



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Haiti's Tropical Storm Reconstruction Program

AUDIT REPORT NO. 1-521-05-007-P
APRIL 11, 2005

SAN SALVADOR, EL SALVADOR



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UNIDOS DE AMÉRICA

Office of Inspector General

April 11, 2005

MEMORANDUM

FOR: USAID/Haiti Director, Erna Kerst

FROM: Regional Inspector General/San Salvador, Steven H. Bernstein "/s/"

SUBJECT: Audit of USAID/Haiti's Tropical Storm Reconstruction Program (Report No. 1-521-05-007-P)

This memorandum is our report on the subject audit. This report does not contain any recommendations for your action. In finalizing this report, we considered your comments on our draft report and have included your response in Appendix II.

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

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SUMMARY OF RESULTS

As part of its fiscal year 2005 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following question:

- What steps did USAID/Haiti implement to manage its tropical storm reconstruction program?

USAID/Haiti designed steps to control significant risks facing program implementation. Steps implemented by USAID/Haiti to manage its tropical storm reconstruction program (TSRP) included requiring work plans from Development Alternatives, Inc. and CARE, bi-weekly meetings with Development Alternatives, Inc. (DAI) and CARE, field visits at least monthly by USAID/Haiti's cognizant technical officers and engineer, working with the Interim Government of Haiti and local communities, monthly progress reports from DAI and CARE, hiring two monitoring firms, development of criteria for the projects, pre-approval of engineering plans, and environmental reviews and approvals. (See page 5.)

Although we did not make a recommendation, we noted that neither the engineering monitoring firm nor USAID/Haiti's chief engineer had reviewed and approved the specifications for construction work that was done prior to January, 31, 2005. We also noted that no environmental approvals had been obtained as of this date. (See page 8.)

USAID/Haiti concurred with the report and its findings. USAID/Haiti contracted an engineering monitoring firm and an accounting monitoring firm and was in the process of conducting the required environmental reviews. (See page 10.)

BACKGROUND

Parts of Haiti's Northwest and Artibonite departments were devastated by Tropical Storm Jeanne on September 18-19, 2004. Fifty-year floods inflicted extensive damage in the city of Gonaïves and surrounding regions, including the Gonaïves and Trois Rivières watersheds that together cover some 1,063 square kilometers of land with a population estimated at approximately 700,000. The Commune of Gonaïves has a population of over 200,000 with slightly more than half living in the urban sector, primarily in tightly packed slum districts. Approximately 80 percent of the population of Gonaïves was directly affected by severe flooding.

On October 12, 2004, Congress approved \$100 million of supplemental funds to assist Caribbean countries in their efforts to recover from the destruction caused by several hurricanes and tropical storms in 2004. USAID/Haiti's tropical storm reconstruction program (TSRP) Special Objective was approved by the Bureau of Latin America and the Caribbean on November 15, 2004, with funding of \$34.1 million for one year. Subsequently, USAID/Haiti awarded a \$9.2 million contract to Development Alternatives, Inc. and entered into a \$22.1 million cooperative agreement with CARE.¹ Approximately \$2.8 million was budgeted for hiring two monitoring firms and a financial analyst for the program.

The TSRP was directed at both urban and rural areas which sustained heavy loss of life and damage to public infrastructure (i.e., schools and health facilities) and sites and services (i.e., roads, water and sanitation systems, and urban drainage). The TSRP also incorporated urgently needed agriculture rehabilitation and environmental stabilization to the surrounding hillsides, irrigation system repair, riverbed clean-up, and watershed education. Finally, a component of the TSRP was directed at households, particularly women and children affected by damaged and destroyed homes and schools, at the loss of household assets (i.e., animals, incomes from small farms and micro businesses), and at the lack of knowledge and tools for dealing with disaster.

The original intent for the TSRP was for it to be a two-year program. This timeframe was subsequently reduced to 18 months and ultimately to one year, with an additional three months for wrap up. This audit addressed management controls implemented by USAID/Haiti to ensure that the TSRP is completed on time, within budget, and in compliance with USAID standards.

AUDIT OBJECTIVES

As part of its fiscal year 2005 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following question:

- What steps did USAID/Haiti implement to manage its tropical storm reconstruction program?

