

**Audit of the Eastern Caribbean Regional Reconstruction
Activities Financed Under the Central America and the
Caribbean Emergency Disaster Recovery Fund**

Audit Report No. 1-538-02-008-P

April 1, 2002

Regional Inspector General/San Salvador



U.S. Agency for
International
Development

RIG/San Salvador

April 1, 2002

MEMORANDUM

FOR: USAID/Jamaica Director, Mosina H. Jordan

FROM: RIG/San Salvador, Timothy E. Cox

SUBJECT: Audit of the Eastern Caribbean Regional Reconstruction Activities
Financed Under the Central America and the Caribbean
Emergency Disaster Recovery Fund (Report No. 1-538-02-008-P)

This memorandum is our report on the subject audit.

This report does not contain any recommendations for your action. Your comments to our draft report have been included, in their entirety, as Appendix II.

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

Summary of Results

As part of its fiscal year 2002 audit plan, the Regional Inspector General/San Salvador performed this audit to determine whether Eastern Caribbean disaster reconstruction activities, financed under the Central America and the Caribbean Emergency Disaster Recovery Fund, were on schedule to achieve the planned outputs. (See page 4.)

We found that the Eastern Caribbean disaster reconstruction activities were on schedule to achieve the planned outputs. (See pages 5 through 6.)

USAID/Jamaica agreed with the report and our findings. (See page 6.)

Background

In September 1998, Hurricane Georges swept across the eastern Caribbean. It caused severe damage to the economic and social infrastructure of Antigua, Barbuda, St. Kitts and Nevis. St. Kitts and Nevis – the country hardest hit by the hurricane – suffered damage estimated to be more than one and one-half times the country's gross domestic product. Hurricane Georges was followed in November 1999 by a stronger hurricane, Hurricane Lenny. As a result of Hurricane Lenny, large portions of the western coastlines of Antigua, Dominica, Grenada, and St. Lucia were damaged. Sea defense walls collapsed, and coastal highways were washed away.

In May 1999, Congress passed the Emergency Supplemental Appropriations Act, creating the Central America and the Caribbean Emergency Disaster Recovery Fund, which provided a total of \$621 million in reconstruction assistance for countries hit by hurricanes.¹ Of the \$621 million, USAID/Jamaica received \$8.1 million because it was responsible for managing the hurricane recovery programs in the eastern Caribbean.

Using this funding provided by Congress, USAID/Jamaica and the Organization of Eastern Caribbean States signed two limited scope grant agreements; one for Hurricane Georges recovery, totaling \$3.5 million² and dated September 17, 1999; and one for Hurricane Lenny recovery, totaling \$5.1 million and dated June 27, 2000. USAID/Jamaica planned to spend the \$8.6 million on several activities by December 31, 2001.

The following table lists the activities audited and, as reported by USAID/Jamaica's financial accounting system, obligations and accrued expenditures for these activities as of December 31, 2001.

¹ Also includes funding to Colombia for earthquake damage.

² Of this amount, \$500,000 came from development assistance and child survival appropriations, not the emergency supplemental appropriation.

Intermediate Result (IR) Descriptions by Hurricane	Implementers	Obligations 12/31/01 (unaudited)	Accrued Expenditures 12/31/01 (unaudited)
Georges IR1: Hospital Services Restored	Pan American Health Organization and USAID/Jamaica	\$1,800,000	\$1,709,999
Georges IR2: Local Capacity to Mitigate Disasters Enhanced	Organization of American States	1,150,000	1,149,999
Georges IR3: Economic Activities Reactivated	Foundation for National Development	368,000	350,000
Lenny IR1: Key Sea Defense Systems and Coastal Highways Reconstructed	Smith Warner International LTD and the Governments of Dominica, St. Lucia and Grenada	4,259,952	4,087,122
Lenny IR2: Key Personnel Trained in Specialized Areas	Organization of American States	550,000	550,000
Lenny IR3: Integrated Coastal Management Plans Developed ³	National Oceanic and Atmospheric Administration	191,500	191,500
USAID Project Management	USAID/Jamaica	280,548	227,083
TOTAL		\$8,600,000	\$8,265,703

Audit Objective

As part of its fiscal year 2002 audit plan, the Regional Inspector General/San Salvador performed the audit to answer the following question:

- Are Eastern Caribbean disaster reconstruction activities, financed under the Central America and the Caribbean Emergency Disaster Recovery Fund, on schedule to achieve the planned outputs?

