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# Nangarhar Mustofiat Organization Assessment Findings

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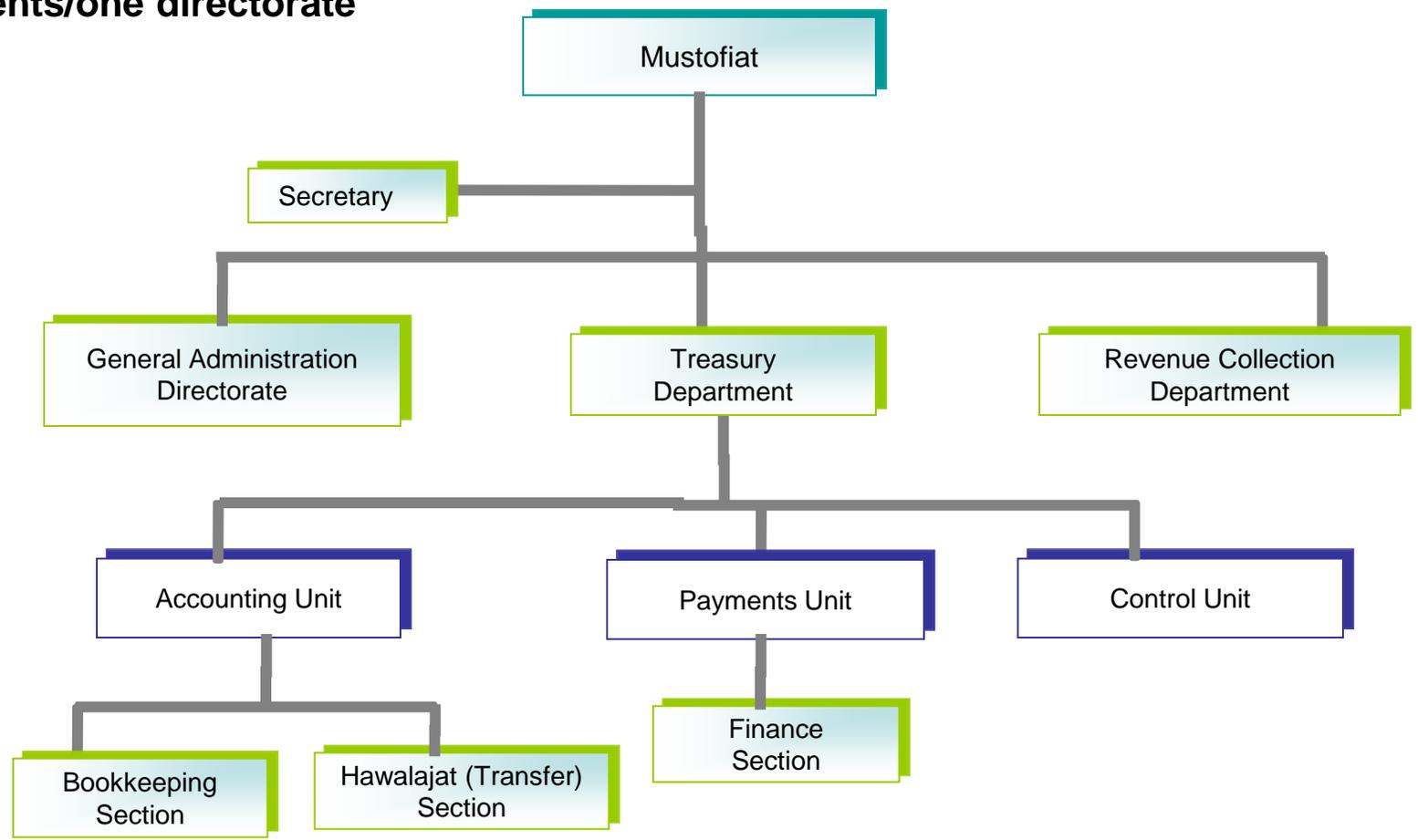


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- In May/June 2010, EGGI/Jalalabad conducted a baseline assessment of Nangarhar Mustofiat budget execution processes, procedures and systems to better understand current gaps and challenges
- Key interviews included Nangarhar Mustofie, Treasury Department Head, Heads of the General Administration Directorate, Revenue Collection Departments, Hawalajat (Transfers), Bookkeeping, Accounting and Control Units
- Assessment is through observations of routine processes, examination of current budget execution forms, manual record books (M20), and AFMIS-generated reports.
- Key findings and observations provide recommendations for streamlining current Treasury operations, equipping Treasury offices and staff and capacity building of Treasury staff