Appendix I contains a discussion of the audit's scope and methodology.

¹ CARE is the lead partner in a consortium with Cooperative Housing Foundation and the Pan American Development Foundation.

AUDIT FINDINGS

What steps did USAID/Haiti implement to manage its tropical storm reconstruction program?

USAID/Haiti designed steps (management controls) to manage risks related to program implementation. Steps implemented by USAID/Haiti to manage its tropical storm reconstruction program (TSRP) include:

- Requiring work plans from development partners.
- Conducting bi-weekly meetings with Development Alternatives, Inc. (DAI) and CARE.
- Conducting field visits at least monthly.
- Coordinating work with the Interim Government of Haiti, local communities, and other donors.
- Requiring monthly progress reports from DAI and CARE.

Steps planned by USAID/Haiti include:

- Hiring an engineering monitoring firm to review plans and monitor construction quality and another firm to monitor output and report on quality of activities.
- Hiring a financial analyst to review program-related expenditures.
- Participating in the development of eligibility criteria.
- Requiring engineering plans to be approved in advance by USAID/Haiti's engineer and by the engineering monitoring firm.
- Requiring environmental reviews and approvals prior to the start of construction work.

The steps implemented and planned by the Mission arose from its consideration of the risks that needed to be controlled to ensure successful completion of the program. TSRP team members considered various risks, as required by Automated Directives System (ADS) 596, when they designed the TSRP; however, they did not prepare a formal, written risk analysis that identified the significance of each risk, the likelihood of its occurrence, how to manage the risk, and what actions should be taken. While ADS 596.3.1 does not require this analysis to be in writing, it is difficult to analyze each risk as set forth in ADS 596.3.1 without doing so in writing. RIG/San Salvador met with Mission personnel and prepared the risk analysis included herein as Appendix III. Significant steps implemented by USAID/Haiti to manage the major risks identified in the risk analysis are discussed below.

Program risks – Program risks will be addressed through the development and approval of criteria. The cooperative agreement with CARE did not set forth eligibility criteria for the selection of beneficiaries for the household repair, asset restoration, and income generation components. The criteria will be developed by CARE and/or Cooperative Housing Foundation (CHF), subject to USAID/Haiti approval. Likewise, neither the contract with DAI nor the cooperative agreement with CARE set forth quality criteria for the construction components of the TSRP. These criteria will be developed and submitted to USAID/Haiti and the engineering monitoring firm for approval.

Additionally, USAID/Haiti and its development partners² will coordinate work on public infrastructure and services with the appropriate government ministries and other donors. They will also work with the affected communities to identify and prioritize projects. This will involve USAID/Haiti and/or its development partners meeting with government ministries and community members to identify and prioritize projects.

Time risks – The TSRP was approved on November 15, 2004, and it is scheduled to be completed in December 2005, with an additional three months for wrapping up the program. Due to the one-year timeframe of the TSRP, there is a strong risk that there is not sufficient time to complete all the work contemplated under the TSRP. This short timeframe requires the program to maintain a strict time schedule.

A variety of controls will be utilized to manage time (schedule) risks. These include a requirement for work plans, bi-weekly meetings, and progress reports as well as hiring monitoring firms.

DAI is required to submit a one-year work plan while CARE is required to submit six-month work plans. DAI and CARE submitted work plans that clearly indicated when activities would be implemented. USAID/Haiti cognizant technical officers (CTOs), DAI, and CARE stated, however, that the work plans were subject to revision based on changing conditions and priorities, the desires of local communities and governments, activities and work plans of other donors, security risks, and changes dictated by weather and road conditions. For example, contrary to the initial timeline outlined in the proposal, DAI started working on the irrigation pumps in mid-December in order to allow the farmers to take advantage of the planting season. Additionally, the contract with DAI originally envisioned repairing the electrical generator for the electrical network serving the Gonaïves irrigation pumps, but this generator was repaired by a government ministry.

USAID/Haiti staff met with the development partners bi-weekly at CARE's office in Port-au-Prince, and the USAID/Haiti CTOs maintained regular contact with the development partners via e-mail and telephone. As was evidenced by field trip reports, USAID/Haiti staff had performed three site visits and was informed about the progress of work. Each visit was for two or three days and included visits to several activity sites. USAID/Haiti planned to make further site visits at least once a month.

