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THE REGIONAL FINANCIAL MANAGEMENT CENTER CONCEPT AS BEING IMPLEMENTED IN NAIROBI NEEDS TO BE REVIEWED

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THE REGIONAL FINANCIAL MANAGEMENT CENTER
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EXECUTIVE SUMMARY

The Nairobi based East African Accounting Center, established in 1972, provided accounting services to six AID missions in eastern Africa. Renamed the Regional Financial Management Center (RFMC) in 1982, the organization is now responsible for providing a variety of financial management services for AID programs in 19 recipient countries in eastern and southern Africa and in Turkey. The value of active project funding for FY 1983 was about one billion dollars including $ 31 million for operating expenses.

The purpose of our review was to determine whether RFMC has the resources and capabilities to provide the services required by its client posts.

We conclude that RFMC has the system to provide the services needed but lacks the resources to fulfill its obligations. RFMC is being delegated more responsibility because of various requirements being imposed from Washington. In addition, they have increased workload from client posts as a result of larger programs in virtually every country. RFMC is having difficulty in responding to this increased workload because of limited personnel and travel resources. For example, RFMC cannot meet all of the additional responsibilities imposed by OMB Circular A-123.

One of the major problems, as we see it, is RFMC growing and developing without an overall objective or goal to guide it. Workload, work distribution, responsibility, staffing, travel costs, timeliness of communications and controller resources in the region, need to be reviewed as they relate to the RFMC function. An overall plan of action needs to be developed for the region. We recommended that a plan be developed to define where RFMC is going, what services it will provide and to whom the services will be provided taking into consideration staffing limitations, workload, communications, controller resources in the region and the cost of travel. In September a three person team started an analysis of RFMC and the controller resources in the region. The purpose of the study is to address the issues presented in this report. The study is to be completed by late November 1984.

At the conclusion of the audit, we discussed our findings with RFMC personnel. Also, we sent a draft report to RFMC, USAID/Kenya, the Africa Bureau, Financial Management, and the Office of Information Resources Management for their written comments. RFMC's views expressed during the exit conference and all responses to the draft were duly considered, and where pertinent, have been included in this report.

BACKGROUND

The Nairobi based East Africa Accounting Center (EAAC), established in 1972, provided accounting services to six AID missions in eastern Africa. The controller of USAID/Kenya had the management responsibilities for this center in addition to regular responsibilities as USAID/Kenya Controller. The mandate relative to EAAC was to maintain official accounting records, arrange for check payments through the Regional Accounting and Management Center located in Paris, and prepare necessary financial reports for the client posts.

By 1981, the EAAC operations had been expanded to provide a variety of financial management services for AID programs in 18 recipient countries of Africa. Altnough EAAC operations expanded greatly, there had never been a formal assessment of its operations since inception in 1972. Finally in 1981, a review of EAAC was made by Executive Management Services, Inc. Their October 1981 reported concluded:

-- accounting and financial reporting functions were handled in accordance with prescribed standards and procedures;

-- the general quality of services was good;

-- equipment to provide support for accounting and reporting was inefficient and inadequate for the volume of transactions being processed;

-- some accrual data was inaccurate, accounts needed many adjustments, reconciliations were needed, and disagreements in account balances needed to be resolved;

-- the payment process was slow; and

-- staffing was inadequate for the workload.

Recommended corrective actions included (a) procuring new computer equipment, (b) revising the voucher payment system to improve response time, (c) increased staffing levels and an organizational change that separated the EAAC from USAID/Kenya, (d) changing the name from EAAC to the Regional Financial Management Center and (e) resuming services to USAID/Botswana, which, because of the adequacy of its financial management staff, had been authorized to do its own accounting.

RFMC now provides (a) the full range of controller functions to Kenya and six major non-controller posts (Zambia, Malawi, Rwanda, Burundi, Uganda, and Djibouti) and (b) services as necessary to nine other minor non-controller posts (Ethiopia, Madagascar, Mauritius, Seychelles, Comoros, Mozambique, OSARAC in Swaziland, South Africa, and Turkey), and (c) record keeping and reporting for five controller posts, (Sudan, Tanzania, Zimbabwe, Lesotho and Swaziland). RFMC, however, does not provide any services to the controller posts of Somalia or Botswana, also located in this geographical area because these two USAIDs prefer to keep their own records.

