

# USAID

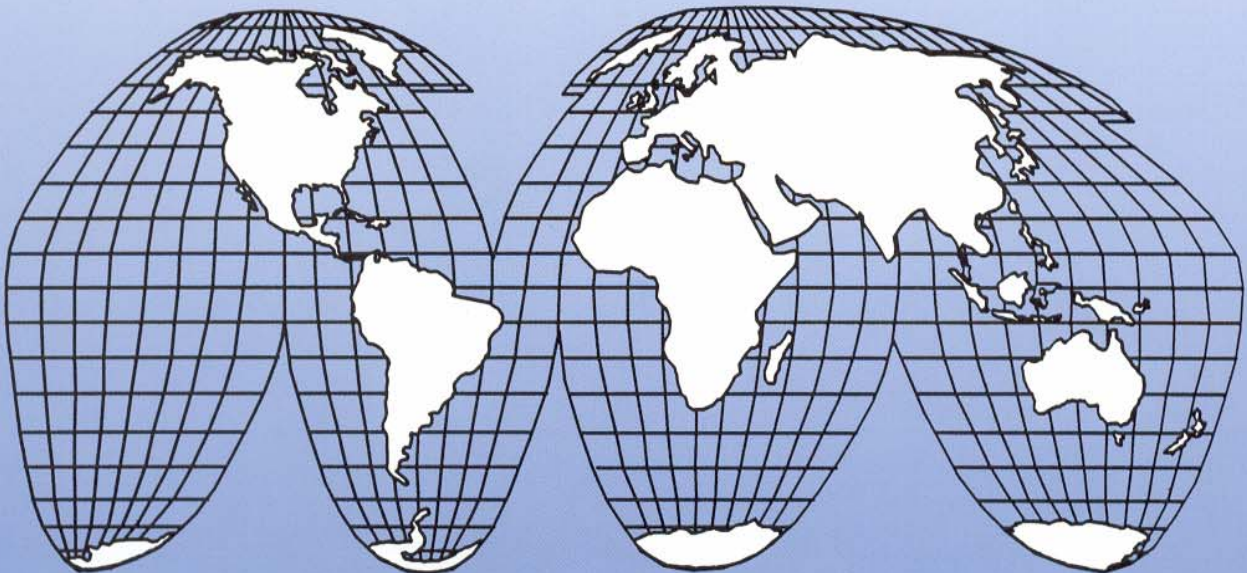
## OFFICE OF INSPECTOR GENERAL

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### **Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects Under the Earthquake Reconstruction Program**

**Audit Report No. 1-519-04-009-P**

**August 10, 2004**



**San Salvador, El Salvador**





August 10, 2004

**MEMORANDUM**

**FOR:** USAID/El Salvador Director, Mark Silverman

**FROM:** Regional Inspector General/San Salvador, Steven H. Bernstein  
“/s/”

**SUBJECT:** Audit of USAID/El Salvador’s Reconstruction of Schools, Healthcare Facilities, and Other Infrastructure Projects Under the Earthquake Reconstruction Program (Report No. 1-519-04-009-P)

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

The report includes no recommendations for your action. Once again, thank you for the cooperation and courtesy extended to my staff throughout the audit.

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## **Summary of Results**

As part of its fiscal year 2004 audit plan, the Regional Inspector General/San Salvador performed this audit to determine whether USAID/El Salvador's Earthquake Reconstruction Program outputs were on schedule to be completed by September 30, 2004 (page 6).

As of the time of our site visits, USAID/El Salvador's reconstruction activities of schools, healthcare facilities, and other infrastructure were on schedule to achieve planned outputs by September 30, 2004 (page 6).

The Mission agreed with the results of the audit but noted that a small number of projects would not be completed by September 30, 2004 (page 7).

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## **Background**

During the first two months of 2001, two powerful earthquakes struck El Salvador. According to a USAID/El Salvador web-page, the earthquakes killed over 1,159 persons and wounded 8,122. The disasters affected 1.5 million people or 25 percent of the country's population. The Mission designed a program that focused on revitalizing the social infrastructure of the rural poor. The program included reconstructing or repairing schools, childcare centers, clinics, markets and municipal office buildings.

In May 2003 the Government Accountability Office (GAO) issued an audit report that included findings on the USAID/El Salvador's earthquake reconstruction program. As related to reconstruction or repairing schools, childcare centers, clinics, markets, and municipal office buildings, the GAO's report (GAO-03-656) noted that several of these projects did not begin on schedule.

USAID/El Salvador budgeted about \$32 million to rebuild or repair 175 projects that were damaged or destroyed during the two earthquakes. In May 2001, the Mission officially began its earthquake reconstruction program by approving the activities that would be implemented. At the time of the audit, the Mission's deadline for program activities was September 30, 2004.<sup>1</sup> Details related to the type of projects and budgets, obligations, and expenditures as of March 31, 2004 by category are provided below in table 1.

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<sup>1</sup> The strategic objective grant agreement between USAID/El Salvador and the government of El Salvador was originally set to expire on September 30, 2003, but was extended to September 30, 2004.