DAI and CARE are required to submit monthly progress reports detailing the work done in the reporting period and work planned in the immediate future, and they submitted the reports as required at the time of the audit. CARE's report, which included input from PADF and CHF, was based on a pre-established template to ensure that information was presented in a consistent manner.

The TSRP also provided for the hiring of two monitoring firms. An engineering firm will be hired to track implementation of all engineering and environmental impact mitigation efforts. It will also review plans for technical soundness before work begins. An auditing firm will be hired to track outputs to ensure that plans are implemented in a timely manner.

² The term development partners refers to the organizations implementing the TSRP on behalf of USAID/Haiti, i.e., Development Alternatives, Inc., CARE, Cooperative Housing Foundation, and Pan American Development Foundation.

Cost risks – Cost risks will be addressed through procurement reviews as well as through financial reviews to be conducted by USAID/Haiti’s financial management office. The CTOs will review procurement plans, including subcontracts and subgrants. USAID/Haiti plans to hire a temporary employee to monitor and review TSRP expenditures. This employee will visit the offices of the development partners and will review and test financial controls and procedures.

Of the few subcontracts that had been let at the time of the audit, USAID/Haiti had not reviewed the process before the subcontracts were executed. USAID/Haiti has now adopted procedures regarding review of the subcontracting process. At the time of the audit, USAID/Haiti’s financial management office had not hired an employee to monitor and review TSRP expenditures, but it was preparing to do so.

Quality risks – Quality risks will be addressed by USAID/Haiti’s engineer and the engineering monitoring firm. USAID/Haiti’s engineer will review and approve engineering plans before they are sent out for bids. As is noted above, an engineering monitoring firm will be hired to monitor construction quality and compliance with engineering plans. Further, the firm will verify internal quality standards, processes, and reporting systems. Quality risks will also be addressed through frequent field visits by Mission personnel and quality controls at DAI, CARE, Pan American Development Foundation (PADF), and CHF.

Quality risks include environmental risks. The environmental risks will be addressed through an environmental review of individual projects and approval by the Mission Environmental Officer of environmental mitigation measures prior to the initiation of work. The engineering monitoring firm will monitor implementation of environmental impact mitigation actions.

Other risks – Personal security in Gonaïves will be addressed by using local firms and by using staff that live in the work area. Most of the risk for equipment and materials at job sites will be passed on to the subcontractors, and it is anticipated that they will take appropriate security measures. One development partner plans to address the heightened security risks during the elections by completing work in Gonaïves before the elections currently scheduled for November 2005. CARE will be responsible for security at its existing warehouse and office space in Gonaïves.

Construction Work Proceeded Without Engineering or Environmental Approval

Two management controls to manage quality risks were not operating as originally envisioned. According to USAID/Haiti’s proposal for monitoring the engineering component of the TSRP, an engineering monitoring firm was to review plans for technical soundness before construction work began. USAID/Haiti’s engineer was also to review the plans before construction subcontracts were solicited. However, neither the engineering monitoring firm nor USAID/Haiti’s chief engineer had reviewed and approved the specifications for construction work that was done in December 2004 or the work that was being performed in January 2005.³ In fact, an engineering monitoring firm had yet to be hired by USAID/Haiti. At the time of the audit, the Mission was in the process of selecting an engineering monitoring firm, and the review procedures for activities by USAID/Haiti’s engineer had not been formalized. USAID/Haiti’s engineer did, however, make a field visit in January to review several activities. During his visit,

³ As of late January 2005, 21 of 39 irrigation water pumps had been repaired, and related irrigation canals had been cleared of mud and debris. Additionally, a collapsed aqueduct at another irrigation system was almost completely rebuilt, and a 650 meter extension of an irrigation canal was nearing completion.

he made recommendations regarding the work, including the need to shore up the columns supporting an aqueduct that was being rebuilt.

The Initial Environmental Examination for the TSRP stated that irrigation system rehabilitation projects required site-specific environmental review to be approved by the Mission Environmental Officer. Several irrigation system rehabilitation activities had already begun; however, no environmental approvals had been obtained as of January 31, 2005. The Mission planned to conduct the site-specific environmental reviews to be approved by the Mission Environmental Officer.