The audit scope and methodology is presented in Appendix I.

³ Smith Warner International LTD is also developing Integrated Coastal Management Plans, but the funding is included in the mission's financial accounting system under Lenny IR1.

Audit Findings

Are Eastern Caribbean disaster reconstruction activities, financed under the Central America and the Caribbean Emergency Disaster Recovery Fund, on schedule to achieve the planned outputs?

The Eastern Caribbean disaster reconstruction activities were on schedule to achieve planned outputs. The following table summarizes the outputs planned and achieved as of the time of audit fieldwork.

	Hurricane and IR	Description of Output Planned to be Completed as of 12/31/01	Percentage of Completion
1	Georges—IR1	Construct a 24-Bed Pediatric Ward	100%
2	Georges—IR1	Provide Hospital Equipment	72%
3	Georges—IR1	Train Health Personnel	100%
4	Georges—IR1	Design Hospital’s Wastewater Outfall	100%
5	Georges—IR2	Train Disaster Committee Members	100%
6	Georges—IR2	Produce Multi-Hazard Maps	100%
7	Georges—IR2	Formulate Hazard Mitigation Policies	100%
8	Georges—IR2	Train/Consult in the Area of Building Codes	100%
9	Georges—IR2	Develop Emergency Shelter Policies	100%
10	Georges—IR2	Train Personnel in Shelter Management	100%
11	Georges—IR2	Conduct Structural Vulnerability Audits	100%
12	Georges—IR2	Implement a Public Information Campaign	100%
13	Georges—IR3	Provide Loans to Micro/Small Businesses	100%
14	Lenny—IR1	Construct Sea Defenses/Roads in Soufriere, St. Lucia	91%
15	Lenny—IR1	Construct Sea Defenses/Drainage in Gros Islet, St. Lucia	88%
16	Lenny—IR1	Construct Sea Defenses/Roads in Cabrits, Dominica	97%
17	Lenny—IR1	Construct Sea Defenses/Roads in Gouyave, Grenada	99%
18	Lenny—IR2	Train Personnel in Coastal Management	100%
19	Lenny—IR2	Recommend Policies to Ensure Continuity in Coastal Management	100%
20	Lenny—IR3	Develop an Integrated Coastal Management Plan (ICMP) for Antigua	90%
21	Lenny—IR3	Create, and Train in the Use of, a Geographic Information System Database	100%
22	Lenny—IR3	Develop an ICMP for Gros Islet, St. Lucia	90%
23	Lenny—IR3	Develop an ICMP for Soufriere, St. Lucia	90%

Since audit fieldwork ended less than one month prior to the scheduled completion of reconstruction activities, planned outputs were those outputs expected by the mission to be completed as of December 31, 2001. The percentage of completion was calculated based on what had been accomplished as of the time of our fieldwork. We verified actual accomplishments in several ways as follows:

- For half of the outputs (by dollar value), we physically observed the work completed to date and verified that mechanisms were in place to ensure that the work met specifications, such as independent quality testing by qualified engineers (Output Numbers 1, 2, 14, 15, and 16).
- For most construction activities, we reviewed invoices paid to ensure that the proper certifications of work performed were completed (Output Numbers 14, 15 and 16).
- For the training and loan activities, we performed one or more of the following steps: 1) reviewed USAID/Jamaica's progress reports;⁴ 2) reviewed implementers' progress or final reports; and 3) interviewed recipients of training during our site visits (Output Numbers 3, 5, 8, 10, 13, 18, and 21).
- For outputs regarding the development of plans, policies, maps, vulnerability audits, and the wastewater outfall, we reviewed the products produced by implementing organizations (Output Numbers 4, 6, 7, 9, 11, 19, 20, 22, and 23).
- For the remaining outputs, we relied on mission site visit and progress reports as evidence of accomplishments against planned outputs (Output Numbers 12 and 17).