# Nangarhar Mustofiat Organization

- Total staffing 200
- Two departments/one directorate led by Mustofie



# Central Treasury (Kabul Ministry) Overview



## Key responsibilities\*:

- Efficient management of the government's financial resources through centralization of revenues, financial planning and timely management of budget execution
- Implementation and management of Treasury bank accounts
- Implementation of financial plans
- Management of the government's cash assets
- Implementation of budget and expenditure controls in accordance with the government's revenue and expenditure plans

\*Ministry of Finance website

## Key responsibilities:

- Control budget allotments of Line Ministries budget allocations for 44 provincial directorates and 9 independent agencies
- Revenue collection through five zoning offices within Jalalabd and 22 districts.
- Approving and processing payment requests for government employee salaries and operating expenses as per government regulations for procurements

# General Administration Directorate

# General Administration Directorate Overview



**Assessment Method:** EGGI/Jalalabad staff interviewed Mr. Abdul Khalil, General Administration Department Head; Mazuullah Manu, IT Manager, on June 28, 2010

**Department Mission:** Serve as Mustofiat coordination office processing and distributing incoming correspondence, maintaining personnel and other administrative records, and forwarding outgoing correspondence to relevant external organizations. Department maintains manual books to record all incoming and outgoing correspondence and documents

**Current Structure:** General Administration Department has four units with total four staff including department head:

- Procurement and Services
- Information Technology
- Archive
- Personnel

# Key Findings: General Administration Directorate



- **Archive System:** By regulation, Mustofiat should archive all documents. At the end of the year audit staff visit and review documents and determine which are to be saved. The documents are stored in the archive section for five years. Then based on audit staff recommendations, documents are sent to general stock room for 10 years. MoF then determines which documents are to remain or be destroyed after 15 years. Current office configuration and space is inadequate for proper storage of Treasury files.
  - ✓ Paper bound files stacked on open metal shelves
  - ✓ Treasury Director has stacks of files on the floor in his office
  - ✓ Archive Office storage area in the basement of the Treasury building has files stacked on the floor on top of each other without any proper shelving and filing cabinets
- **Office Equipment:** The General Administration Department lacks computers, basic office equipment such as filing cabinets and file folders.
- **Capacity Building:** IT Manager noted that computer training for most staff started in 2008 but it was ineffective due to lack of computers . After AFMIS was installed in April 2008 focus shifted to only training the two computer operators for the system.

# Key Recommendations



- **Archive System:** Have a records management expert work with the Archive Department and Treasury head on establishing a proper filing system to archive Treasury files for easy retrieval
- **Office Equipment:** Purchase at least one computer and other office equipment for the department for improved administration operations
- **Capacity Building:** Conduct computer training for all General Administration Directorate staff with basic English language skills training. Establish a computerized system (spreadsheet) to track incoming and outgoing correspondence

# Treasury Department

# Treasury Department Overview



**Assessment Method:** EGGI/Jalalabad staff interviewed Mr. Haji Rahim, General Finance Department Head on May 29, June 6, and 28, 2010 on overall Treasury Department operation.

**Department Mission:** Control and monitor allotments for provincial spending units in accordance with laws and regulations of Afghanistan including:

- Processing payments for approved salaries and operating expenses
- Tracking allotments and allocations for each provincial spending unit to ensure spending within approved ceiling
- Preparing monthly budget execution reports and an annual consolidated expenditure reports for submittal to Mustofie and MoF
- Performing reconciliation with Da Afghanistan Bank on cash disbursements

**Current Structure:** General Administration Department has three units:

- Accounting
- Payments
- Control

# Accounting Department Overview



**Department Mission:** Record financial transactions (approved payment requests for salaries and operating expenses) in manual ledger books, prepare financial reports and coordinate with Payments Department to process payment requests.

**Current Structure:** Consists of two divisions: Transfers (Hawalajat) and Bookkeeping

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## Key Financial Reports:

- **Monthly Expenditure Report (M22)** is produced for each spending unit to show current allocation, actual expenditures and remaining balance. The report is prepared based on journal entries for payments for each spending unit (M20 forms). This consolidated report is prepared by the Bookkeeping Department Unit which summarizes total spending against current allotments and overall balance for all spending units.
- **Annual Finance Report** is prepared by the Bookkeeping Department that shows actual expenditures and remaining balances at the end of the financial year.
- **Cash Advance Form (M90):** is used to process cash advances for approved expenditures for spending units
- **Outstanding Advances Report (M91):** is prepared at the end of the financial year to report to the Line Ministries which spending units have outstanding advances.

