

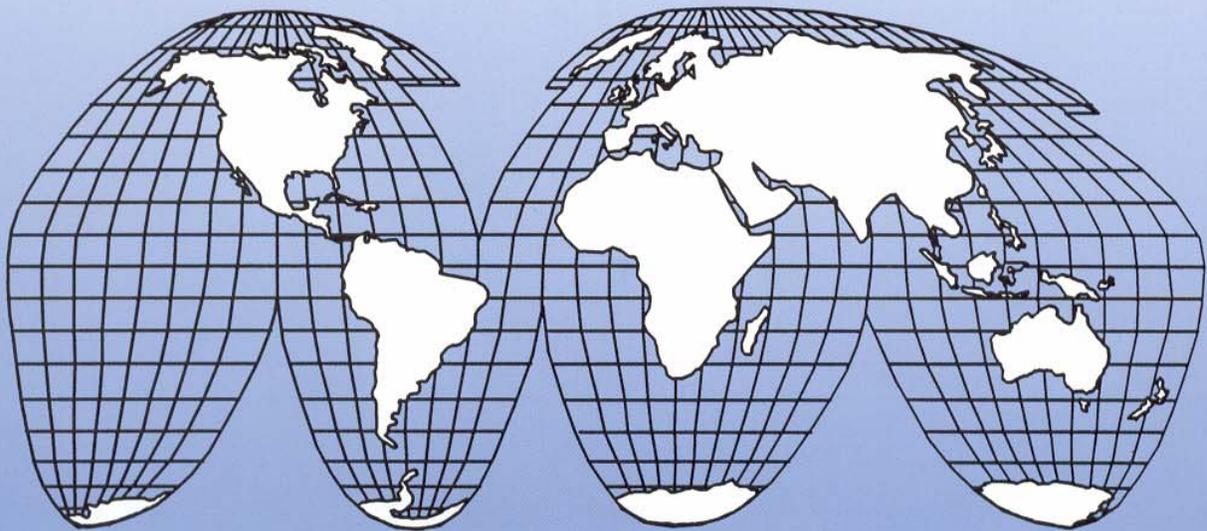
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Colombia-Financed Subawards

Audit Report No. 1-514-05-003-P

December 21, 2004



San Salvador, El Salvador



December 21, 2004

MEMORANDUM

FOR: USAID/Colombia Director, J. Michael Deal
USAID/Colombia Contracting Officer, Yvette Feurtado

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

SUBJECT: Audit of USAID/Colombia-Financed Subawards (Report No. 1-514-05-003-P)

This memorandum transmits our final 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 five recommendations. Based on your comments and the documentation provided, final action has been taken, and the recommendations are closed upon issuance of this report.

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 2004 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following question:

- Did USAID/Colombia's development partners follow agreement provisions for awarding and administering subawards?

USAID/Colombia's development partners did not follow agreement provisions for awarding and administering subawards. (Page 7) One USAID/Colombia development partner entered into cooperative agreements which were not allowed under its contract with USAID, and eleven of USAID/Colombia's development partners did not comply with requirements to compete awards as required in section 303 of the USAID Automated Directives System (ADS) and in section 52.244-5 of the Federal Acquisition Regulations, they did not evaluate proposals in accordance with ADS E303.5.5c, they did not obtain all required certifications, and they did not include all required standard provisions in the subaward agreements. USAID/Colombia's cognizant technical officers did not provide sufficient guidance to the development partners regarding the requirements for making subawards. (Pages 7 through 14)

We are making five recommendations that USAID/Colombia issue instructions to its development partners to comply with the competition requirements, evaluate proposals in accordance with ADS E303.5.5c, obtain the required certifications, and include all required standard provisions in the subawards; and that the cognizant technical officers be provided refresher training. (Pages 7 through 14)

USAID/Colombia accepted the findings and recommendations presented in this report and took appropriate corrective actions. Accordingly, final action has been taken upon each of the recommendations, and the recommendations are closed upon issuance of this report. (Page 14)

Background

USAID/Colombia grew tremendously when its program budget increased from \$6 million in 1999 to \$131 million in 2000-2001, and the program budget only decreased slightly in the following years. Program budgets for fiscal years 1999 through 2004 were:

Table No. 1: USAID/Colombia Program Expenditures	
Fiscal Year	Program Budget
1999	\$ 6,000,000
2000-2001 ¹	\$131,149,100
2002	\$107,254,000
2003	\$121,041,000
2004	\$120,024,061

Note: Amounts were not audited.