Activities were started before the approval processes were in place because there was great pressure to begin activities promptly in order to complete the TSRP on time. By beginning projects without an environmental review or the approval of qualified, USAID-selected engineers, it is more likely for projects to be implemented incorrectly.

We are not making a recommendation regarding these matters. The Mission acknowledged that procedures were not followed in these instances, and it is completing the process of hiring the engineering firm and requiring environmental reviews.



Photograph of a water pumping station in Gonaïves, Haiti, that was recently repaired by DAI (January 26, 2005).

EVALUATION OF MANAGEMENT COMMENTS

USAID/Haiti concurred in the results of the audit. To address the audit findings, USAID/Haiti hired an engineering monitoring firm in February 2005 to (1) track the implementation of all engineering and environmental impact mitigation efforts, (2) review engineering plans for technical soundness before work begins and monitor construction at various key points in the process before certifying that the final structure is in conformance with all engineering norms and practices, and (3) provide regular reports on output results. Additionally, USAID/Haiti hired a Certified Public Accountant monitoring firm to track implementation of outputs, monitor and evaluate performance, and provide regular reports on output results. Further, USAID/Haiti was conducting the required environmental reviews to be approved by the Mission Environmental Officer.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/San Salvador conducted this audit in accordance with generally accepted government auditing standards from January 17, 2005 through February 1, 2005, to determine what steps were implemented to manage USAID/Haiti's tropical storm reconstruction program (TSRP).

We performed a risk assessment and evaluated management controls related to measuring these risks. A risk assessment is the identification and analysis of relevant risks associated with achieving USAID objectives and the formation of a basis for determining how risks should be managed. Once risks were identified, they were analyzed. Analysis included estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken.

The TSRP activities were implemented by CARE and Development Alternatives, Inc. (DAI). CARE is the lead partner in a consortium with the Pan American Development Foundation (PADF) and the Cooperative Housing Foundation (CHF). The development partners will rely on subcontractors to perform much of the work. We conducted the audit at the offices of USAID/Haiti, the offices of each development partner (CARE, DAI, PADF, and CHF), and at the construction sites in Gonaïves and Chansolme areas. At these offices, we interviewed Mission and contractor staff and reviewed documents such as contracts, statements of work, work plans, and performance reports.

Methodology

To determine what steps USAID/Haiti took to manage TSRP activities, we interviewed USAID/Haiti and contractor staff regarding program risks and steps that were taken or planned to mitigate these risks. We further reviewed available documentation regarding the TSRP including the agreements, the status reports, and the field reports.

The audit objective was descriptive. RIG/San Salvador answered the audit objective by performing the following:

- Gained an understanding of the Mission's tropical storm reconstruction activities and independently assessed the risks facing the project team in meeting the Mission's objectives.
- Together, RIG/San Salvador and the Mission determined and agreed on the risks facing the program.
- Identified steps, processes, or controls implemented or planned by the Mission to mitigate significant risks.

The answer to the audit objective reported on the significant risks and the management steps taken to mitigate those risks.

RIG/San Salvador tested the implementation of the steps identified under the audit objective. Specifically, we reviewed documents and interviewed Mission personnel to determine if eligibility criteria and quality criteria had been developed, work plans and progress reports had been submitted, bi-weekly meetings were held and regular contact with the development partners was made, procurement and financial reviews were performed, monitoring firms were hired, the engineering monitoring firm and the Mission engineer were reviewing and approving plans, environmental reviews were being approved by the Mission environmental officer, and measures were implemented for personal security.

MANAGEMENT COMMENTS

March 21, 2005

Erna Kerst
USAID/Haiti Mission Director

Comments on the RIG Draft Audit Report No.1-521-05-XXX-P

Steven H. Bernstein
Regional Inspector General
RIG/San Salvador

This Memorandum constitutes USAID/Haiti's response to the Regional Inspector General (RIG) Draft Audit Report dated March 3, 2005 of USAID/Haiti's Tropical Storm Reconstruction Program.

