

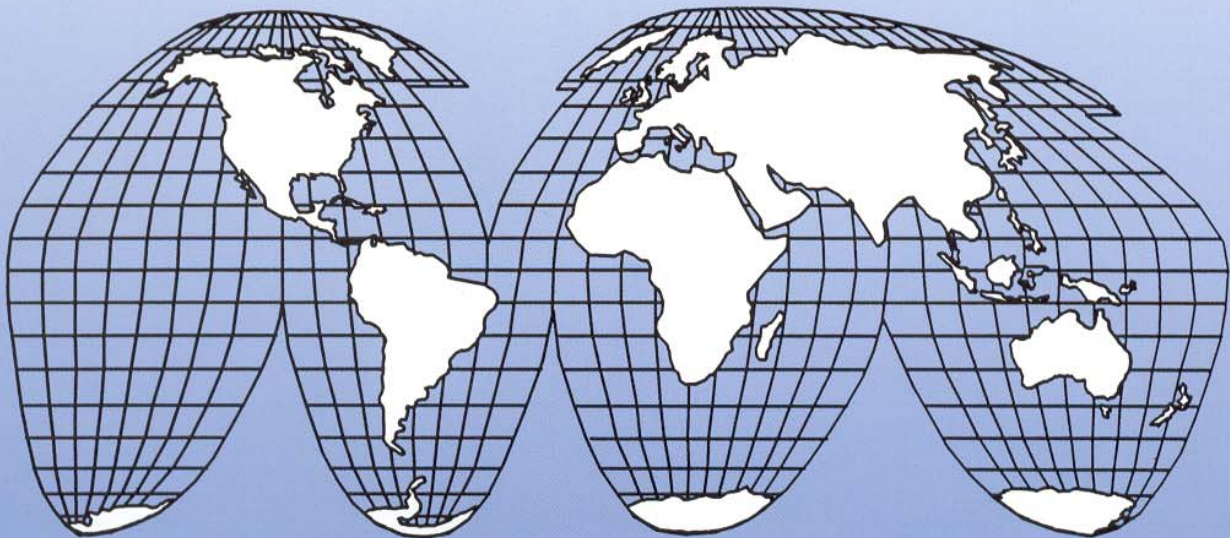
USAID

OFFICE OF INSPECTOR GENERAL

**Audit Follow-up Review of Recommendation Nos. 1 and 2
from the Audit of USAID/Mozambique's Performance
Monitoring of Road Repair and Reconstruction Activities
Funded by the Southern Africa Floods Supplemental
Appropriations, Report No. 4-656-03-001-P**

Audit Report No. 4-656-04-007-P

April 23, 2004



PRETORIA, SOUTH AFRICA



April 23, 2004

MEMORANDUM

FOR: USAID/Mozambique Mission Director, Jay L. Knott

FROM: Regional Inspector General/Pretoria, Jay Rollins /s/

SUBJECT: Audit Follow-up Review of Recommendation Nos. 1 and 2 from the Audit of USAID/Mozambique's Performance Monitoring of Road Repair and Reconstruction Activities Funded by the Southern Africa Floods Supplemental Appropriations, Report No. 4-656-03-001-P (Report No. 4-656-04-007-P)

This memorandum is our report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments, in their entirety, as Appendix II in this report.

This report does not include any recommendations. In response to the draft report, USAID/Mozambique fully concurred with the findings of this audit.

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

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Summary of Results

The Regional Inspector General/Pretoria, conducted this audit to determine whether USAID/Mozambique took corrective action to justify final action for Recommendation Nos. 1 and 2 of the Office of Inspector General's Audit Report No. 4-656-03-001-P. (See page 6.)

The audit found that USAID/Mozambique has taken corrective action on both recommendations to justify final action. In part, the Mission responded to the recommendation by compelling the construction contractor's employer and the engineering consulting firm to pressure the construction contractor to complete the EN211 road segment in a timely manner. The Mission also obtained (1) written weekly construction progress reports and (2) a revised completion and flood damage repair program that provided a time line for the project through its completion date of August 9, 2003. (See page 7.) Further, the Mission evaluated the performance of the two engineering consulting firms, evaluations that resulted in Contractor Performance Reports. (See pages 7-8.)

In response to the draft report, USAID/Mozambique fully concurred with the findings of this audit. Therefore, we consider that no additional action is required. (See page 9.)

Background

During the year 2000, southern Africa experienced the worst flooding in a century. Hardest hit was the country of Mozambique. To help alleviate problems caused by this flooding, the U.S. Congress passed emergency supplemental appropriations totaling \$160 million. These supplemental appropriations were to provide immediate rescue, relief, resettlement and reconstruction activities in the affected countries. USAID/Mozambique programmed \$35 million of the supplemental appropriations to repair and reconstruct damaged road segments totaling 206 kilometers and one major bridge.

