1,325%
Establish evacuation routes and install evacuation route signs	30	50	167%

Table 4: Cooperative Assistance and Relief Everywhere's Final Results

	As of August 2004		
<u>Indicators</u>	<u>Planned</u>	<u>Actual</u>	<u>Percent of Target Met</u>
Municipalities that have identified risk scenarios, agreed on solutions, and improved disaster response capabilities	11	20	182%
Percent of key organizations that have adopted the risk management approach	50	100	200%
Number of persons sensitized & trained in workshops process in eleven municipalities	1,800	1,820	101%
Trained country coordinator in risk management and disaster response as part of national and regional technical units	4	4	100%
Local risk management systems consolidated (Number of municipalities)	20	20	100%

	As of August 2004		
Indicators	Planned	Actual	Percent of Target Met
Municipalities incorporate risk management concepts and practices	20	20	100%
Municipalities carry out significant, socially prioritized risk reduction activities	20	20	100%
Municipalities have incorporated improvements in disaster response preparations	20	20	100%
Events to disseminate experiences and best practices	20	20	100%
Schools per municipality have incorporated risk management elements either formally or informally within their education programs	8	8	100%

Table 5: Cooperative Housing Foundation's Final Results

	As of January 31, 2003		
Indicators	Planned	Actual	Percent of Target Met
Number of municipalities and communities with: local risk analyzed; vulnerabilities identified; plans for local response; resources identified; mitigation measures identified; and awareness programs in schools	149	182	122%
Number of beneficiaries (rural)	63,445	108,056	170%
Number of beneficiaries (urban)	61,000	64,015	105%
Number of informal settlements and number of public-private risk management initiatives identified	6	6	100%
Number of mitigation projects implemented	106	111	105%
Number of students	8,700	24,426	281%
Number of teachers	70	75	107%
Number of indirect beneficiaries	17,400	113,580	653%

Table 6: World Vision's Final Results

	As of December 31, 2003		
Indicators	Planned	Actual	Percent of Target Met
Risk and resource mapping (Communities)	222	224	101%
Mitigation capacity building training	222	224	101%
Capacity-building for risk monitoring and early warning systems and evacuation	222	224	101%
Capacity-building for risk monitoring and early warning systems and evacuation --Area Development Programs (ADP)	13	13	100%
Capacity-building regional offices with early warning and evacuation capacity	3	3	100%

Indicators	As of December 31, 2003		
	Planned	Actual	Percent of Target Met
Damage and Needs Assessment/Evaluation on Damages and Needs Assessment (DANA/EDAN) capacity building (communities)	222	224	101%
DANA/EDAN capacity building -- ADP	13	13	100%
DANA/EDAN regional offices with early warning and evacuation capacity	3	3	100%
Data processing and analysis capacity building for communities	222	224	101%
Data processing and analysis capacity building for regional offices with early warning and evacuation capacity	3	3	100%
Basic capacities building of the Rapid Response Teams (RRT)	222	224	101%
First aid training to community members	222	224	101%
Evacuation and rescue training for members of the three RRTs	18	18	100%
Evacuation and rescue training for members of the Yoro regional office	6	6	100%
Logistic training to all ADPs	13	13	100%
Logistic training to all regional offices	3	4	133%

American Red Cross, Catholic Relief Services, and Cooperative Assistance and Relief Everywhere conducted Central America Mitigation Initiative (CAMI) activities in El Salvador, Nicaragua, Guatemala, and Honduras. Cooperative Housing Foundation conducted CAMI activities in El Salvador, Guatemala, and Honduras, and World Vision only conducted CAMI activities in Honduras.

Because all of the actual outputs met or exceeded planned outputs for Catholic Relief Services, Cooperative Assistance and Relief Everywhere, Cooperative Housing Foundation, and World Vision, and more than 90 percent of the actual outputs met at least 90 percent of the targeted outputs for American Red Cross at the end of the project, we concluded that the Central American Mitigation Initiative activities achieved planned results.

Were funds remaining under the Central America Mitigation Initiative available for deobligation?