General Comments:

USAID/Haiti appreciates the time and effort of your staff in carrying out the audit of the Tropical Storm Reconstruction Program (TSRP). After completing its review of the Draft Audit Report, the Mission concurs with the contents of the draft report. The following course of actions is being implemented to address the findings noted in the Draft Audit Report:

- An engineering monitoring firm has been contracted (02/18/05) to (1) track the implementation of all engineering and environmental impact mitigation efforts, (2) review engineering plans for technical soundness before work begins and monitor construction at various key points in the process before certifying in writing that the final structure is in conformance with all engineering norms and practices, and (3) provide regular and timely reports on output results.
- A CPA monitoring firm has been contracted (02/19/05) to (1) track the implementation of the outputs for both components of the TSRP- the agricultural rehabilitation and hillside recovery component and the public infrastructure and household support component, (2) monitor and evaluate the performance of the grantee and contractor under the TSRP, and (3) provide implementation reports.
- The Mission is in the process of conducting required environmental reviews of irrigation system rehabilitation projects to be approved by the Mission Environmental Officer.

Conclusion:

USAID/Haiti would again like to express its appreciation for the manner in which the audit was conducted and the usefulness of the information contained in the Draft Audit Report which will result in a more efficient management of the TSRP Program.

a/s

Risk Analysis of USAID/Haiti Tropical Storm Reconstruction Program (TSRP)