On January 31, 2003, the Office of Inspector General (OIG) issued Audit Report No. 4-656-03-001-P. This report stated that USAID/Mozambique generally implemented and monitored its road and bridge repair and reconstruction activities under the supplemental appropriations in accordance with USAID policies and procedures. The report also addressed OIG concerns regarding USAID/Mozambique's actions in response to problems identified with the contractor's performance on the EN211 road segment, which had an original completion date of August 19, 2002, but was substantially delayed. There were also concerns regarding the substandard quality of work for this road segment. Finally, the report stated that USAID/Mozambique did not conduct required annual performance evaluations for two engineering consulting firms with which it had direct contracts. Thus, vital information on the contractors' performance had not been officially documented. Therefore, the OIG recommended that USAID/Mozambique:

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- Develop a plan of action to overcome known shortfalls in the reconstruction of the EN211 road segment and include in that plan a definitive timeframe for the timely completion of the road segment.
 - Conduct a current performance evaluation of the two engineering consulting firms contracted to provide design and supervision services for the repair and reconstruction of road segments and bridges funded under the Southern Africa Floods Supplemental Appropriations, and prepare a Contractor Performance Report documenting the results of the evaluations.

Work on the EN211 road segment included the repair and reconstruction of 47 kilometers of road between the EN1 road segment and the town of Nova Mambone on the eastern coast of Mozambique. USAID/Mozambique agreed to provide 94 percent of the total reconstruction contract funding. Based on that percentage, USAID/Mozambique's share of the EN211 road segment was \$7.9 million.¹ The EN211 road segment was completed on August 9, 2003. On August 20, 2003, USAID/Mozambique submitted a memorandum to USAID's Office of Management Planning and Innovation (MPI) that requested MPI close the recommendations made in Audit Report No. 4-656-03-001-P. The memorandum documented actions taken by the Mission and provided information on implementation of the audit recommendations. Based on the Mission's submission, on September 3, 2003, MPI determined that final action was complete for both recommendations and that no further action was required. The audit in this report, designed to follow-up on the recommendations from the prior audit described above, covers the period from January 2003 through February 2004.

Audit Objective

This recommendation follow-up audit was conducted in accordance with the U.S. Office of Management and Budget's Circular No. A-50 and Office of Inspector General (OIG) audit policy, which requires the OIG to follow up on recommendations that have been closed. Specifically, the audit was conducted to answer the following question:

- Did USAID/Mozambique take corrective action to justify final action for Recommendation Nos. 1 and 2 of Audit Report No. 4-656-03-001-P?

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

Audit Finding

Did USAID/Mozambique take corrective action to justify final action for Recommendation Nos. 1 and 2 of Audit Report No. 4-656-03-001-P?

¹USAID/Mozambique's original cost estimate for its share was \$6.8 million. According to a USAID/Mozambique official, most of the increased costs were due to additional work and materials needed for the roadway when it was damaged during a March 2003 cyclone.

USAID/Mozambique has taken corrective action on Recommendation Nos. 1 and 2 to justify final action.

In response to Recommendation No. 1, the Mission has taken corrective action to justify final action on this recommendation. According to Mission officials, this repair and reconstruction effort was performed under a host country contract. As such, the Mission officials believed that they could not unilaterally develop a plan of action and a definitive timeframe for the timely completion of the road segment since this was the responsibility of the construction contractor. Instead, the Mission responded to the recommendation by compelling the construction contractor's employer (who was the responsible host country agency) and the engineering consulting firm to pressure the construction contractor to complete the EN211 road segment in a timely manner. In addition, the Mission continued to hold monthly meetings with the major stakeholders to address the status of the reconstruction. In March 2003, Cyclone Japhet damaged both completed and uncompleted portions of the EN211 road segment. According to a Mission official, this damage resulted in delaying the completion of the road until August 2003. (Audit Report No. 4-656-03-001-P reported that the original estimated completion date for this road segment was August 19, 2002, and was later revised by the Mission until March or April 2003.) The Mission had obtained a written Revised Completion and Flood Damage Repair Program that provided a time line for completing the EN211 road segment. Finally, the Mission obtained weekly progress reports from the engineering contractor that measured the reconstruction progress against the revised schedule. On August 9, 2003, the EN211 road segment was completed. These actions taken by the Mission justified final action for Recommendation No. 1.



Above are photos of the EN211 road segment taken at a water fountain in Nova Mambone, Mozambique. The pre-reconstruction photo on the left was taken in November 2001 and the post-reconstruction photo on the right was taken in February 2004. (Photos provided by USAID/Mozambique.)

In response to Recommendation No. 2, the Mission has taken corrective action to justify final action on this recommendation. This required that the Mission conduct a current performance evaluation of the two engineering consulting firms

contracted by the Mission to provide design and supervision services for the repair and reconstruction of road segments and bridges funded under the Southern Africa Floods Supplemental Appropriations and that it prepare a Contractor Performance Report (CPR) documenting the results of the evaluations.

The Mission evaluated the performance of the two engineering consulting firm's evaluations which formed the basis for written CPRs. An interim CPR was prepared by the Mission for one engineering consulting firm for the period October 12, 2000, to June 30, 2003. As required, this CPR was entered into the National Institutes of Health's (NIH) database. NIH maintains the Contractor Performance System for several departments and agencies of the U.S. Government. According to a Mission official, USAID/Mozambique did not know if this contractor entered any responses into the NIH database because, after losing their Contracting Officer in July 2003, the Mission staff has not been able to gain access to the NIH database. This is because only the Mission's Contracting Officer had access to the database. Mission officials said that they would issue a final CPR once the defect liability period ends for the EN211 road segment in August 2004.