There was approximately \$58,000 remaining under the Central American Mitigation Initiative from Catholic Relief Services that was available for deobligation. However, deobligation was pending the approval of the final indirect cost rate by USAID. The final indirect cost rate is determined through negotiations between the grantee and USAID. The final negotiated rate can take from a few months up to a few years to finalize. If the final indirect cost rate is

lower than the provisional indirect cost rate established in the grant agreement between Catholic Relief Services and USAID, the funds remaining will be deobligated. If the final indirect cost rate is higher than the provisional rate, Catholic Relief Services will be able to recover the amount of the difference up to the amount of the remaining funds. We are not making a recommendation at this time because Catholic Relief Services and USAID were aware of the remaining funds and the pending approval of the final indirect cost rate. The table below summarizes the funding levels authorized and remaining for each implementing partner as of August 31, 2004 (the last implementer's project end date):

Table 7: Funding Levels Authorized and Remaining

<u>Implementing Partner</u>	<u>As of August 31, 2004</u>	
	<u>Funding Authorized</u>	<u>Funding Remaining</u>
Catholic Relief Services	\$1,250,000	\$58,000
American Red Cross	1,192,000	0
Cooperative Assistance and Relief Everywhere	1,625,000	0
Cooperative Housing Foundation	925,000	0
World Vision	401,000	0
Totals	\$5,393,000	\$58,000

Note: Amounts rounded to the nearest thousand.

Evaluation of Management Comments

USAID Office of Foreign Disaster Assistance/Costa Rica did not provide any comments on the audit report.

**Scope and
Methodology****Scope**

We audited the Central America Mitigation Initiative activities in accordance with generally accepted government auditing standards. We were unable to audit American Red Cross's final results because its offices in Guatemala, Honduras, and Nicaragua were closed. The office directors in those countries who were involved with the Central America Mitigation Initiative were either no longer with the organization or not available to provide the documentation needed for the audit. However, interviews with American Red Cross' officials in Washington and in El Salvador and interviews with officials from USAID/Costa Rica did not raise any concerns that the actual results reported were not accurate. Moreover, we were able to review supporting documentation and determine the completeness of all selected mitigation projects performed by American Red Cross. As a result, we were able to achieve a substantial level of comfort and were able to fully answer the audit objective.

We conducted the audit at USAID Office of Foreign Disaster and Assistance (OFDA)/Costa Rica from August 26, 2004 to September 1, 2004 and various implementing partner offices in El Salvador, Guatemala, Nicaragua, and Honduras from October 4, 2004 to October 13. Additional fieldwork was conducted from December 15, 2004 to December 22, 2004 in El Salvador. The audit covered the period from February 2001 (the signing of the first implementing agreement) to August 2004 (the last implementer's project end date).

The audit focused on whether the Central America Mitigation Initiative activities achieved planned results and whether funds remained under the Central America Mitigation Initiative that were available for deobligation. We assessed OFDA's internal controls related to monitoring the Central America Mitigation Initiative activities. Specifically, we assessed its controls for receiving and reviewing progress and financial reports, performing site visits, and monitoring the quality and timeliness of outputs.

Methodology

We assessed the mission's risk exposure and effectiveness of its internal controls in order to determine the extensiveness of site visits necessary to validate outputs achieved. Following this assessment, we judgmentally selected the five largest implementing partners based on dollar values to answer the audit objectives. The five implementing partners selected were American Red Cross, Catholic Relief Services, Cooperative Assistance and Relief Everywhere, Cooperative Housing Foundation, and World Vision. The total Central America Mitigation Initiative (CAMI) activities totaled approximately \$11 million. Audit coverage for the implementing partners selected was approximately \$5.4 million or 93 percent of the total non-governmental organizations and 53 percent of the total CAMI funded

project. We did not include other U.S. agencies, international organizations, and USAID's missions who also received CAMI funds in our audit.

For the implementing partners selected, we visited their offices in El Salvador, Guatemala, Nicaragua, and Honduras. As noted in footnote 3 on page 8, the offices of American Red Cross in Guatemala, Honduras and Nicaragua had been closed. The actual results presented above for American Red Cross were obtained from American Red Cross' last progress reports.

In addition, we verified the completion of 30 mitigation projects randomly selected from American Red Cross, Catholic Relief Services, and Cooperative Housing Foundation. Cooperative Assistance and Relief Everywhere and World Vision did not have mitigation projects.

To answer audit objective one, we reviewed supporting documentation such as award documents, progress reports, activity reports, participant training records, community records, lists of itemized projects and products, and interviewed OFDA officials, consultants, and implementing partners' regional advisors and staff.

In verifying the completion of the 30 mitigation projects, we reviewed invoices, purchase orders, and photographs.

To answer audit objective two, we reviewed final financial status reports and internal financial documents provided by the awardees.

Because all of the actual outputs met or exceeded planned outputs for Catholic Relief Services, Cooperative Assistance and Relief Everywhere, Cooperative Housing Foundation, and World Vision, and more than 90 percent of the actual outputs met at least 90 percent of the planned outputs for American Red Cross at the end of the project, we concluded that the Central American Mitigation Initiative activities achieved planned results.