Functionally, RFMC is divided into four branches: (a) the Kenya Complex Branch serving USAID/Kenya, Regional Economic Development Services/East and Southern Africa (REDSO/ESA), Regional Inspector General (RIG), and Regional Housing and Urban Development Office/East Africa (RHUDO); (b) the Regional Branch serving client posts outside of Kenya; (c) the Fiscal Management Branch which prepares and processes vouchers for USAID/Kenya and non-controller clients; and (d) the Data Management Branch which controls and provides data processing services. Deputy Directors are in charge of the Kenya Complex and Regional Branches, while an accountant and a systems administrator are in charge of the other two, respectively. Overall responsibility for RFMC operations falls within the purview of the RFMC Director.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our review was to determine whether RFMC has the resources and capability to provide the various services required by the client posts. We also reviewed the Mission Accounting Control System1/ (MACS) and reports to see whether they were adequate.

We reviewed selected RFMC records, reports and correspondence, and held discussions with RFMC and USAID personnel in Kenya and at three controller and two non-controller RFMC client posts. We also held discussions with USAID personnel from the two non-client posts of Somalia and Botswana.

Further, we developed a questionnaire to obtain information from the controller and major non-controller client posts not visited. The purpose of this questionnaire was to:

- -- identify RFMC functional objectives and assess the degree of operational support to client posts;
- -- identify the level, tone and degree of communication between RFMC and the client posts as well as communication, controls and procedures to maintain the integrity of the financial records;
- -- assess the quality of services which the RFMC provides, the timeliness of the reporting system, the accuracy of the information contained in the reports, the completeness of the report information and the relevancy of the reports to the work at hand;
- -- determine if procedures are in place to control both voucher processes and disbursement payment; and
- -- evaluate the staffing levels in financial areas and the adequacy of training of personnel.

Our review was made in accordance with the Controller General's standards for audit and included such tests of RFMC records and internal controls as we considered necessary in the circumstances. We have reported only those weaknesses we consider of material significance. Therefore this report does not include information relating to each area we reviewed when we did not find anything material enough to report.

1/ MACS is a system of computer programs used to control and manage project and operating expense funds.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

RFMC PROGRESS TOWARD MEETING ITS RESPONSIBILITIES

RFMC is responsible for providing budgeting, accounting, financial analysis, counselling, reporting, and data processing for 357 project accounts in 19 countries in eastern and southern Africa and in Turkey. The value of active project funding for FY 1983 was about one billion dollars including $31 million for operating expenses. These responsibilities cover four areas: (1) accounting and reporting, (2) certification and payment of vouchers, (3) financial analysis services, and (4) data management services (see Exhibit 1 for more detailed description).

The status of implementation of the four areas of responsibilities is as follows:

(1) All client post accounts had been converted from the antiquated NCR bookkeeping machine to MACS on a Wang VS-100 computer. As of November 1983, about 80 percent of all computer system accounts were reconciled and supporting documentation for these accounts is being organized. Local staff is being expanded and trained to use the new system. Based on our review, except as noted in this report, we believe the system is adequate.

(2) The certification and payment system is fully operational. A computerized payment tracking and document control system to regulate voucher processing and the assignment of priorities as required is in place. This system appears adequate.

(3) RFMC is unable to meet the demand for financial analysis services, such as reviewing the financial plan and economic feasibility in project papers and agreements, because of a rapid increase in demand as only two foreign national employees are capable of independently performing these reviews. RFMC, together with REDSO, is reviewing the region's requirements for financial analysis services. Consideration is being given to using a U.S. affiliated Certified Public Accounting firms to provide some of these services.

(4) Data management services are being provided although timely communications with client posts continue to be a problem. Efforts to hook up the various USAIDs with RFMC by telecommunication are increasing. As this task progresses, it is receiving greater attention. RFMC also is providing some training on Wang equipment to its clients.

RFMC is being delegated more responsibility because of various requirements being imposed from Washington (the Financial Managers' Integrity Act, OMB Circular A-123, Reform 88). In addition they have increased work load from client posts as a result of larger programs in virtually every country. RFMC is unable to respond to this increased work load because of personnel restrictions imposed by the mode ceilings and as authorized by the Ambassador. As a result, RFMC cannot meet all of the additional responsibilities imposed by OMB Circular A-123, such as general assessments of host country contracting capability and evaluations of need for audit coverage for the non-controller posts.

