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ALTHOUGH GENERALLY WELL MANAGED  
USAID/BOTSWANA SUPPORT OPERATIONS  
COULD BE IMPROVED

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## EXECUTIVE SUMMARY

### Introduction

The Operating Expense account was created for the purpose of consolidating AID's cost of doing business into a single appropriation account. The account has been adopted by AID as a discrete item for Agency budget presentation to the Congress and the Office of Management and Budget, and for internal management. It also provides an increased level of accountability for the Agency.

During fiscal year 1982, USAID/Botswana operating expenses totaled approximately \$1.4 million, with total staff of 31.

### Purpose and Scope of Review

We conducted this review to determine if operating expense funds were being used effectively, economically and in accordance with authorized purposes; and to determine if control over the use of these funds could be improved. We discussed policies and procedures with concerned mission personnel. We also selectively examined documentation and expenditures pertaining to procurement, real and personal property, communications, motor pool operations, travel and other related areas.

USAID/Botswana management responded to our findings in an exit conference held on February 18, 1983; and also provided us with written comments after reviewing our draft audit report. Their comments were included in this report as considered necessary.

### Findings, Conclusions and Recommendations

Our review of USAID/Botswana operating expenses indicated the operation was generally sound and well managed, but we found room for improvement in the certain areas, primarily:

- Nonexpendable Property: USAID/Botswana's property records contained discrepancies between the inventory on hand and the inventory recorded on stock record cards because periodic checks were not made to assure accurate posting to property records. Also, internal control was inadequate because receiving, recording, issuing, inventory, and disposing property functions were performed by one person (pages 3 and 4).
- Residential Property Cost Records: USAID/Botswana did not maintain utilities and maintenance cost reports for each residential property unit in accordance with AID regulations (pages 4 to 6).

- Competitive Pricing: Not all purchase order files contained documentary evidence that bids were obtained when required (page 6).
- Procurement of Foreign-Made Products: USAID/Botswana purchased over \$135,000 worth of goods locally or in the Republic of South Africa. These purchases were not justified in writing as required by AID regulations (pages 7 and 8).
- Procurement Planning: USAID/Botswana had not developed an advance procurement planning system as required by OMB policy. As a result, U.S. products may not have been purchased to the maximum extent possible (pages 8 and 9).

Our report contains 11 recommendations to correct problems associated with these and other areas.

BACKGROUND

Introduction

The Operating Expense account was created for the purpose of consolidating AID's cost of doing business into a single appropriation account. The account has been adopted by AID as a discrete item for Agency budget presentation to the Congress and the Office of Management and Budget, and for internal management. It also provides an increased level of accountability for the Agency.

Operating expenses represent salaries, benefits, and support costs of all U.S. and foreign national direct-hire personnel. Support costs include allowances, travel and transportation, housing and office expenses.

The total value of the economic support program for Botswana was estimated at \$11 million in FY 1982, \$10 million for FY 1983, and \$15 million for FY 1984. The number of direct-hire personnel and the amount of operating expense funds required to administer this program for these years is summarized in the charts below:

	<u>USAID/Botswana Staff</u>		
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u> <u>1/</u>
U.S. Direct Hire	16	11	11
FN Direct Hire	13	13	9
Contract Personnel	2	-	-
Regional	-	1	1
Part-Time	-	2	2
<b>Total</b>	<b>31</b>	<b>27</b>	<b>23</b>

	<u>Operating Expenses (\$000)</u>		
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u> <u>1/</u>
U.S. Direct Hire	303.9	476.7	378.5
Contract Personnel	75.4	64.0	72.4
FN Direct Hire	172.5	169.9	193.8
Housing	286.2	239.6	292.1
Office Operations	612.0	548.3	824.0
<b>Total Budget</b>	<b>1,450.0</b>	<b>1,498.5</b>	<b>1,760.8</b>

1/ Proposed.

### Purpose and Scope of Review

We conducted this review to determine if operating expense funds were being used effectively, economically and in accordance with authorized purposes, and to determine if control over the use of these funds could be improved. We discussed policies and procedures with concerned mission personnel. We also selectively examined documentation and expenditures pertaining to procurement, real and personal property, communications, motor pool operations, travel and other related areas.

Our review concentrated on operating expense budgets and related transactions for the period October 1, 1980 to September 30, 1982. We interviewed employees and reviewed records as deemed necessary to the purpose of this review. Our findings are reported on an exception basis--those areas not reported on were determined to be satisfactory.

### Prior Audit Reports

Botswana became an autonomous USAID Mission on October 1, 1978. This was the first Operating Expense Audit of USAID/Botswana by AID's Regional Inspector General for Audit (RIG/A).