In order to handle this tremendous increase in its budget, USAID/Colombia has more than doubled its staff the past four years.

USAID/Colombia implemented its programs through contractors and grantees (hereinafter referred to as development partners), 15² of which entered into subcontracts, subgrants, and sub-agreements (collectively referred to hereinafter as subawards), primarily with local non-governmental organizations and government units. The 15 development partners entering into subawards were:

- ◆ Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance (ACDI/VOCA)
- ◆ Associates in Rural Development (ARD) – SO1
- ◆ ARD – Colombia Agribusiness Partnership Program (CAPP)
- ◆ Carana Corporation (Carana)
- ◆ Casals & Associates (Casals)
- ◆ Checchi and Company Consulting (Checchi)
- ◆ Chemonics International (Chemonics) – Colombia Alternative Development (CAD)
- ◆ Chemonics-Forestry
- ◆ Cooperative Housing Foundation International (CHF)
- ◆ Georgetown University
- ◆ International Organization for Migration (IOM)
- ◆ Land O'Lakes, Inc.
- ◆ Management Sciences for Development (MSD)

¹ Amount of budget in fiscal year 2000 utilized over two fiscal years.

² Associates in Rural Development had two separate offices, each with its own program under a separate contract with USAID/Colombia. ARD-CAPP managed an alternative development program, and ARD-SO1 managed a democratic local government program. Chemonics International also had two separate offices, each with its own program under a separate contract with USAID/Colombia. Chemonics-CAD managed an alternative development program, and Chemonics-Forestry managed a forestry program.

Because these offices operated separately from each other, each one is being treated as a separate development partner in this report.

-
- ◆ Pan American Development Foundation (PADF)
 - ◆ Partners of the Americas (POA)

In the timeframe of October 1, 2002 through June 30, 2004, these 15 development partners entered into 1,073 subawards totaling \$79.3 million. During the audit, a statistical sample of subawards was reviewed at 14 of the development partners; no subawards made by Georgetown University were in the statistical sample.

Audit Objective

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

- Did USAID/Colombia's development partners follow agreement provisions for awarding and administering subawards?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did USAID/Colombia's development partners follow agreement provisions for awarding and administering subawards?

USAID/Colombia's development partners did not follow agreement provisions for awarding and administering subawards. One USAID/Colombia development partner entered into three cooperative agreements which were not allowed under its contract with USAID, and USAID/Colombia's development partners did not comply with requirements to compete awards as required in section 303 of the USAID Automated Directives System (ADS), they did not evaluate proposals in accordance with ADS E303.5.5c, they did not obtain all required certifications, and they did not include all required standard provisions in the subaward agreements. USAID/Colombia's cognizant technical officers did not provide sufficient guidance to the development partners regarding the requirements for making subawards. Of the 80 subawards reviewed, 17 had material weaknesses in the award process, and 24 subawards did not include substantially all of the standard provisions and certifications. See Appendix III for a summary by development partner.

A Development Partner Did Not Follow Contract

The indefinite quantity contract (IQC contract) signed with Casals in December 1999 specifically states that Casals was not authorized to execute or administer cooperative agreements on USAID's behalf. Although the November 2000 task order for USAID/Colombia did not

contain this clause, the clause in the IQC contract was binding on Casal's operations in Colombia (Casals Colombia). Despite this clause, Casals Colombia entered into three cooperative agreements.

When informed that the cooperative agreements did not comply with the contract, Casals Colombia produced the November 2000 task order and stated that the clause not permitting cooperative agreements was not in its contract prior to 2003. The cooperative agreements were entered into because of Casals Colombia's lack of familiarity with the terms of the December 1999 IQC contract, under which the November 2000 task order was issued. We are not making a recommendation, however, because the three cooperative agreements have ended.

Development Partners Did Not Comply with Competitive Award Process

Summary: Eleven development partners did not select subawardees by publishing a Request for Applications or an Annual Program Statement, despite provisions in their contracts, grants, and cooperative agreements requiring them to comply with ADS 303, 22 CFR Part 226, and/or Federal Acquisition Regulation 52.244-5. Further, one Request for Applications did not indicate the relevant importance of the criteria and significant subfactors as required by ADS E303.5.4b. The lack of compliance with these requirements occurred because of a failure to properly justify exceptions, security concerns, a failure to obtain deviations, and a lack of familiarity with the requirements. This resulted in less than full and open competition and could possibly result in higher costs to USAID.