One of the major problems, as we see it, is that RFMC is growing and developing without an overall objective or goal as to where it is going, or what form it will eventually take, etc. Further, there is no coordinated use of controller resources in the region. RFMC is overburdened, yet at some controller posts in the region, the controllers seem to be underutilized. Restrictions on ceilings in the various countries seem to thwart shifting of personnel to the locations with the most need. The whole situation of workload, work distribution, responsibility, staffing, travel costs and timeliness of communications needs to be looked at and an overall plan of action developed. In the following sections of the report we provide alternatives to better distribute the workload.

Conclusion and Recommendation

RFMC's responsibilities, who should be client posts and controller capabilities in the region need to be reviewed and a plan of action developed as to where RFMC is going, what services it should provide and to whom. RFMC has the system to provide the services needed but lacks the resources to fully meet its obligations. This review should take into account all of the controller resources available in the area.

A team began the evaluation of RFMC and the controllers resources in the region in September 1984 with direction from M/FM, AFR/PMR and RFMC. The review is expected to be completed by late November. Since action is underway to develop a strategy for RFMC we have deleted our recommendation.

FURTHER COMMENTARY, CONCLUSIONS AND SUGGESTED ALTERNATIVES

Responsibilities Delegated To RFMC Exceed Their Personnel And Travel Resources

The unavailability of personnel with appropriate experience reduces RFMC's ability to carry out their operational responsibilities. Limited travel funds are an additional impediment. As a result, some responsibilities delegated to RFMC are not being fully implemented and place the Agency at greater risk with regard to waste, fraud, and abuse.

In May 1984, RFMC, seeking personnel with prior USAID controller experience, reported the need for two more U.S. direct hire staff. RFMC was unable to increase its staff by two U.S. direct hires because of the mode ceiling. The Embassy turned down a request to increase the mode ceilings.

Continuing in its effort to obtain staff with previous experience, RFMC proposed replacing a departing Kenyan national chief accountant with an experienced third country national (TCN). RFMC stated that no foreign national supervisory accountants currently on the staff could do the job. The Embassy also turned down the request for a TCN stating that only Kenyan citizens may be hired. RFMC believes this restriction by the Embassy, that only Kenyan citizens may be hired, not only reduces their ability to carry out operational responsibilities, but also impedes efforts to properly train a large number of inexperienced Kenyan personnel. As their mature AID staff terminates employment, (three with a combined experience of sixty years will have left within a fourteen-month period by the end of 1984) the capability to maintain acceptable standards of financial management diminishes at an astounding rate. RFMC must replace these experienced personnel if the increasing financial management needs of the client posts are to be attained. Unless RFMC can hire qualified professional personnel with USAID controller experience, whether TCN or USDH, the RFMC Director is very doubtful that he will be able to provide adequate training to his Kenyan staff nor even maintain the present level of support to client posts.

Finally, contraints in the recent wage survey conducted by the Department of State prevent RFMC from being competitive for the employment of professional and supervisory accountants within Kenya. This lack of qualified foreign national supervision places more burden on the U.S. direct hire personnel who must travel frequently. Inadequate salaries also result in higher turnover among local staff and increase the time RFMC must spend training its personnel.

The present U.S. staff cannot handle the number of trips required by the increasing workload at the non-controller posts. These trips generally require about one week by a U.S. direct hire for each post during a quarter. With six major non-controller posts, one U.S. direct hire would be TDY every second week just for these posts. There are also nine minor non-controller posts which require periodic help. Further, foreign national accountants must make monthly trips to help service client posts. RFMC estimated that 92 trips would be needed to provide services to client posts during FY 84. Because of lack of personnel and limited travel funds, only 28 trips were made by May 15, 1984 with 26 more tentatively scheduled if staff and travel funds become available. To help fund travel, client posts requesting RFMC assistance in training their staffs on Wang equipment have been advised that they will have to pay the travel costs.

Examples Of Responsibilities Not Being Met - One responsibility delegated to RFMC which it has not fully implemented is the payment verification policy.1/ Guidance on its implementation was issued by AID/W on December 30, 1983. In February 1984, RFMC responded that it does not currently have the regional financial analysis staff to perform either the general assessment nor the detailed analysis required for each new PP/PAAD prepared by client posts without mission controllers. The five client posts with assigned mission controllers require no assistance from RFMC for subject implementation.