# Hawalajat (Transfers) Division Overview



**Assessment Method:** EGGI/Jalalabad staff interviewed Mr. Pinda Mohammad Salihi, Head, Hawalajat Division on May 29 and June 28, 2010

**Division Mission:** Review and process payment requests for salaries and operating expenses for the provincial spending units

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## **Current Structure:**

- Four staff including Division Head and three clerks

## **Key Processes:**

- Spending units submit purchase request forms or salary payment requests to the Department directly or to Treasury Department Head for approval and processing (Independent organizations create their own M16 payment request forms)
- Payment requests are reviewed and checked to ensure sufficient budget allocation
- Department Head inputs purchase request or salary payment request information into a desk terminal to generate a payment request form (M16) and/or fill in a form manually (clerks also fill in forms during peak workload periods)

# Salaries Payments Process



**Key Units Responsible:** Accounting, Control and Payments Departments

## Salaries Payments Process Overview:

- General Finance head receives M41 and other supporting documents from spending units for review and approval.
- Salary payments documentation forwarded to Accounting Unit for further review.
- Hawalajat Department receives M41 and prepare M16, tracking number and salary report for private banks.
- Documentation is sent to Bookkeeping Department to verify sufficient budget allocation for salary payments
- If sufficient funds available, then Hawalajat Department enters payment information to create a tracking number and forwards request to Payments Department to print check or to authorize transfer of funds from DAB to private bank for salary disbursements into individual bank accounts
- Finance Department maintains Computerized Payroll System (CPS) to verify payroll reports (*staff and salary amounts*) forwarded by the provincial spending units for monthly salary disbursements
  - ✓ CPS installed in Treasury in 2007
  - ✓ Verified payroll information is entered into the CPS and updated monthly and then forwarded to commercial banks to open an individual account for the government employee if the bank has arrangement to process salary payments for government employees
  - ✓ Payroll is regularly updated by the Finance Department with the M40 form to calculate the monthly pay and provide a year to date record of employee earnings, allowances and deductions

# Operating Expense Payments Process



**Key Units Responsible:** Accounting, Control and Payments Units

## Operating Payments Process Overview:

- Hawalajat Department receives purchase request forms from the 44 provincial spending units for processing
- Purchase request documentation is sent to Bookkeeping Department to verify sufficient budget allocation for salary payments
- If sufficient funds available, Hawalajat Department enters payment information to create a payment request form and forwards request to Control Department for final checking and then to Payments Department for processing

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For clearing advance payments:

- After completing the transaction for which cash is advanced, Hawalajat Department completes a M12 form to settle the advance
- Completed form is sent to Bookkeeping Department for recording and verification that a cash advance was processed using M10 form

# Hawalajat Payment Processing Timing



- Hawalajat Department Head estimated that the department processes on average 7,000 - 8,000 payments requests annually
- For a department with 5 staff – this amounts to 4-5 payment requests processed daily per staff.
- However, only the department head is trained to enter the payment information into the computer to generate payment requests forms and he has received minimal training. Only produces few payment request forms using the computer software. He and his staff still generally fill in the forms manually for spending units to create payment requests to be processed.

# Key Findings and Recommendations



- Provide computer training for the four clerks and additional training on payment request processing procedures for the Department Head to improve departments productivity in processing payment requests
- Better equip the office with filing cabinets, calculators and at least one more computer with the special payment request software install to increase number of payment request forms generated by the computer and overall timing for processing payment requests
- Provide basic English language skills training

**Assessment Method:** EGGI/Jalalabad interviewed Mr. Haji Naeem, Department Head on May 29 and June 28, 2010

**Department Mission:** Controls allotments, records budget execution transactions and performs recording function for preparing monthly expenditure reports (M22) for MoF

**Current Structure:** Total six staff

## **Key Processes and Outputs:**

- Prepares monthly expense reports (M-22) and annual financial report, cash advances (M90) and outstanding cash advance report (M91)
- Reconciles actual disbursement reports with AFMIS generated reports
- Keeps a manual record book of spending units allotment and expenditure transactions (M20)

## **Monthly Expenditure Report Process:**

- Records daily budget execution transactions in a manual ledger book and then uses the entries to produce M22 monthly expenditure report (M-22)
- M22 report is due by the 5<sup>th</sup> of the following month to MoF
- From the 27<sup>th</sup> to the 30<sup>th</sup> of every month Bookkeeping Department performs reconciliation and prepares the monthly reports during the 1<sup>st</sup> to the 5<sup>th</sup> of the following month.