Request for Applications—ARD-CAPP, ARD-SO1, Carana, Casals, Chemonics-CAD, Chemonics-Forestry, and Checchi were required to make subawards on a competitive basis pursuant to chapter 303 of USAID's Automated Directives System (ADS).³ ADS 303.5.4 requires that a Request for Applications or an Annual Program Statement be published to satisfy the requirement for public notice. Of these seven development partners, only ARD-CAPP published a Request for Applications, and none of them published an Annual Program Statement.

³ USAID/Colombia's contracts with Casals and Chemonics-CAD incorporated ADS 303. USAID/Colombia's contracts with ARD-CAPP, ARD-SO1, Carana, Checchi, and Chemonics-Forestry state that grants awarded under the contracts will comply with their grants manual "which generally follows the requirements found in ADS 303;" their contracts also state that grant recipients will be selected in accordance with competition requirements.

The other development partners had varying provisions in their contracts, grants, and/or cooperative agreements.⁴ The contract with CHF, the grants to PADF and POA,⁵ and the cooperative agreements with ACDI/VOCA and Land O'Lakes⁶ all incorporated USAID's regulation on awards to U.S. non-governmental organizations, 22 CFR Part 226. Section 226.43 required procurement transactions to provide open and free competition to the maximum extent practical. MSD's contract stated grant recipients would be selected in accordance with competition requirements, and it also incorporated Federal Acquisition Regulation 52.244-5 which required subcontractors to be selected on a competitive basis to the maximum extent practical. Open and free competition and selection on a competitive basis include the publication of a Request for Applications. Of these six development partners, only MSD conducted an open and free competition for all the subawards reviewed by publishing a Request for Applications. POA published a Request for Applications for one of three subawards reviewed. The other four development partners did not publish a Request for Applications or an Annual Program Statement.

The one subaward reviewed at ACDI/VOCA was to an organization specifically included in its proposal to USAID/Colombia. Carana, Checchi, Chemonics-CAD, Chemonics-Forestry, Land O'Lakes, and POA⁷ solicited proposals from two or more potential subawardees thereby conducting limited competitions. ARD-SO1, Casals, CHF,⁸ and PADF, however, did not compete all the subawards reviewed.⁹ In most instances, they determined that a subaward should be made to organizations because of their unique abilities or a determination that there was not another suitable organization in the geographic area of the project. They also received unsolicited proposals which were reviewed and approved, and they approved subawards of \$50,000 or less without competing them.

⁴ IOM did not have a provision in its grant agreements regarding ADS 303 or 22 CFR Part 226.

⁵ POA's grant was modified on March 21, 2003 to change the award format to a cooperative agreement.

⁶ The Land O'Lakes cooperative agreement also stated that the pre-award phase would involve the "establishment of open and public solicitations."

⁷ Three subawards were reviewed at POA. There was a Request for Applications for one subaward; the other two subawards were to municipalities specifically mentioned in POA's proposal for an extension that was approved and included in a modification of its cooperative agreement with USAID/Colombia.

⁸ Two subawards were reviewed at CHF. There was a written justification for one subaward; the other subaward was for a proposal processed by USAID/Colombia as an unsolicited proposal and referred to CHF for review and possible funding.

⁹ IOM did not compete subawards, but its grant agreements with USAID/Colombia did not include a clause requiring it to compete subawards.

ARD-SO1, Carana, Checchi, Chemonics-CAD, and Chemonics-Forestry were subject to ADS 303 as noted on the preceding page. Pursuant to ADS 303.5.5d, these qualified as exceptions to competition; however, ADS E303.5.5d stated that noncompetitive awards must be justified in writing. A justification for an exception based on exclusive or predominant capability was required to describe the uniqueness of the activity and the proposed recipient. The justification was also required to describe how other options were explored. A justification for an unsolicited application was required to have a certification stating that the application was not solicited and that the application was considered unique, innovative, or proprietary. A justification for an award of \$50,000 or less was required to explain how it fit the exception. In 35 of 50 instances, written justifications and/or certifications were not prepared.