1/ The payment verification policy is a set of 16 policy statements complementing the effort currently underway for improving AID's system of internal controls in accordance with OMB Circular A-123. Among the principle client post responsibilities are (1) a general assessment of methods of implementation and financing, (2) specific analysis of each new Project Paper or Project Assistance Approval Document (PP/PAAD) to assess methods of implementation and financing and need for audit coverage, (3) review of the voucher audit process, (4) implementation of new project officers certification, and (5) increase use of CPA firms to a greater degree in providing accounting and financial management consulting.

RFMC has in its portfolio over 200 project activities in twelve countries without mission controllers for which they have financial management responsibilities. One hundred and fifty of these activities (75 percent) are in the six countries with very limited AID staffs: Zambia, Rwanda, Burundi, Malawi, Uganda and Djibouti. Presently, because of staff limitations, RFMC does not regularly participate (as part of a team) in the preparation of project papers, project agreements, or implementing documents.

RFMC stated that doing the general assessments was a real problem. Specifically, the implementing guidelines provided little information on how they are to perform the overall assessments of the procedures used by the host country government for contracting, commodity procurement and payment verification. Besides having all the current projects to be reviewed, RFMC has to address audit coverage in project papers and assess the voucher payment process in RFMC. RFMC cannot implement all of the payment verification policy with their present staff or with present travel funding levels.

FM indicated that the assessments were to evolve from experience using advice of AID controllers gained from performing the assessments. It is contemplated that up-dated guidance from this process will be developed each year. This will help RFMC but will not have any substantial impact on reducing the workload.

Risks Involved - Non-controller posts lack financial management capabilities. As a result, financially non-viable projects may be approved or funds improperly controlled.

The project verification policy requires specific analysis of each new Project Paper or Project Assistance Approval Document (PP/PAAD) to assess methods of implementation and financing. It is the function of controller offices to perform this service. For missions in eastern Africa without controllers, RFMC is to provide this service. We found that RFMC is not always able to assist in the required ana'ysis or the preparation of the project documents. Consequently, projects may be approved that are not financially viable. Two examples of problems which should be identified in the analysis are projects that demand more host country resources during implementation than are realistically available or projects that burden the host country with recurrent costs beyond its means. In both cases, the long-term viability of the project is at risk. RFMC stated they were also concerned about the potential to obligate, earmark, and commit funds without proper authority. They stated that management officers at client posts were not fully familiar with AID financial procedures and were generally more concerned about their management officer responsibilities than their financial responsibilities.

Management officers in the client posts indicated through their questionnaire responses that they also were concerned that they did not have the financial background or adequate training in financial matters to satisfy the requirements and responsibilities being placed upon them. They also had doubts about the quality of their local staff and whether the staff was properly trained or had enough accounting experience. Two USAIDs sent their management officers to RFMC's financial analysis training course designed for foreign service national staff to try to obtain a higher level of capability. Although training will help, it is difficult to provide the level of capability required without some accounting background. Further, with the currently imposed staffing limitations, RFMC is limited in assisting the management officers attain the necessary on-the-job training.

Conclusion and Alternatives

RFMC cannot provide all of the controller functions or support required by the non-controller posts because of lack of staff. RFMC cannot increase its staff because of mode ceiling and Embassy restrictions. Further, salary levels have prevented RFMC from being competitive in the employment market in Kenya. We believe that alternative solutions to these problems must be considered.

One possible solution might be to make RFMC merely an accounting office, relieving it of the financial analysis function which it cannot now handle. Controllers in nearby countries would provide the financial analyses for neighboring non-controller posts eliminating a significant burden from RFMC. Another alternative is to have controller posts keep their own records, relieving RFMC of this function; this would provide more personnel and time to concentrate on non-controller posts.