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Our review disclosed that overall, USAID/Botswana management of operating expenses was generally good. There were some areas where we found procedural or other exceptions. These are discussed below along with our recommendations for corrective action.

### USAID/Botswana Was Not In Compliance With Certain AID Regulations

We found that USAID/Botswana had not complied with certain AID regulations. Also, USAID/Botswana staff did not comply with a Staff Notice on telephone usage.

Instances of non-compliance were as follows:

- In November 1982, USAID/Botswana extended a lease which was originally made in 1979 to provide a residence to a non-U.S. citizen employee in violation of HB 23, Chapter 5, Section 712.B-5. Although the employee was reimbursing AID for the rent, USAID/Botswana is now aware that this lease violates AID regulations and intends to let the lease terminate.

- USAID/Botswana employees did not comply with USAID Staff Notice No. 82-29 which requires that all long distance telephone calls be approved in writing by the Director, Deputy Director, or Controller; and that any call not approved will be treated as a personal call. We found that 38 percent of the long distance telephone calls were not approved by management and had not been billed as personal calls.

Conclusion and Recommendation

USAID/Botswana was not in compliance with certain AID and USAID regulations.

Recommendation No. 1

USAID/Botswana establish a procedure to enforce its Staff Notice on long distance calls.

Nonexpendable Property Records Needed To Be Maintained More Accurately

Botswana became an autonomous USAID Mission on October 1, 1978. Prior to that time inventory records were maintained by OSARAC, a regional office for Botswana, Lesotho, Swaziland, and Malawi. The first property inventory was conducted by USAID/Botswana in FY 1981; therefore, a period of two years had elapsed before USAID/Botswana made its first property control inventory. The total value of all nonexpendable property controlled by USAID/Botswana is approximately \$380 thousand.

In our opinion, USAID/Botswana's procedures and record keeping for property control were generally adequate and accurate. There was, however, room for improvement.

We selected 59 inventory items from stock record inventory location cards for reconciliation to the quantities on hand in the recorded locations. We found that five of the 59 selected items were over the recorded quantity, and four were short of the recorded quantity. This sample indicates that significant discrepancies exist between the inventory on hand and the inventory recorded on stock record location cards.

A reason for these discrepancies was that the record cards had not been posted up to date because the responsible person had been on leave. Another reason that inaccuracies existed in the record cards was that periodic checks were not made as required by HB 23, Chapter 4, Section 225.5E to assure accurate posting to the property record.

In addition to Section 225.5E, Section 227.4-1d. states:

"The accountable property officer is responsible for periodic and unannounced spot checks of expendable and nonexpendable property in warehouses to verify the balances against...Stock Control Card. If differences are found, adjustments are made, and corrective action is immediately undertaken."

Also, there was an inadequate segregation of duties among the Executive Office staff. The receiving, recording, issuing, inventorying, and disposing functions associated with property management were performed by one person.

#### Conclusion and Recommendations

USAID/Botswana's procedures and record keeping for property were generally good. For example, in FY 1982 the certified inventory was reconciled with less than a 0.5 percent adjustment. However, improvements can be made to better safeguard nonexpendable property.

##### Recommendation No. 2

USAID/Botswana cross-train Executive Office staff to provide coverage when persons are on leave, and to allow a proper segregation of property related functions.

##### Recommendation No. 3

USAID/Botswana implement a procedure to (a) make periodic checks of inventory items to assure accurate posting to property records, and (b) take corrective action if differences are found.

#### Residential Property Cost Reports Had Not Been Developed

USAID/Botswana did not maintain utilities and maintenance cost data for each residential property unit. This data is necessary to prepare annual reports on leased and owned property as required by AID regulations.

USAID/Botswana spends about \$40,000 annually in residential utility costs. AID HB 23, Appendix 5A, Section 716.1a states, in part:

"It is the responsibility of the head of each agency mission to assure that costs of utilities on Government-held residences are held to reasonable levels...In order to assure that utilities are held at reasonable levels and as a basis of establishing a ceiling, cost records for each residential quarters should be maintained whenever possible."

Section 785b states:

"Posts are to submit by memorandum a report of any AID-owned property, or property owned or leased by the host government and made available for AID use, that is partly or wholly unused, could be exchanged for better property at little or no net increase in the agency's investment, or is uneconomic to maintain."

And, Section 786 states:

"An evaluation...will be made on each short-term leased property...On this report, only those leased properties which are considered to be unneeded, underutilized, not put to optimum use or are uneconomic to maintain will be reflected on the report."

The regulations require that these reports be made as of June 30 each year and submitted to AID/W by July 31. The report formats require that maintenance, repair, and building operating expense costs be reported.

USAID/Botswana reviewed residential utility costs on a non-routine basis, but did not submit required reports to AID/W.