Some of the development partners explained that they did not publish a Request for Applications because of the security concerns in Colombia. Some of the development partners also responded that either their proposal, their grants manual or their annual work plan set forth their methodology for selecting organizations for subawards. Each of these documents was approved by USAID/Colombia, and the documents stated that the development partners were not going to conduct a full and open competition. Instead, they were going to conduct limited competitions among select organizations or enter into subawards without competition. ADS 303 and 22 CFR 226 set forth procedures to follow for deviations and exceptions; however, these procedures were not followed.

ADS 303.5.3 stated that deviations may be authorized when “special circumstances make such deviations clearly in the best interests of the Government.” For deviations to grants and cooperative agreements entered into with non-U.S. organizations overseas, deviations were to be approved by either the Mission Director or the Director of the Office of Procurement. Deviations to grants and cooperative agreements to U.S. organizations must be approved by the Director of the Office of Procurement. Deviations were not approved by either the Mission Director or the Director of the Office of Procurement for any of the 15 development partners reviewed.

CHF, Land O’Lakes, PADF, and POA were subject to 22 CFR 226 as set forth on page 9. Pursuant to 22 CFR 226.4, deviations to Part 226 can be made by the Office of Management and Budget or by the USAID Deputy Assistant Administrator for Management, and neither one approved a deviation for the subawards reviewed.

Criteria required to be included in Requests for Applications—ADS E303.5.4b required that Requests for Applications include the criteria to be used to evaluate applications, including an indication of their relative importance. Additionally, Federal Acquisition Regulation 15.203(a)(4) required that factors and significant subfactors that will be used to evaluate proposals and their relative importance be included in requests for proposals. As noted on page 8, ARD-CAPP was required to select grant recipients in accordance with competition requirements, and this is a competition requirement. ARD-CAPP published a Request for Applications, but it did not include the relative importance of the criteria and significant subfactors. As a result, organizations submitting proposals could not fully determine how the proposals were to be evaluated.

The failure to indicate the relative importance of the criteria occurred because of a lack of familiarity with the requirements. Failure to comply with the competition requirements or to obtain a deviation or, justify an exception, violated ADS 303 and/or 22 CFR 226, resulted in less than full and open competition, and could possibly result in higher costs to USAID.

Recommendation No. 1: We recommend that the USAID/Colombia Contracting Officer issue instructions to its development partners explaining the requirements for competition contained in section 303 of the USAID Automated Directives System and section 52.244-5 of the Federal Acquisition Regulations, and the procedures for deviations and exceptions.

Evaluations of Proposals Were Not Properly Documented

ADS E303.5.5c required that there be a written evaluation of each application comparing it against the established criteria. Numerical ratings were required to be supported by at least a short narrative. Five development partners did not prepare written evaluations and/or did not explain numerical ratings. For example, at Checchi there were no explanations for the numerical scores that were awarded. Likewise, 22 CFR 226.46 requires that the procurement files and records for purchases in excess of \$100,000 include, at a minimum, the basis for selection. At PADF, which was required to comply with 22 CFR 226, there were no written evaluations setting forth the basis for selection. PADF's files contained an early version of the proposal, possibly some interim version(s) of the proposal, and the approved proposal. Without proper documentation of the evaluations of a proposal, a possibility exists that the proposal was not properly evaluated resulting in a subaward for a poorly planned project.

Recommendation No. 2: We recommend that the USAID/Colombia Contracting Officer issue instructions to its development partners to evaluate proposals in accordance with section E303.5.5c of the USAID Automated Directives System.

Certifications Were Not Obtained

Development partners were required to have subawardees sign a Certification Regarding Lobbying, 22 CFR 227, and a Certification Regarding Debarment and Suspension, 22 CFR 208. The Certification Regarding Lobbying was required to be included in all subawards greater than \$100,000. Prior to November 26, 2003, the Certification Regarding Disbarment and Suspension was required to be included in all subawards. The amendment to the regulation on November 26, 2003 created three options: checking the Department of Treasury Excluded Parties List System, obtaining a certification, or adding a clause to the award document.