A third possibility might be to establish more controller posts in conjunction with having controller posts provide financial analyses to neighboring non-controller posts. Posts which might fit this solution are Zambia and Rwanda, for the establishment of controller posts with responsibility for providing financial services to the neighboring non-controller posts of Malawi and Burundi, respectively. Further, Djibouti and Mozambique might receive financial services from controllers in Yemen and Swaziland, respectively. RFMC would continue to maintain the records for these posts. In this scenario, one additional U.S. direct hire would be required in each of two countries. Since neither country is Kenya, the mode ceiling imposed on RFMC in Kenya would not be a limiting factor. Then four of the six major non-controller posts (Zambia and Malawi, Rwanda and Burundi) would no longer require extensive support from RFMC. For Djibouti and Mozambique, their proximity to Yemen and Swaziland, respectively, are such that travel time and costs would be insignificant when compared to RFMC's travel time and costs from Nairobi to service these posts. This would further reduce the demands placed on RFMC staff.

There are other possible structures which could be designed to handle the controller function in the region including the use of CPA firms to handle some of the work. We believe that this should be used as a last resort because of the cost.

In summary, the controller resources in the region can be used to relieve RFMC of some of its burden in meeting its responsibilities.

Client Posts Need To Be Reviewed

The criteria governing which USAIDs were to use RFMC services was unclear. This caused the development of a regional network providing financial support services to be haphazard and inefficient. During RFMC's expansion from servicing six client posts to 19, one USAID discontinued using RFMC services, one joined the RFMC network only to leave later, and a third post wants to leave for reasons similar to the other two posts. Further, the organizational structure of RFMC includes the Kenya controller which makes it different from any other controller post. As a result, we believe controller resources throughout the network could have been better utilized.

Within the RFMC region, Somalia and Botswana currently do not belong to the RFMC network. There are no plans for future inclusion of these two posts in the RFMC network despite the October 1981 EAAC evaluation report suggesting that this be done. Neither of these posts is interested in joining the RFMC network.

The reason Somalia and Botswana are not in the RFMC network is because both USAID directors wanted their accounting records located on site. These directors cited a lack of communication capability and need for current information as their reason for keeping separate records.

Sudan, a large client for RFMC, has asked to leave the RMFC network because of the volume of their transactions, a need for trust fund accounting and other reasons similar to Somalia and Botswana. This request was denied. AID/W informed USAID/Sudan that this was not a unilateral decision that Sudan could make, but would have to be a joint decision by AID/W, RFMC and USAID/Sudan. Presently, M/SER/IRM is evaluating USAID/Sudan's requirements for a minicomputer based upon RFMC's recommendations to do so. FM has indicated that a decision has now been made for USAID/Sudan to take over their own accounting function. This transfer will take place when the computer equipment is installed.

Most controller posts expressed an interest in having a computer with MACS so that they can maintain their own financial records. These posts estimated that they would need one additional staff person and a computer capable of running MACS. However, if a system analyst is required to operate MACS, controller posts indicated less enthusiasm for maintaining their financial records.

Kenya, the largest mission in the region, does not have its own controller. One of the deputy directors of RFMC and another U.S. direct hire, along with a local staff, are assigned to the Kenya mission. The 1981 EAAC evaluation report identified that one individual should not be responsible for both the EAAC and USAID/Kenya controller functions. A full-time director for the EAAC and a full-time controller for USAID/Kenya were needed. The Kenya Mission Director then agreed that a second deputy director position be established within the EAAC.

USAID/Kenya stated they wanted to modify their relationship with RFMC. After operating under this organizational structure over the past two years, USAID/Kenya believes that the structure needs refinement. USAID/Kenya would prefer their own controller separate from RFMC. RFMC indicated that since RFMC is organized as an integrated activity in Kenya, to establish a separate USAID/Kenya Controller operations would be inefficient and costly. The Kenya Complex Controller serves as the Deputy Director for RFMC and also provides financial management support for regional projects outside Kenya. In addition, the voucher examination staff which processes payment vouchers for the Kenya Complex Controller's office also supports the RFMC Regional Controller's office and is organized to effectively control and process payments with a minimum staff. These are examples of the problems and costs which must be recognized and resolved in the decision process when considering the establishment of a separate Controller's office for USAID/Kenya.

We agree that when establishing a controller's office for USAID/Kenya separate from RFMC, certain problems will arise which will need resolution. However, the current RFMC organizational structure has the RFMC Deputy Director working for USAID/Kenya and other regional offices while reporting to the RFMC Director. The Kenya Mission stated it would be better served by having its own Controller who reports to and is directly responsible to the Mission Director rather than the Director of RFMC. We believe that organizational authority and responsibility would be improved by a Kenya complex controller separate from RFMC. USAID/Kenya would then be the same as the other five controller posts in the region.