The Mission completed a final CPR for the second engineering consulting firm for the period October 12, 2000, to April 30, 2003. However, the Mission encountered difficulties trying to enter the Dunn and Bradstreet (D&B) number for the engineering consulting firm. According to a Mission official, for some unknown reason the D&B number was not being accepted by the NIH database. Although the CPR is in the NIH database, without the D&B number, the database record for that firm is incomplete. The Mission has tried to resolve this problem with NIH, but without success.

USAID/Mozambique has taken sufficient action to support the closure of Recommendation Nos. 1 and 2. Nevertheless, there are some additional activities that the Mission should consider, activities that will further enhance the actions already taken in response to Recommendation No. 2. Therefore, we are making the following suggestions:

- We suggest that USAID/Mozambique determine if the first engineering consulting firm has responded to the Mission's interim Contractor Performance Report. This information might be helpful for the Mission when it prepares the final Contractor Performance Report for the firm.
- We suggest that USAID/Mozambique continue its efforts to resolve the D&B number problem for the second engineering consulting firm in its final Contractor Performance Report.

**Management
Comments
and Our
Evaluation**

In response to our draft report, USAID/Mozambique management fully concurred with the findings of this audit and expressed appreciation for RIG/Pretoria's continued cooperation and support. Therefore, no additional action is required.

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

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The audit covered the period from January 2003 through February 2004 and reviewed the corrective final actions taken by the Mission on Recommendation Nos. 1 and 2 from our January 2003 audit report on USAID/Mozambique's performance monitoring of road repair and reconstruction activities funded by the Southern Africa Floods Supplemental Appropriations. In planning and performing this audit, we tested and assessed significant management controls, specifically, the Mission's monitoring activities of the completion of the EN211 road segment and its efforts to respond to audit recommendations. The types of evidence examined during the audit included—but were not limited to—the Mission's monitoring of the road repair and reconstruction activities, including internal documents and external correspondence with major stakeholders. Additional evidence included Mission documents provided to USAID's Office of Management Planning and Innovation (MPI), including the Mission's request and the supporting documentation that was the basis for MPI's determination that final action was complete.

The audit was conducted at USAID/Mozambique in Maputo, Mozambique, from February 9 to 13, 2004. The audit included a field visit to the completed EN211 road segment.

Methodology

The purpose of this audit was to review the Mission's corrective final actions on Recommendation Nos. 1 and 2. Specifically, the audit was designed to answer the question, "Did USAID/Mozambique take corrective action to justify final action for Recommendation Nos. 1 and 2 of Audit Report No. 4-656-03-001-P?" To answer the audit's objective, we reviewed Mission documents and interviewed Mission officials. Some of these Mission documents were (1) billed and estimated final quantities and costs of the EN211 road segment, (2) construction time-line chart, (3) weekly construction progress reports, and (4) contractor performance reports. Further, we reviewed correspondence between USAID/Mozambique and MPI. This correspondence included the Mission's request and supporting documentation asking that MPI close the recommendations made in Audit Report No. 4-656-03-001-P. We also reviewed MPI's correspondence, which stated that final action was complete for both recommendations.

We also relied upon Audit Report No. 4-656-03-001-P (issued by RIG/Pretoria on January 31, 2003), on which this review was based, in order to (1) identify and review the criteria that had been used and (2) gain an understanding of the reported findings. We reviewed both Recommendation Nos. 1 and 2 and the associated critical findings identified in the prior audit report. For each finding,

we determined if the problem areas had been addressed. These determinations were based on professional judgment and served as the basis for deciding whether to concur that reported corrective actions effectively addressed Recommendation Nos. 1 and 2. Finally, we made a field visit to the EN211 road segment and drove along the entire segment to view the completed reconstruction.

The nature of this audit did not lend itself to materiality thresholds; thus none were developed.

Management
Comments



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MEMORANDUM

To: Jay Rollins
Regional Inspector General/Pretoria

From: Jay L. Knott /s/
Mission Director, USAID/Mozambique

Date: April 19, 2004

Reference: Your e-mail dated 03/23/04 on Draft Report on Audit Follow-up
Review of Recommendation Nos. 1 and 2 from
USAID/Mozambique Road Audit

Subject: Audit Follow-up Review of Recommendations Nos. 1 and 2 from
the Audit of USAID/Mozambique's Performance Monitoring of
Road Repair and Reconstruction Activities Funded by the
Southern Africa Floods Supplemental Appropriations, Report No.
4-656-03-001-P (Report No. 4-656-04-XX-P)

We refer to RIG/Pretoria's recent Audit Follow-up on the above audit and to the draft report received by the Mission on March 23, 2004. USAID/Mozambique fully concurs with the findings of this audit and appreciates RIG/Pretoria continued cooperation and support.