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Program	Type of repairs that can be undertaken not defined by project team	Low	Low	Generally, an initial assessment is done which more clearly defines the criteria. The idea of being somewhat general in the Request for Proposal was to be flexible based on what occurs. For example, some of the public buildings originally envisioned as being part of the TSRP are being repaired by others.	CARE & Development Alternatives Inc. (DAI) are doing assessments now. They will coordinate with other organizations so that duplicative aid is not given. A Performance Monitoring Plan is due to Washington on 1/31/05.
	Screening criteria for eligible recipients/ communities not defined	High	Rural - Low City - High	An assessment will be done which more clearly defines the criteria.	CARE, DAI & the community groups are working on criteria which they will review with USAID.
	Non-conforming repairs (related to approved scope) approved	High	Medium	An assessment will be done which more clearly defines the criteria.	CARE & DAI are already: [1] active in donor coordination in the areas, [2] defining criteria, [3] making sure that activities are conform with other assistance being provided, and [4] creating lists of beneficiaries
	Construction/repairs performed for ineligible recipients	Medium	Rural - Low City - High	An assessment will be done which more clearly defines the criteria.	CARE will closely follow selection criteria.
	Construction/repairs rejected for eligible recipients	High	High	Criteria will be developed. The number of needy people outstrip the amount of resources.	USAID/Haiti will review portfolio of actives with its implementing partners and coordinate with other donors.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Time	Delays in identifying and approving beneficiaries	Medium	Low	An assessment will be done which more clearly defines the criteria.	CARE will ensure that assessments are done as early as possible.
Time	Delays in determination of what constitutes valid land tenure status	Medium	See control column.	Controls will depend on how this aid is formulated. USAID/Haiti is trying to avoid having to validate land tenure status. The Cooperative Housing Foundation (CHF) will submit a proposal.	Actions to take will depend on the contents of the proposal.
	Work not completed on time	High	Medium	6-month and 1-year timelines to identify what work needs to be done when. Quarterly reports and monthly progress reports. Bi-weekly meetings. Frequent field trips (at least monthly). Use of monitoring and evaluation (M&E) firms. Use of penalty clauses to motivate subcontractors to complete work on time.	Take corrective actions as needed to ensure all projects are completed within the program timeframe.
	Materials are unavailable	High	Low	USAID is using contractors that have prior experience in Haiti. Therefore, relationships with suppliers have already been established. In many cases, the subcontractors will be responsible for providing supplies & equipment.	CARE and DAI will keep track of materials they need and maintain close contact with their suppliers subcontractors.
	Delays due to imports & customs	High	Low.	Most goods to be sourced locally. There is authorization to lease 1/3 of the vehicles and purchase 1/3 of the vehicles locally due to time constraints.	CARE and DAI will keep track of materials they need and maintain close contact with their suppliers subcontractors. They will plan in advance and obtain waivers as needed.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Time	Delays because of dependency on work of others	High	Low	Some activities are contingent on approval by local communities, the Ministry of Public Works, or the Ministry of Agriculture, but USAID has a good working relationship with these groups and does not anticipate any delays from it. Some activities require environmental approval before beginning.	Maintain frequent communications with the government and local communities. Complete assessments early to allow time for environmental approval.
	Delays due to poor weather	High	Low-Medium	Weather cannot be controlled. Note that Gonaives receives only 12 days a year of rain other than hurricanes. Other areas may receive more rain.	Be flexible to adjust the schedule as dictated by the weather.
	Poor infrastructure may delay distribution of materials	High	Medium	The program will primarily use 4-wheel drive vehicles and large trucks. Some of the funds will be used to repair roads. It would be far too costly to repair all of the roads.	Be flexible to adjust the schedule as dictated by infrastructure limitations.
	Inexperienced or overextended sub-contractors may delay construction	Medium	Inexperienced – Low; Overextended - Medium	DAI & CARE will select experienced sub-contractors carefully.	CARE and DAI will thoroughly evaluate each proposal.
	Payment terms/availability of credit may delay construction	Medium	Low	Progress payments are standard operating practice at USAID/Haiti. CARE is able to draw funds from a letter of credit, which prevents delays. The Pan-American Development Foundation (PADF) received a large advance from CARE.	USAID/Haiti, along with a monitoring firm, will verify that the actual progress corresponds with the payment requests.
	Activities required to complete project not identified	Medium	Low	CARE & DAI will identify the complete work package for each job.	USAID/Haiti & the M&E firm will review work plans carefully.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Time	Unreasonable or unrealistic estimates were used	Medium	Low	Contractors and the mission staff are experienced, especially after going through Hurricane Mitch reconstruction.	CARE and DAI should be ready to amend the budget as needed.
	Schedule interdependencies not identified	Medium	Low	Work plans are developed and reviewed.	USAID/Haiti will closely monitor the work plans.
	Human resources not available when required	Medium	Low	There is a healthy supply of experienced contractors.	CARE and DAI should be ready to replace its employees and subcontractors as needed.
	Skill level/productivity of labor less than expected	Medium	Low	There are standards set for the non-skilled labor. For example, the cash-for-work program requires a minimum amount of mud to be removed each week. Skilled labor is readily available in Haiti.	The M&E firm will monitor the quality and efficiency of works.
	Changes to scope, repair plans, or construction designs delay project	Medium	Medium	Assessments will be developed and approved prior to implementation.	USAID/Haiti will closely monitor the work plans.