USAID/Kenya in its comments to our draft report suggested that we put a recommendation in the report that USAID/Kenya be given its own controller. However, since the suggestions included in this report will be considered by the team presently studying RFMC, we have not included a specific recommendation.

Conclusion and Alternatives

The criteria for using or not using RFMC services is not clear. Consequently, one post (Botswana) which seems to have potential as a client post is not in the network and another (Sudan) which appears to have adequate justification to discontinue using RFMC services cannot.

We believe that Botswana should be brought into the RFMC network because of potential direct communication linkages. The burden of keeping Botswana's records would be insignificant since it would be a controller post.

Because USAID/Sudan is a large client for RFMC with voluminous records and significant amounts of trust funds to be accounted for and because of poor communication linkage, we believe that if USAID/Sudan procures a minicomputer as planned, then Sudan should be allowed to implement MACS and assume responsibility for their financial record keeping. FM indicated that a decision has now been made to let Sudan maintain its own records as soon as a computer system is in place.

Finally, a deputy director of RFMC is the controller for the largest mission in the RFMC region. We believe that Kenya should become an independent client post with its own controller rather than having a deputy directy of RFMC acting as controller. The Kenya controller would service all of the regional offices located in Nairobi. RFMC would continue to keep the records for the USAID/Kenya mission. This change would make the RFMC operations less complex and consistent with other controller posts.

Microcomputers At Client Posts Are Being Used To Provide Some Financial Management Data

Every client post was procuring microcomputers or other ADP equipment according to our direct observation or the questionnaire responses. One proposed use of the microcomputers is for the maintenance of financial records (cuff records). This is occurring because the normal delay of three weeks between sending information to RFMC and receiving the reports back was said to be unacceptable to mission management. As a result, financial cuff records, from minimal to detailed depending upon the mission, were being developed to provide current financial information. One USAID had records containing sufficient information to allow the microcomputer system to produce reports showing the financial status of project accounts and operating expense (OE) budgets. These reports duplicated the information being provided by RFMC. Thus operating expense funds in the region were wasted.

RFMC management believes that these cuff records are not needed. The problem is that the posts are not properly using the existing reports. They also believe that it is not critical that exact amounts be known on a daily or weekly basis. It was indicated that businesses do not know exact amounts except at the end of each accounting period. RFMC feels that interim transactions can be posted to the periodic reports provided by RFMC as a basis for keeping track of transactions on an interim basis. Based on our review we feel this assessment is valid.

Conclusion

Microcomputers are being used to maintain certain information on project accounts and operating expense budgets. This information, which is supplemental to the RFMC reports, requires that financial data be entered into the USAID's microcomputer and that time be spent developing the records. This information and data entry effort is duplicated when RFMC reenters the same information together with the entry of additional information required by MACS. We do not believe these cuff records are needed. If these cuff records were integrated into and used in conjunction with MACS, then there may be some justification for their use. Now each controller is developing what he or she feels is needed with no direction or rationale as to what is being developed, or how it will integrate into MACS.

Communications Linkages Need To Be Improved

Communication between RFMC and some client posts is poor. RFMC staff is attempting to improve communication by using dial-up telephone lines to some client posts and the Department of State's new high speed data links to others. We concur with RFMC's approach, but we do not think the high speed data links approach is well thought out in relationship to RFMC and its client posts.

Several of the USAIDs in southern Africa believe that when high speed data links are established between Pretoria, South Africa and Washington and Washington and Nairobi, they will be able to have direct links with the computer in RFMC. They also believe that a direct link to the computer in RFMC will allow them to interactively enter their data into MACS. At present, the network will switch the data through different computer systems. Client posts utilizing the high speed data links will not be able to enter data directly into MACS. As a result, data transmitted to Nairobi via this method will still have to be rekeyed by RFMC for entry into MACS even though it is sent from a microcomputer. Although information may be more current, staff utilization will not be improved because of the repetitious entry of data into another computer. However, M/SER/IRM has advised RFMC that early in FY 85 new system capabilities should allow client posts to begin entering data directly into MACS over the high speed data links.