#### Conclusion and Recommendation

Although USAID/Botswana reviewed residential utility costs on a non-routine basis, AID regulations and good management practice require maintenance of residential cost reports on a permanent basis to help assure that utility and maintenance costs are held to a reasonable level and to satisfy AID reporting requirements. USAID/Botswana management can not make informed decisions as to which properties are economic to maintain without accurate cost data.

Recommendation No. 4

USAID/Botswana develop and maintain residential cost reports for each residential unit, and submit required reports on leased and owned property to AID/W.

Purchase Order Files Needed To Be Better Documented

Purchase order files did not always contain documentary evidence that bids were obtained when required.

Federal regulations require that competitive quotations be obtained for purchases over \$500, and that the quotations be in writing for purchases over \$5,000.

During FY 1982 there were 89 purchases over \$500 eight of which exceeded \$5,000. Not all purchase order files provided an explanation or documentation to support selection of the supplier.

AID HB 14, Appendix A, Section 2.(c) states:

"One of the paramount duties of the contracting officer is to secure competition to the maximum practical extent for any planned procurement. The procedures for formally advertised, or for publicized negotiated, or for limited source procurements differ; the contracting officer must determine the proper method of procurement and contract type, and must determine the extent of competition required."

The Executive Officer told us that some purchases were bid as required by regulation, but the bidding activities were not documented.

Conclusion and Recommendation

USAID/Botswana did not demonstrate prudent use of resources through competitive pricing.

Recommendation No. 5

USAID/Botswana establish procedures to obtain competitive quotations as required by federal regulation, and document bidding activities.

Internal Control Over Vendor Invoices Needed Improvement

In three instances USAID/Botswana received duplicate bills, and subsequently vouchered and paid all the bills for items totalling Pula 126 (\$167) from three vendors in Gaborone. Although the amount was not significant, the number of vendors that received duplicate payments was significant in that it represented seven percent of those included in the sample we reviewed.

Conclusion and Recommendations

USAID/Botswana's internal controls were not adequate to prevent making duplicate payments because the vouchering procedure did not include an adequate check of vendor invoice numbers and dates.

Recommendation No. 6

USAID/Botswana establish procedures that will establish adequate internal control to prevent duplicate payments.

Recommendation No. 7

USAID/Botswana obtain a refund from each of the vendors that received a duplicate payment.

Procurements Of Foreign-Made Products Were Not Justified In Writing

We found 11 purchases of foreign-made products over \$1,000 in FY 1981, and 11 in FY 1982, that were not justified in writing by the Executive Officer or Mission Director.

Guidance for procurement with administrative funds for AID overseas activities is contained in HB 23, Chapter 14. Section 14E.3a states:

"It is the policy of AID that United States end products and services shall be procured to the maximum extent possible."

Section 14E.4 states:

"The Agency has determined that an exception exists, and that purchase of comparable foreign-made end products or services is authorized when one or more...criteria are met."

The section lists seven separate criteria which, if one or more are met, would justify an exception to the policy stated above. One of these criteria is that the transaction does not exceed \$10,000.

Section 14E.5 requires that when foreign goods or services are purchased the procurement file copy of the purchase order or contract effecting the purchase be annotated, or supported by a written determination, to indicate the authority for the purchase. Such determination is to be made in writing by the Executive Officer or Mission Director.

During FYs 1981 and 1982, USAID/Botswana purchased over \$135,000 worth of goods locally or in the Republic of South Africa. In our opinion, the majority of USAID/Botswana's purchases of foreign-made products could have been justified by meeting one of the criteria listed in AID regulations. However, we did not find documentary evidence that any of these purchases were supported by a written determination that justified the purchase of foreign goods as required. We found three transactions which exceeded the \$10,000 limit for any one transaction.

#### Conclusion and Recommendation

USAID/Botswana did not support by a written determination that the purchase of foreign goods was justified.

#### Recommendation No. 8

USAID/Botswana establish a procedure for future transactions involving the purchase of foreign goods or services, to document in writing the justification and authority for such a purchase.

#### USAID/Botswana Needed To Do A Better Job Of Procurement Planning

In August 1981, the Office of Management and Budget (OMB) issued a series of memoranda to Agency Heads dealing with reducing and controlling unnecessary year-end spending, and procurement procedures.

One of these documents, OMB Policy Letter 81-1 states:

"Advance Procurement Planning. Agencies shall issue procedures that require an Advance Procurement Planning System (APP) for each activity. The procedures shall include: ...

- Development and maintenance of an advance procurement plan to cover major procurement requirements and other requirements with high waste vulnerability, such as consulting services, certain equipment, periodicals,

pamphlets, or audiovisual products. The plan should be developed well in advance of the fiscal year in which the acquisition will be made; ..."