Because more than 90 percent of the planned outputs were at least 90 percent complete as of the time of audit fieldwork, we concluded that the Eastern Caribbean reconstruction activities were on schedule to achieve planned outputs.

**Management
Comments and
Our Evaluation**

USAID/Jamaica, in its comments to our draft report, agreed with the report and findings.

⁴ Progress and final reports detailed training subject matters, number of participants and/or dates of training.

Scope and Methodology**Scope**

We audited Eastern Caribbean reconstruction activities, financed under the Central America and the Caribbean Emergency Disaster Recovery Fund, in accordance with generally accepted government auditing standards. According to USAID/Jamaica, obligations and accrued expenditures, as of December 31, 2001, totaled \$8.6 million and \$8.3 million, respectively.

We conducted the audit at USAID/Jamaica and various sites in St. Lucia, Dominica, and St. Kitts. We conducted the audit from November 27, 2001 to December 14, 2001, and covered the period from September 17, 1999 (the signing of the first limited scope grant agreement that resulted in the first obligation) to December 7, 2001 (the date of our last site visit).

The audit focused on whether the reconstruction activities were on schedule to achieve their planned outputs. Planned outputs were determined by reviewing implementation documents, such as contracts, grants and cooperative agreements, and by interviewing the USAID/Jamaica project manager.

We assessed the mission's management controls related to monitoring the reconstruction activities. Specifically, we assessed its controls for approving sub-awards and host country contracts; reviewing progress and financial reports; performing site visits; and monitoring the quality and timeliness of outputs.

Methodology

To answer the audit objective, we reviewed documentation at USAID/Jamaica, which included project design documents and implementing agreements between parties. In addition, we reviewed implementing organizations' progress reports, sub-awards and/or construction tender documents and contracts.

We interviewed USAID/Jamaica officials, a mission-hired engineering consultant, and construction supervisors. We assessed the mission's risk exposure and effectiveness of its management controls in order to determine the extensiveness of site visits necessary to validate outputs achieved. Following this assessment, we judgmentally selected four sites to visit based on dollar values and perceived vulnerabilities. The sites selected were all construction activities with high costs associated with them. We performed site visits relating to 6 of the 23 outputs, or approximately 50 percent of the \$8.6 million obligated. In addition, we validated the achievement of other outputs by reviewing products. For example, for the outputs to develop Integrated Coastal Management Plans,

we reviewed the draft plans. For the remaining outputs, we performed other audit tests as detailed on page six.

We considered that reconstruction activities were on schedule if at least 90 percent of the planned outputs were at least 90 percent complete as of the time of our audit. This threshold reflected our judgments about the level of performance that was practical and achievable for the audited activities.

**Management
Comments**



**USAID/J-Car.
Director's Office**

Memorandum

To: Timothy Cox, Regional Inspector General, San Salvador

From: Mosina Jordan, Mission Director [signed]

CC: Mary E. Lew, Regional Controller, USAID/Jamaica-Car.

Date: March 1, 2002

Subject: Audit of the Eastern Caribbean Regional Reconstruction Activities Financed Under the Central America and the Caribbean Emergency Disaster Recovery Fund (CACEDRF). Audit Report No. 1-538-02-00X-P

We have reviewed the draft on the captioned and concur with the findings that the Eastern Caribbean disaster reconstruction activities were on schedule to achieve the planned outputs. We note that the total awarded includes Development Assistance and Child Survival funds amounting to five hundred thousand dollars (\$500,000). It is our understanding that the final report will be amended to include amounts directly related to CACEDRF.

It was a pleasure having your staff during the audit.