# Key Findings and Recommendations



## Findings:

- The Department Head noted that on average it takes the department 1 -2 days to verify funds, process transactions. It takes about five days to prepare monthly reports.
- Bookkeeping Department enters expenditure transaction information in its manual records books which is also entered into the AFMIS system which creates duplication of effort.
- AFMIS data entry clerks make mistakes in coding transactions. The Bookkeeping Department keeps the manual records to reconcile and cross check the AFMIS generated reports. This issue has been raised with the Ministry of Finance Treasury Director General who has determined it necessary to maintain the duplicative processes
- The department lacks basic equipment such as calculators and filing cabinets.

## Recommendations:

- Provide training and better oversight of data entry clerks in entering financial information and coding transactions.
- Equip the bookkeeping department with at least calculators and filing cabinets

# Control Department Overview



**Assessment Method:** EGGI/Jalalabad interviewed Mr. Noor Mohammad, Department Head on May 29, June 6 and 28, 2010.

**Mission:** Reviews and crosschecks budget execution documents processed by Bookkeeping, Hawalajat and Payments for 563 schools and 48 spending units

**Current Structure:** Total 6 staff and 5 controllers embedded in government organizations (2 in Public Health, 1 each at Nangarhar Medical University, Canal Directorate, Labor & Social Affairs Directorate)

## **Key Responsibilities and Outputs:**

- For salaries control, cross checks timesheets with attendance reports
- For operating expenses, verifies signatures of all departments on payments requests, also checks allotments to verify sufficient funds, checks calculations, and that there are competitive statements for procurement actions
- For procurements, checks contract documents verifying contract activity was announced through the media, procurement committee members signed the documents and calculates taxes, payment and checks guarantees
- Embedded controllers ensure payment request documents are complete, cross checks attendance sheet with time sheet, verifying signatures on payment requests, reviews purchase orders from procurement process.

# Control Department: Key Findings and Recommendations



**Timing:** The Department Head noted that 80-100 documents are processed daily although EGGI/Jalalabad did not independently verify this

## Findings:

- The Department Head noted that line directorates often send documents late and then need them processed quickly
- Control Department checks documentation for 48 provincial spending units and also controls 563 schools which is a considerable work load for six staff. The Director noted the department needs 3 additional staff to better handle the workload.
- The Department lacks basic office equipment -- computers, filing cabinets and calculators.
- When asked if the department provides guidance to departments on budget execution transactions, the Department Head stated that guidelines are provided on procurement actions and for payroll. However, the Department did not have any copies of actual guidance on the procurement process and did not have a copy of the procurement law. It only had copies of the grading system for salaries, PRR guidelines.

## Recommendations

- Provide office equipment for the department for more efficient operations
- Provide reference materials including copies of the public expenditure management law, procurement law, accounting and finance manual, all relevant financial procedure regulations and laws
- The Control Department should receive training on the latest procurement law passed in 2008 and related procedures
- Use the department more effectively to train provincial line directorates on budget execution procedures and processes

- According to the 2008 Afghanistan procurement law, if a line directorate needs to purchase goods and services exceeding 500,000 Afs the purchase is through a competitive procurement process under 500,000
- Basic steps of the procurement process are:
  - The provincial line directorates make a request for purchase by filling in the \_\_\_\_ form
  - \_\_\_\_\_ checks if there are sufficient funds for the request for purchase of goods and services
  - The Provincial Governor approves the purchase if over 50000
  - The Department develops the specification for the goods or service to be purchased.
  - Line directorate prepares bidding documents and announces the procurement
  - Offers are received by the line directorate and bids opened by
  - The Line Directorate holds a pre-bidding meeting
  - Receives the bids by the specified closing date
  - A procurement committee usually consisting of a representative from Mustofiat , Governor's Office and the Concerned Line Department evaluates the bids and selects a vendor or contractor
  - Line directorate completes a purchase order
  - Governor approves the purchase order
  - Official letter is sent to the vendor or contractor who won the bids
  - A contract is signed
  - A letter is sent to the Treasury control department for documentation
  - Work commences/ goods are purchased.