ARD-CAPP and Chemonics-CAD consistently included these certifications in their subawards. PADP consistently included the Certification Regarding Debarment and Suspension, but not the Certification Regarding Lobbying. The Land O'Lakes subaward we reviewed had both certifications. The other development partners either did not include these certifications or were inconsistent in doing so. This occurred because of their unfamiliarity with the legal requirements to include these certifications in their subawards. The failure to include these certifications violated Federal law and regulations, and therefore a possibility exists that a debarred or suspended party could receive a subaward or that subawardees could use some of the funds for lobbying, not realizing that it was prohibited.

Recommendation No. 3: We recommend that the USAID/Colombia Contracting Officer: (1) issue instructions to its development partners to obtain the Certification Regarding Debarment and Suspension and the Certification Regarding Lobbying, as required, before entering into a subaward; and (2) issue instructions to its development partners to obtain the Certification Regarding Debarment and Suspension and the Certification Regarding Lobbying, as required, for current subawards.

Standard Provisions Were Not Included

ADS 303 contains standard provisions that were to be included in grants. There are three sets of standard provisions: (1) Mandatory Standard Provisions for Non-U.S. Nongovernmental Recipients, (2) Mandatory Standard Provisions for U.S. Nongovernmental Recipients, and (3) Mandatory Standard Provisions for Grants to Public International Organizations. Each of these Mandatory Standard Provisions specifically states that certain provisions are required to be included in subgrants. These provisions were investment promotion, audit rights, local procurement (when local procurement of goods or services is a supported element), and USAID eligibility rules for goods and services (when subawards include procurement of goods or services which total over \$5,000).

ARD-SO1, Casals, IOM, MSD, and POA all had standard provisions with these requirements included in their awards from USAID/Colombia, and/or their awards from USAID/Colombia incorporated ADS 303. They did not, however, include most of the required standard provisions in 24 of the subawards reviewed. This occurred because the organizations did not understand the requirement to include these provisions in their subawards. The failure to include these required standard provisions could result in purchases in violation of USAID-specific and other U.S. Government regulations and/or laws and could impact the ability to audit subawardees.

Recommendation No. 4: We recommend that the USAID/Colombia Contracting Officer: (1) issue instructions to its development partners to include all the required standard provisions in subawards; and (2) issue instructions to its development partners to amend all current subawards to include all the required standard provisions.

Cognizant Technical Officers Did Not Provide Adequate Guidance

The USAID Guidebook for Managers and Cognizant Technical Officers (CTOs) states that CTOs are responsible for monitoring performance of contractors, grantees, and recipients to ensure compliance with the terms and conditions of the contracts and awards. Thirty of the 80 subawards reviewed during this audit were approved by the appropriate CTO before the subawards were executed. As discussed on pages 7 to 13, there were numerous instances where USAID's regulations and the agreement provisions for awarding and administering subawards were not followed. At some point the CTOs should have become aware that USAID

procedures were not being followed, and they should have taken corrective action.

USAID/Colombia grew rapidly in its number of employees, from 29 employees in 2000 to 50 employees in 2001 to 78 in 2004, and most of the Mission's staff have only a few years of experience with USAID. Consequently, USAID/Colombia's CTOs lack a depth of experience. The rapid growth coupled with the lack of long-term experienced personnel has resulted in insufficient guidance being provided to development partners.

Recommendation No. 5: We recommend that the USAID/Colombia Contracting Officer provide refresher training to its cognizant technical officers regarding USAID's requirements for awarding and administering subawards.

**Evaluation of
Management
Comments**

USAID/Colombia accepted the recommendations and took corrective actions in response to each recommendation.

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

The Regional Inspector General/San Salvador conducted this audit, in accordance with generally accepted government auditing standards, to determine whether USAID/Colombia's development partners followed provisions for awarding and administering subawards. Subawards were in the form of contracts, grants, and cooperative agreements. Audit fieldwork and analysis was conducted from August 30 to October 26, 2004 in RIG/San Salvador and the following Colombian cities: Bogotá, Medellín, and Ibagué. USAID/Colombia's contracts office provided guidance regarding awarding and administering subawards.

In planning and performing the audit, we assessed the effectiveness of USAID/Colombia management controls related to the process of awarding and administering subawards. The USAID management controls identified included the contracts, grants, and cooperative agreements between USAID/Colombia and the implementing partners and the oversight and approval role of USAID/Colombia's contracting office and cognizant technical officers with regard to issuing subawards.