Another problem clients will experience using State Department high speed network is in receiving output. The volume of data transmitted back to client posts may exceed their capabilities either to print the data as fast as it is received or to store the data until it can be printed later. The client posts will need to either purchase new and faster printers or redistribute their staff to cover the longer report printing cycles during the month. RFMC was aware of the problems and planned to transmit only those reports of limited length and considered time critical to the client posts. The major accounting reports will continue to be pouched to the client posts. RFMC has considered redesigning selected accounting reports to shorten the time required for transmission and printing. However, we found no evidence that client post personnel or AID/W were aware of these problems. FM stated that MACS and the reports it generates are a world-wide standardized system. Currently RFMC is not authorized to change the reports.

Communications at present is one of the greatest problems with the RFMC concept and is the reason why most controller posts want to keep their own records. A comprehensive plan needs to be developed so that all aspects of communication linkages are considered and developed in a rational way.

We believe that a MACS center should be established in AID/W. The State Department's high speed network will route information to and from Washington. For the RFMC network then, the data will flow from the client post through the U.S. to Nairobi and vice versa. As more USAIDs have access to the Department of State's high speed links, the official accounting records for these USAIDs can be transferred to AID/W. This would be particularly useful for USAIDs with controllers. However, USAIDs without controllers will continue to rely on an RFMC-type operation or a USAID with controller to provide ongoing financial analysis and management.

RFMC stated that the telecommunication network through Washington is for efficiency purposes and is less expensive than to set up a direct connection to Nairobi from the client posts. As telecommunications operate at the speed of light, the time required for relaying Washington is a fraction of second longer than directly to Nairobi if the network were so designed. The data being relayed via the Washington station is not collected by AID/W but is "bounced" directly to Nairobi via satellite. Thus, there is no redundancy in the collection of data. However, if the data must be transmitted through Washington and then reports generated and transmitted back to Washington to meet AID/W's reporting requirements, we believe that it might be better to have Washington keep the records. This may be another way to gradually eliminate or reduce RFMC staffing problems.

Conclusion and Alternative

The Department of State's high speed data links will not give certain USAIDs the communication capabilities envisioned. Steps are being taken to overcome this. However, when data flows through Washington to another field location where reports are generated and transmitted back to Washington to meet AID/W's reporting requirements, having an RFMC equivalent in Washington to keep the official accounting records may be a more practical and less expensive method of record keeping.

FM indicated that the establishment of a MACS system in AID/W has been considered and discarded. There is a MACS center jointly used by FM and Information Resources Management but having live financial records is not part of the system. FM also indicated that they also have staffing shortage in AID/W.

RFMC Responsibilities

The following responsibilities included but are not limited to:

Accounting and reporting -

- Issuing uniform guidance and procedures for financial management of all funds available to AID entities in the region.
- Designing, installing and maintaining comprehensive accounting systems including reporting as required.
- Ensuring that appropriate systems of internal control pertaining to all aspects of disbursement, collections and control of budget allowances are in place.
- Assuring and certifying fund availability.

Certification and payment of vouchers -

- Examining, certifying and scheduling of disbursement vouchers for Kenya-based clients and non-controller posts.

Financial analysis -

- Assisting in the formulation, preparation and review of requests for program and administrative funds including budget formulation and estimates.
- Assisting and advising program personnel and host country officials relative to financial management practices and procedures, the financial implications of proposed or existing agreements, means and methods of financing, interpretation of AID regulations and contract reporting requirements.
- Reviewing project implementation to determine whether project objectives are met economically and efficiently. Determining and reporting to individual mission managers on the effectiveness of implementation based upon analysis of the use of funds.
- Providing financial reviews and financial analyses as required.

Data Management services -

- Providing data and word processing services to Kenya-based clients, being the financial data processing center for controller and non-controller clients, and advising client posts on data and word processing hardware and software capabilities.

APPENDIX A

List of Report Recipients

	No. of Copies
Field Offices	
RFMC	5
USAID/Kenya	2
REDSO/ESA	2
AID/Washington	
AA/M	1
AA/AFR	5
AA/PPC	1
LEG	1
GC	1
AA/XA	1
IG	1
AFR/EA	2
M/SER/COM	2
M/FM/ASD	2
PPC/E	1
PPC/E/DIU	4