**Assessment Method:** EGGI/Jalalabad interviewed Mr. Haji Anwar, Department Head, on May 29 and June 28, 2010

**Mission:** Processes payment requests, records transactions and produces checks or processes electronic funds transfers to private banks for government employee salary payments

**Current Structure:** Total 7 staff including the department head

**Key Processes:**

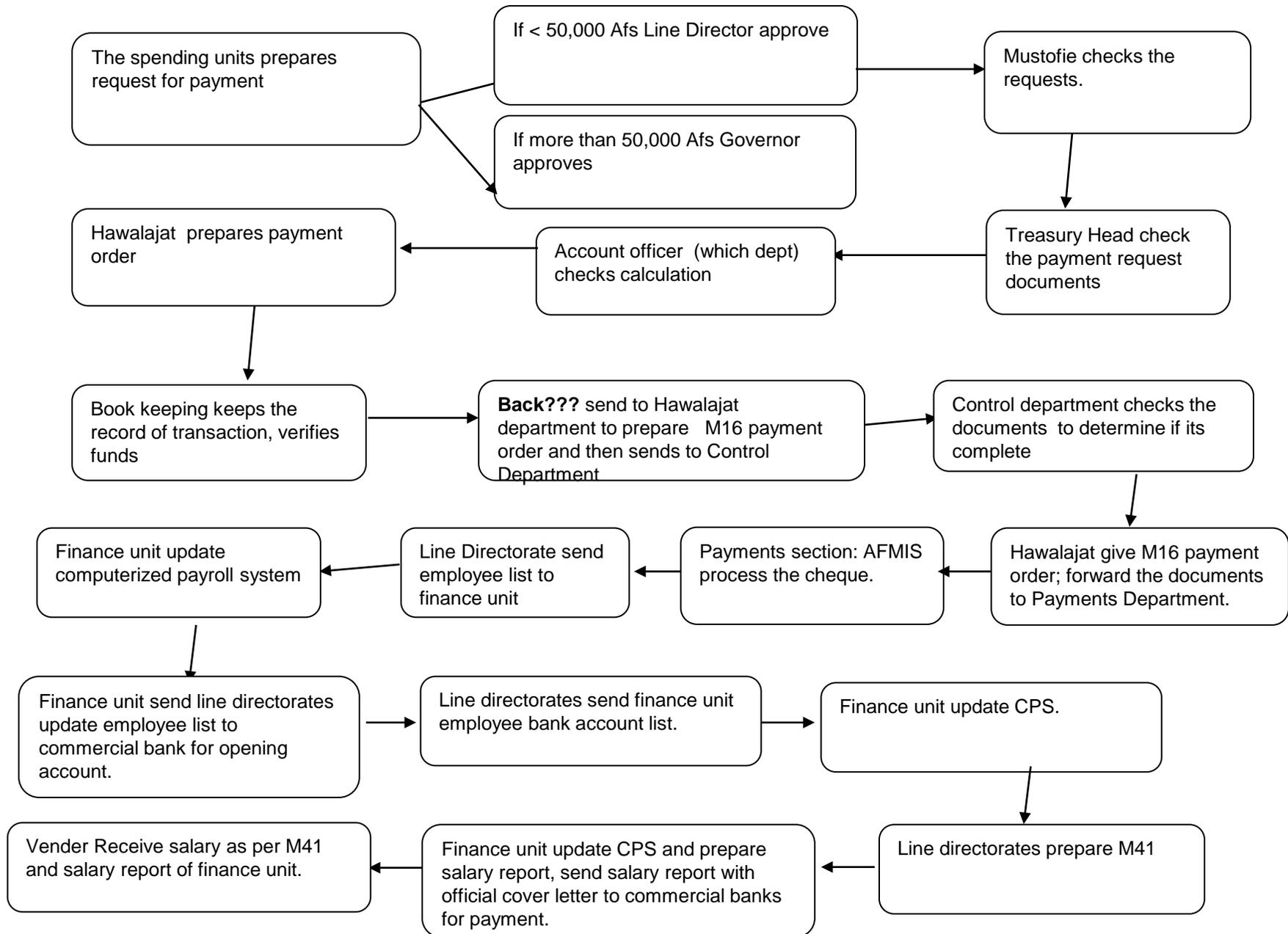
- Approved payment information is entered into AFMIS by two data entry clerks and manual record books (M-20) by three clerks simultaneously
- AFMIS system generates checks
- Keeps manual register book entering information on documents sent and received and processed by the department
- Checks payments against allotment balances before processing payment
- Maintains a cash book that tracks processed payments, dates payments are cleared, and records expenditures against suballotments