According to records received from the development partners, there were 1,073 subawards between October 1, 2002 and June 30, 2004 totaling \$79.3 million.¹⁰ During the audit, we reviewed 80 subawards totaling \$27.6 million. It is important to note that most of the subawards were completed; the number of active awards at any given time was substantially less than 1,000.

The 15 development partners that issued subawards were Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance (ACDI/VOCA), Associates in Rural Development (ARD) – SO1, ARD – Colombia Agribusiness Partnership Program (CAPP), Casals & Associates (Casals), Carana Corporation (Carana), Checchi and Company Consulting (Checchi), Chemonics International (Chemonics) – Colombia Alternative Development, Chemonics-Forestry, Cooperative Housing Foundation International (CHF), Georgetown University, International Organization for Migration (IOM), Land O'Lakes, Management Sciences for Development (MSD), Pan American Development Foundation (PADF), and Partners of the Americas (POA).

¹⁰ USAID/Colombia's development partners provided us lists of subawards which totaled 1,177 subawards October 1, 2002 and June 30, 2004. However, upon review, we determined that many of these subawards were not truly subawards. For example, some of these items were for travel or for purchase orders. In addition, many subawards were outside the date range we requested. Therefore, we estimate that there were 1,073 subawards awarded in the date range.

We interviewed officials from USAID and from each of the development partners, with the exception of Georgetown University, which was not selected by our random sample for review. For each of the 80 subawards we reviewed, we requested documentation including the award between the partner and the subawardee, any grants manuals or related internal policies, proposals, evaluation documentation, managerial and financial reports, site visit reports, and miscellaneous correspondence. We did not analyze the sufficiency of most of the documents; we were verifying their existence, reviewing them for certain specified elements, and verifying that reports from subawardees were being reviewed by the development partners.

From the universe of 1,073 subawards awarded from October 1, 2002 through June 30, 2004, we selected a stratified random statistical sample of 77 subawards to review. After modifications and additions, we reviewed 80 subawards. When adding or replacing selected subawards we added the next available subaward from the randomly sorted list. At the Mission's request, we reviewed additional subawards at some development partners. All of these were selected by going down the randomly sorted list until we found the next subaward for that development partner.

The table below illustrates the number of subawards reviewed by development partner under each of USAID/Colombia's three strategic objectives (SOs):

Table No. 2: Subawards		
Developing Partner	Subawards Reviewed	Total Subawards
SO 1		
Casals	6	37
ARD-SO1	9	216
MSD	5	34
IOM	4	36
Georgetown	0	20
Partner of the Americas	3	159
Checchi	4	41
SO 1 Subtotal	31	543
SO 2		
Carana	2	9
PADF	1	1
Land O'Lakes	1	5

Chemonics-CAD	8	33
Chemonics-Forestry	1	11
ARD-CAPP	3	15
ACDI/VOCA	1	9
SO 2 Subtotal	17	83
SO 3		
CHF	2	74
PADF	13	31
IOM	17	342
SO 3 Subtotal	32	447
Grand Total	80	1,073

The sample provided 95 percent confidence with plus/minus 4 percent precision. It was stratified by dollar value to ensure that the higher valued subawards were more likely to be included in the sample. Although we reviewed a wide variety of subawards, the type of award and the development partner were not factored into the sample selection.

We designed the audit procedures to provide reasonable assurance of identifying any applicable laws and detecting significant illegal acts or noncompliance within the context of our audit objective.

Methodology

To determine how USAID/Colombia's development partners have awarded and administered subawards, we reviewed the award documents between USAID/Colombia and each development partner to determine the requirements of the awards. We then visited the offices of the development partners to review documentation and interview officials concerning the awarding and administration of subawards. Our review was limited in that we did not review every aspect of awarding and administering subawards. For each subaward, we completed a checklist which, among other items, included the following tests:

- Was the subaward competed or was an exception documented or a waiver received?
- Did the subaward contain the required standard provisions and certifications?
- Was the subaward evaluated properly?
- If required in the contract, grant, or cooperative agreement from USAID/Colombia, was the subaward approved by USAID/Colombia?
- Were performance and financial reports received from the subawardee, and were they reviewed by the implementing partner?
- Were site visits conducted by the implementing partner?

-
- Were amendments to the subawards documented?