M/SER/CM distributed this policy letter to the attention of all procurement personnel on September 25, 1981 (Contract Information Bulletin 81-28).

USAID/Botswana had not developed a procurement plan. Although we did not find that any unnecessary year-end spending had occurred after the issuance of the OMB policy, we did find an example of unnecessary spending in FY 1980. USAID/Botswana purchased five items of video equipment at a cost of about \$8,500. We found that three of the five items were located, unused, in two locked trunks in the warehouse. Present USAID management does not know why the equipment was purchased and has no use for the stored items.

This is one of the kinds of waste that OMB is trying to eliminate. Implementation of an advance procurement plan is a control that should help reduce unnecessary spending.

The purchase of foreign-made products might also be significantly reduced by procurement planning. In FYs 1981 and 1982 over \$53,000 was spent in South Africa on products that might have been purchased in the U.S.. Most of this amount was for the purchase of office furniture and equipment. We also found that over \$80,000 worth of furniture and equipment (appliances, lamps, carpets, vacuum cleaners etc.) was purchased locally. Over \$135,000 could have been spent on U.S. products, if cost justified, with better planning.

We do not believe the Mission is meeting the intent of the regulations, i.e., "It is the policy of AID that U.S. end products...shall be procured to the maximum extent possible."

#### Conclusion and Recommendations

USAID/Botswana had not developed an advance procurement planning system as required by OMB policy. As a result, U.S. products may not have been purchased to the maximum extent possible.

#### Recommendation No. 9

USAID/Botswana develop and maintain an advance procurement planning system.

#### Recommendation No. 10

USAID/Botswana either (a) find a use for the unused video equipment, or (b) declare it as excess property.

Control Over GTRs Needed Improvement

Control to assure the proper use of Government Transportation Requests (GTRs) was inadequate.

We found that one GTR was erroneously issued to a participant by USAID/Botswana although the air fare was paid under a contract. USAID/Botswana did not know where the GTR was but their records indicated that no payment had been made to the vendor.

Also, GTRs are voided on occasion because of a cancelled trip or other reason. When this occurs it is the responsibility of the traveler to submit the unused GTR to the GTR custodian, so records can be posted accordingly and the GTR can be cancelled.

We found two GTRs, issued in March and April 1982, which were still in a negotiable condition, laying in an unsecure location in the Controller's Section. According to the GTR records, these GTRs had not been voided. We found that one of the GTRs had been used but had not been submitted to the vendor for payment. The other GTR had not been used and should have been cancelled.

One reason that control over GTRs was not adequate and their status was not always known was that travelers did not prepare their vouchers correctly. We found that 44 percent of the travel vouchers paid by USAID/Botswana did not contain the information called for in the "Transportation Requests Issued" section of the voucher.

Conclusion and Recommendation

The procedure for issuing and processing GTRs should be clarified to prevent misuse of this negotiable document.

Recommendation No. 11

USAID/Botswana issue a staff directive that clarifies how unused GTRs are to be handled. Travel vouchers should indicate the mode of travel and if GTRs were used or not. Voided GTRs should be cancelled or destroyed with their voided numbers recorded in a log.

List of Recommendations

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USAID/Botswana establish a procedure to enforce its Staff Notice on long distance calls.	
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USAID/Botswana cross-train Executive Office staff to provide coverage when persons are on leave, and to allow a proper segregation of property related functions.	
<u>Recommendation No. 3</u>	4
USAID/Botswana implement a procedure to (a) make periodic checks of inventory items to assure accurate posting to property records, and (b) take corrective action if differences are found.	
<u>Recommendation No. 4</u>	6
USAID/Botswana develop and maintain residential cost reports for each residential unit, and submit required reports on leased and owned property to AID/W.	
<u>Recommendation No. 5</u>	6
USAID/Botswana establish procedures to obtain competitive quotations as required by federal regulation, and document bidding activities.	

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<u>Recommendation No. 6</u>	7
USAID/Botswana establish procedures that will establish adequate internal control to prevent duplicate payments.	
<u>Recommendation No. 7</u>	7
USAID/Botswana obtain a refund from each of the vendors that received a duplicate payment.	
<u>Recommendation No. 8</u>	8
USAID/Botswana establish a procedure for future transactions involving the purchase of foreign goods or services, to document in writing the justification and authority for such a purchase.	
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APPENDIX B

List of Report Recipients

No. of  
Copies

Field Offices

USAID/Botswana

5

AID/Washington

AA/M

1

AA/AFR

5

LEG

1

GC

1

OPA

1

IG

1

M/SER/EOMS

2

AFR/SA

2

M/FM/ASD

2

PPC/E

1

S&T/DIU

4