# Payments Department: Key Findings and Recommendations



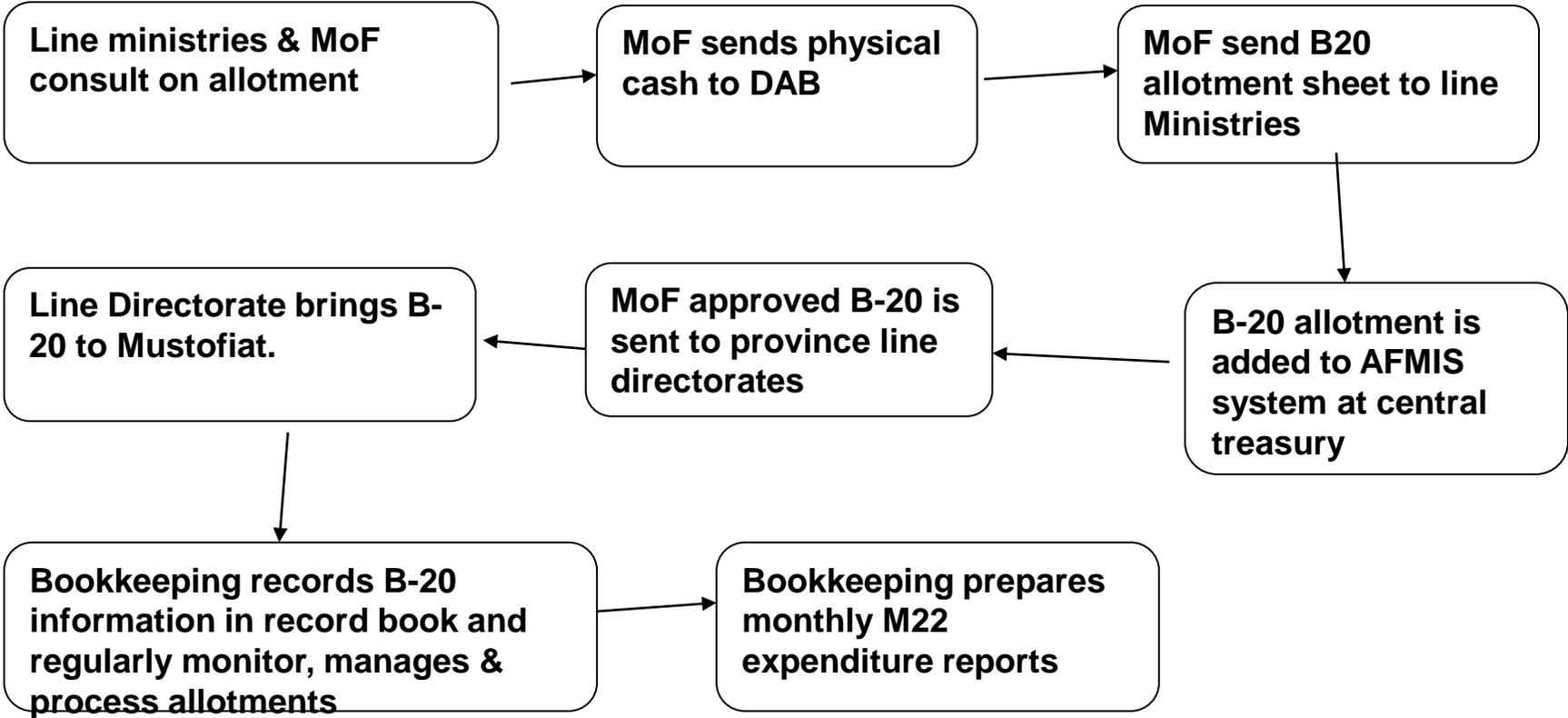
- Department Head noted the department records 80 to 100 transactions daily in the M-21 record book and the AFMIS system. EGGI did not independently verify this.
- Payments Department has three staff responsible for manually checking and recording payments information and two staff that enter the same payments order information into AFMIS to generate a check. This creates a duplication of effort with the department staff check manual records against AFMIS generated reports rather than checking the AFMIS reports against the original documentation used to enter the information into AFMIS.
- A recommendation would be to reassign one staff person to check the AFMIS generated reports against the original documentation and another staff person reassigned to enter information into AFMIS to increase output from the department.
- Department lacks basic equipment including calculators, filing cabinets, adequate furniture – desks and chairs for all staff. Staff were sitting on the floor and reviewing documents and entering information in manual record books. Need a table and chairs for better working space.