Our review of documents typically included the following: the award between USAID/Colombia's development partner and the subawardee, grants manuals and related internal policies, proposals, evaluation documentation, managerial and financial reports, site visit reports, and miscellaneous correspondence letters.

To determine the significance of our findings, we applied the following criteria for issuing an opinion:

Positive – 5 percent or less of the subawards reviewed had material weaknesses in the award process, and at least 95 percent of the subawards reviewed included substantially all of the standard provisions and certifications, as applicable.

Qualified – Either (1) more 5 percent but no more than 10 percent of the subawards reviewed had material weaknesses in the award process, and at least 80 percent of the subawards reviewed included substantially all of the standard provisions and certifications, as applicable; or (2) 10 percent or less of the subawards reviewed had material weaknesses in the award process, and at least 80 percent but less than 95 percent of the subawards reviewed included substantially all of the standard provisions and certifications, as applicable.

Adverse – More 10 percent or more of the subawards reviewed had material weaknesses in the award process, or less than 80 percent of the subawards reviewed included substantially all of the standard provisions and certifications, as applicable.

For purposes of this audit, a material weakness is a problem that could have materially affected the awarding of a subaward, or that used a subaward instrument prohibited by the contract or grant with USAID/Colombia. The auditors determined whether a problem was a material weakness based on a review of documentation maintained by the development partners, combined with oral explanations.

Management Comments

December 13, 2004

MEMORANDUM

FOR: RIG/San Salvador, Steven H. Bernstein

FROM: USAID/Colombia Director, J. Michael Deal

SUBJECT: Audit of USAID/Colombia-Financed Subawards (Report No. 1-514-05-xxx-P)

This memorandum provides a response to RIG/San Salvador draft report on the subject audit.

Each recommendation is addressed in the same order as presented in the report.

Recommendation No. 1, 2, 3 and 4

Your review demonstrates a weakness in the implementation process of our sub-awards program. It is our prime operators' responsibility, with the exception of Public International Organizations, to comply with the appropriate regulations, policies and procedures regarding the implementation and administration of a sub-awards component under acquisition and assistance instruments. We recognize that the pi-hue operators were not in full compliance in

- Providing for full and open competition when practicable and did not seek a deviation in circumstances requiring other than full and open competition
- Establishing clear evaluation criteria for the evaluation of proposals and applications, providing written evaluations or explaining numerical ratings
- Obtaining the appropriate certifications before signing a sub-award
- Including the required standard provisions in the sub-awards

We understand the intent of your findings and accept your recommendations. We have taken immediate action to correct the weaknesses noted in your report by issuing a letter, from the Office of the Director, to all our implementers requesting they take immediate measures to correct the deficiencies noted and maintain full compliance with ADS 303, 22 CFR 226 and 52.244-5 of the Federal Acquisition Regulation. In addition, the Contracting Officer is developing a checklist for the Cognizant Technical Officers to ensure compliance with regulation, policies and procedures.

Recommendation No. 5

USAID/Colombia has a cadre of dedicated CTO's, some more experienced than others. While there is a recognizable weakness due to inexperience, USAID/Colombia has implemented a CTO Forum to better inform our CTO's on issues regarding program implementation and to discuss programmatic issues from their perspective as well. We have conducted 2 sessions thus far since your initial draft report. Training is a high priority for the Mission therefore, refresher training, as identified in the recommendation is planned for sometime within the next six months. The Agency does not have refresher courses available, but nevertheless we are working with FIR and OAA to identify our own tailored solution to ensure training is provided and have set aside program funds for the refresher training as well.

Summary of Subawards Reviewed and Number of Subawards with Identified Problems

Development Partner	Subawards Reviewed	Material Weakness in Award Process	Did Not Include Standard Provisions and/or Certifications¹¹
ACDI/VOCA	1		
Associates in Rural Development	12		6
Carana Corporation	2		
Casals & Associates	6	3	5
Checchi and Company Consulting	4		
Chemonics International, Inc.	9		
CHF International	2		
International Organization for Migration	21		5
Land O'Lakes	1		
Management Sciences for Development	5		5
Pan American Development Foundation	14	14	
Partners of the Americas	3		3
Total	80	17	24

¹¹ May have included one standard provision and a certification, but did not include substantially all standard provisions and certifications, as applicable.