Table 1 – Program budgets, obligations, and expenditures (amounts not audited)

Activity	As of March 31, 2004		
	Budget	Obligated	Expended
Schools	\$8,992,000	\$8,984,637	\$4,767,221
Public Health	4,935,714	4,935,714	3,067,891
Water & Sanitation	9,585,230	9,545,728	9,460,578
Markets	3,450,000	3,450,000	947,330
Municipal Buildings	3,673,500	3,673,500	820,874
Miscellaneous Small Infrastructure Projects <sup>2</sup>	1,311,000	1,248,583	884,056
<b>Total</b>	<b>\$31,947,444</b>	<b>\$31,838,162</b>	<b>\$19,947,950</b>

## Audit Objectives

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

- Were USAID/El Salvador’s reconstruction activities of schools, healthcare facilities, and other infrastructure on schedule to achieve planned outputs?

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

## Audit Findings

As of the time of our site visits, USAID/El Salvador’s reconstruction activities of schools, healthcare facilities, and other infrastructure were on schedule to achieve planned outputs by September 30, 2004.

Site visits were conducted between March 18, 2004 and April 19, 2004. Conclusions that individual projects were on schedule were determined considering the physical progress of the project noted



Photograph taken in March 2004 of an Office of Inspector General auditor and project personnel inspecting a reconstruction project site near Sonsonate, El Salvador.

<sup>2</sup> The miscellaneous category included small scale bridges, water systems, schools, health clinics, and road improvements.



during site visits compared against completion dates specified in project agreements, construction plans, and construction schedules. The progress observed, considered with planned start dates and planned durations, led to conclusions that activities could be completed on schedule. Specifically, in assessing whether projects were on schedule we considered the following:

- Completion dates outlined in project agreements
- Planned amount of time required to complete the project
- Construction plan at site
- Physical progress compared to agreement and construction schedules
- Time remaining before September 30, 2004 deadline
- Planned corrective action, if required

Results from visits to 60 randomly selected projects showed that program activities were on schedule. Details regarding the progress of the 60 projects that were on schedule are presented in table 2.

Table 2 – Status of projects visited as of the date of site visits

<b>Project Type</b>	<b>Completed</b>	<b>In Process</b>	<b>Not Started</b>	<b>Total</b>
Schools	13	7	3	23
Public Health	1	1	0	2
Water & Sanitation	16	0	0	16
Markets	0	1	1	2
Municipal Buildings	0	2	0	2
Miscellaneous Small Infrastructure Projects	13	2	0	15
<b>Total</b>	<b>43</b>	<b>13</b>	<b>4</b>	<b>60</b>

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**Management  
Comments  
and Our  
Evaluation**

The Mission agreed with the results of the audit but noted that a small number of projects would not be completed by September 30, 2004. According to Mission management, the completion date has been extended until November 2004 for 5 of the 175 projects. This represents approximately 3 percent of the projects under the earthquake reconstruction program. Based on the significance criteria established to determine the significance of our findings, this would not have affected our audit conclusion.

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

The Regional Inspector General/San Salvador conducted this audit in accordance with generally accepted government auditing standards.

The earthquake reconstruction program developed 175 projects. The audit was conducted at the offices of USAID/El Salvador and at 60 project sites throughout the country. According to Mission records, approximately \$32 million had been obligated for earthquake reconstruction program infrastructure activities.

In planning and performing the audit, we assessed the effectiveness of management controls related to monitoring housing construction progress. The management controls identified included monthly monitoring reports, program supervision by activity managers, use of performance management plan to monitor results, and oversight provided by the U.S. Army Corps of Engineers.

Audit fieldwork was conducted from February 17 through June 7, 2004.

**Methodology**

To determine whether earthquake reconstruction activities were on schedule, we reviewed project agreements, construction plans, construction schedules, and visited project sites. At project sites, we toured the works and assessed whether progress was consistent with agreements and plans. We also assessed whether there were obvious deficiencies in the construction completed. Our review of progress was limited to tasks that could be carried out by lay persons, not professional engineers. Some of these included the following:

- Examining floors for cracks
- Examining pipes and faucets for leaks
- Examining water tanks for leaks
- Checking that floors were level and walls were plumb
- Checking water pressure
- Determining whether roofs had been installed
- Noting flaking in masonry or mortar

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Our site visit strategy was based on a statistical sample that used an expected error rate of five percent and was designed to provide 95 percent confidence with plus/minus four percent precision. The resulting sample size was 60 projects, out of 175.

To determine the significance of our findings, we considered the following:

<b>Opinion</b>	<b>Significance Criteria</b>
<b>Positive</b>	More than 90 percent of the items tested were on schedule to be completed by September 30, 2004.
<b>Qualified</b>	Between 80 and 90 percent of the items tested were on schedule to be completed by September 30, 2004.
<b>Negative</b>	Less than 80 percent of the items tested were on schedule to be completed by September 30, 2004.

**Management  
Comments**

Date: July 2, 2004

To: John Vernon, A/RIG/San Salvador

From: Mark Silverman, DIR

Subject: Audit of USAID/El Salvador's Reconstruction of Schools, Healthcare Facilities, and other Infrastructure Projects under the Earthquake Reconstruction Program.

We have reviewed your subject draft report and are pleased to know that your office has completed its audit of the non-housing infrastructure activities and that the audit report contains no recommendations for USAID action.

We also agree that, although activities were on schedule at the time of audit, some of them are encountering schedule pressure that will delay completion beyond September 30, 2004. The Mission will continue to monitor progress and encourage project completion as soon after September 30, 2004 as possible.