# Workflow Process Diagram for Payments Process



- B20 forms are distributed to the Mustofiat through the provincial line directorates.
- Serves as primary source of information for inputting allotment amounts into AFMIS for provincial spending units.
- Bookkeeping receives allotment for ministry, other departments maintain records of daily expense transactions and produce final expenses (payments and expenditures report).
- Allotment process includes:
  - Central Line Ministries consult with the Ministry of Finance budget allotment department.
  - Ministry of Finance Treasury department sends physical cash to DAB in one account for all provincial spending units based on the allotments
  - MoF send B-20 allotment form that provides advice on quarterly allotment for each spending unit
  - B-20 is entered into AFMIS Database system centrally by Treasury.
  - Approved B-20 form is sent to the line directorate.
  - Line directorate brings its approved B-20 allotment to Mustofiat.
  - The Bookkeeping & Payments Departments also keep manual records of the allotment amounts to manage budget execution and payments.

# Allotments Process Workflow Diagram



**Assessment Method:** EGGI/Jalalabad interviewed Mr. Mazullah Mano, Treasury Financial Officer, on July 3, 2010. As the Financial Officer, coordinates between the Mustofiat, MoF, line ministries, and line directorates

## Key Responsibilities and Outputs

- Sends monthly payroll to DAB and commercial banks for salary payments disbursements
- Sends revenue collection reports to MoF
- Updates AFMIS system for any changes (e.g., adding vendors) to the system, makes corrections if errors are revealed by the Payments Section and performs administrative controls over the system
- Provides information on the chart of account, allotments and budgets to the Accounting and Payment units
- Provides checks to line directorates for salaries and operating expense payments

# Revenue Collection Department

**Assessment Method:** EGGI/Jalalabad interviewed Mr. Jahanzeb Khogani Department Head on June 15, 2010.

**Current Structure:** Total 107 staff responsible for revenue collection in five zoning offices in the center & 22 districts in the province. Department has 7 units

- **Subordinate section** controls five zones within Jalalabad city and prepares financial sanction reports.
- **Registration** section makes clearance of all companies in the province.
- **Monitoring and Evaluation** evaluates & monitors companies' balance and contract documents.
- **Tax Information** provides information on taxes payable.
- **Vehicles** collects revenue in the form of taxes for all vehicles.
- **Revenue reporting section** preparing revenue report for ministry of finance revenue directorate.
- **Administration** handles all administrative matters for the department.

## **Key Responsibilities:**

- Collection of revenue from the province according to Afghanistan law & regulation.
- Finding new revenue sources: Nangrahar in reconstruction phase in every part we can see changes i.e. new shop, NGOs are entering in to the market.
- Solving problems in revenue collection, explaining law & regulation to those who is tax payable.
- Managing all other department related to revenue.
- Submitting monthly reports to Ministry of Finance.

# Revenue Collection Department: Key Challenges



- Lack of public awareness campaign about government taxes
- Need to update statistics of revenue sources
- Lack of coordination from private sector
- Lack of transportation for revenue collection
- Need training for capacity building of revenue department staff.
- Office equipment for good working environment
- Lack of IT Equipment

**Assessment Method:** Mohammad Alam Ishaqzai, Nangarhar Mustofi, was interviewed on May 25 and 31. His vision for the Mustofi includes:

- **Create a budget coordination unit within the mustofiat.**
  - Coordinate provincial budgeting process between provincial spending units, provincial development committee and Provincial Council
  - Assist in coordinating budget planning process to improve provincial input into the budget formulation process
  - Train finance staff of provincial spending units to produce operations budgets and project proposals for funding considerations by Line Ministries.
- **Build a separate center on the Mustofiat compound for a taxpayer center**
- **Arrange a large training/conference room for onsite training of Mustofiat staff**

# Next Steps



- Present baseline assessment findings to Mustofiat Department Heads and Mustofi for validation and feedback
- Update and finalize report based on feedback from findings workshop
- Consider key recommendations and work with Mustofi to develop capacity building plan

**Thank You – Questions**  
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