	Security concerns delay delivery of materials and access to worksites	High	High	Contractors have experience in this area of the country. CARE is well-established in the Gonaives area.	CARE and DAI will work closely with the community to get buy in for the activities. They will continue to interact with the community.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Cost	Resources (materials, labor, tools, equipment) and quantities required for in-scope repairs and construction not identified	High	Low	Assessments will be done up front. Assessments by partners will be monitored by the M&E firm and through frequent meetings and site visits. In many cases, subcontractors will be responsible for managing their resources.	CARE and DAI will keep track of materials they need and maintain close contact with their suppliers subcontractors. They will plan in advance and obtain waivers as needed.
Cost	Payroll padding	Medium	Low	Workers will be enrolled for payroll purposes at a central location. PADF uses experienced financial intermediaries to make payments. Regarding the cash-for-work program, team leaders keep track of who is present, and CARE makes random checks daily.	CARE and DAI will implement their financial controls to ensure that payroll is handled properly.
	Approximate costs of resources not developed	Medium	Low	Budgets were submitted during the proposal process.	Review budgets periodically to ensure that they are accurate.
	Bulk suppliers not identified	Low	Low	In many cases, subcontractors will be responsible for managing their resources.	CARE and DAI will keep track of materials they need and maintain close contact with their suppliers subcontractors. They will plan in advance and obtain waivers as needed.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
	Materials lost to shrinkage from warehousing/storage	Medium	Low	CARE controls access to the warehouse complex. The complex has armed guards 24 hrs/day. Receiving reports are signed by both the deliverer & warehouse recipient. 2 signatures are required when signing out all supplies. In many cases, subcontractors will be responsible for managing their resources.	CARE will implement controls to ensure that materials/supplies are not stolen or become spoiled.
	Schedule delays lead to unplanned overhead and administrative costs	Medium	Low	Use fixed fee awards.	Be flexible to adjust the schedule and the budget as dictated by unforeseen circumstances.
Cost	Procurements not competed as required	High	Medium	The procurement plan will be tied to the work plan. The Regional Contracting Officer and Cognizant Technical Officers (CTOs) will provide guidance to DAI and CARE.	USAID CTOs, with support from the contracting office, will monitor the procurement process. They will ensure that subawards are competed. They will coordinate with the contracting office to obtain waivers as needed.
	Cost to transport materials to work sites exceed the budget	Medium	Medium	4x4s are built-in to the contracts along with higher transportation rates.	Be flexible to adjust the budget as dictating by actual transport requirements.
	Theft of materials and supplies at staging area and/or job site	High	Medium	Site to be secured before beginning work. Site is fenced in. In many cases, subcontractors will be responsible for managing their resources.	Secure the job sites and implement other security controls.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
	Personal security of workers and supervisors at job site	High	Low	Workers primarily live in the community where the work takes place. Some workers and most visitors stay at 1 of 2 hotels in Gonaives. Outside the cities, personal security is not a major issue.	Follow security advice provided by the Regional Security Office.
	Cash payroll – risk of theft	High	Medium	Subcontractors will be responsible for paying their staff. Under the cash-for-work program, checks are issued to group leaders who distribute the proceeds to all workers. Most payments can be made by check or can be wired to bank accounts.	When possible, minimize the use of cash.
	Flooding/ Mudslides result in extra costs	High	Medium	Engineering studies are done in advance to identify vulnerable areas.	CARE and DAI will monitor worksites to ensure that safety precautions are implemented as required.
Cost	Repairs do not take into account structural damages	Medium	Low	USAID/Haiti will use the services of an engineering firm and the engineer at the Mission. A structural engineer will also be used.	Engineers will review the structural integrity of buildings that will be repaired prior to working on them.
	Start/stop/start of projects result in rusting, erosion, etc.	Medium	Low	1-year timeframe does not allow for work stoppages.	Follow the work plan.
	Unsafe work conditions result in extra costs	High	High	This is an important consideration in light of upcoming elections in Nov 05. Work in cities before campaigns begin and work in calmer areas during campaigns.	Be flexible to adjust the schedule as dictated by the security situation.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
	USAID funds disbursed for work that was not completed /not authorized /not substantiated /already paid for	High	Low	M&E firms are to be hired by USAID. Contractors and USAID staff are experienced. CTO briefly reviews and signs vouchers. The Financial Management Office (FM) will hire a financial analyst to conduct financial reviews.	USAID/Haiti will monitor the progress of activities. FM will conduct financial reviews and completion of work will be verified prior to making the last payment.
Quality	Quality standards are not established for roads, bridges, houses, etc.	High	Low	Contractors are developing proposed quality standards prior to starting construction.	USAID/Haiti and the M&E firm will review standards.
	Quality standards not met/ Construction standards unsuitable for conditions/ Substandard materials used	High	Medium	M&E firms and CARE & DAI quality assurance specialists are used to verify quality.	Ensure that the M&E firms are fulfilling their duties and perform independent checks for verification. Mission engineer to make site visits.
	Labor used for program not qualified	Medium	Low	Contractors are experienced. Program is designed to use a lot of unskilled labor in order to provide employment.	CARE and DAI will select their staff and contractors carefully to ensure that workers are qualified.

Risk Type	Risk	Significance of Risk	Likelihood of Occurrence	Control	Actions to Take
Quality	Construction or repairs will harm the environment	High	Low	Environmental reviews and approvals before initiation of construction. Contractors are experienced with environmental regulations. The program will use M&E firms and quality control people in the partner firms.	USAID/Haiti, CARE, and DAI will collaborate to ensure that environmental guidelines are followed.
	Monitoring inadequate in remote, difficult to reach areas	Medium	Low	The selected monitoring firm will be represented in Gonaives. USAID/Haiti staff will perform frequent field visits.	Ensure that the selected M&E firms have a strong local presence.

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