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**AUDIT OF THE MANANTALI
RESETTLEMENT PROJECT IN MALI**

AUDIT REPORT No. 7-688-86-10

September 23, 1986

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
RIG/DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20523

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WEST AFRICA

September 23, 1986

MEMORANDUM FOR Director, USAID/Mali, Eugene Chiavaroli

FROM: John R.  Compotello, RIG/A/WA

SUBJECT: Audit Report of the Manantali Resettlement
Project in Mali (Audit Report No. 7-688-86-10)

This report presents the results of audit of the Manantali Resettlement Project in Mali. This program results audit was made at your request and that of the Assistant Administrator, Africa Bureau. Specific audit objectives were to determine whether (1) sufficient progress was made to resettle the project target population before the 1986 rainy season, (2) project activities were being carried out at least cost, and (3) adequate internal controls were established.

The results of audit showed the project was delayed in moving the villagers before the 1986 rainy season, but the Mission was making adequate progress to recover lost time. Project activities were not carried out at least cost and selected internal controls were inadequate.

The audit found that (1) USAID/Mali could take several actions to achieve project objectives and save about \$3.3 million, and (2) internal controls over budgeting and AID-funded commodities needed improvement.

The report recommends that USAID/Mali repair and maintain existing project tracks rather than upgrading them, reduce or eliminate unneeded technical assistance and facilities, and improve controls over project cost and property.

USAID/Mali concurred with the audit findings and recommendations and initiated corrective actions. The recommendations are therefore considered resolved and will be closed upon completion of corrective action. Please advise me within 30 days of any additional information relating to actions taken or planned to implement the audit recommendations.

I appreciate the cooperation and courtesy extended to the RIG/A/WA staff during the audit.

EXECUTIVE SUMMARY

Construction of the multi-donor supported Manantali dam started in October 1981 and was to be completed in May 1988. With the summer 1986 rainy season, waters impounded by the dam were expected to rise. Some 8,000 people in 26 villages were faced with flooding and needed new homes. About 5,000 people were to move to 14 villages before the rainy season beginning in June 1986, while the rest were to move in June 1987. Although not involved in dam construction, in August 1984, AID granted the Government of the Republic of Mali \$18.3 million through the Manantali Resettlement Project to help relocate the villagers. As of March 1986, AID had committed about \$13 million, mostly under host country construction contracts, of which \$3.4 million had been spent.

At the request of the Assistant Administrator, Africa Bureau, and USAID/Mali, the Office of the Regional Inspector General for Audit, West Africa made a program results audit of the project. Audit objectives were to determine (1) project progress in resettling the population before the rainy season, and (2) whether project activities were being carried out at least cost. The adequacy of selected internal controls were also examined. The period covered was from August 1984 through May 1986.

The results of audit showed the project was delayed in moving the people before the 1986 rainy season, but management was making adequate progress to recover lost time. Project activities were not being carried out at least cost and selected internal controls were inadequate.

USAID/Mali was attempting to meet the June 1986 target date for relocating 5,000 villagers. Progress had been delayed due to (1) unrealistic deadlines, (2) inadequate assessment of host country capabilities, (3) delayed negotiations of host country construction contracts, and (4) problems in establishing a system to account for AID funds. USAID/Mali was aware of these problems, and increased technical assistance and work schedules to help relocate the villagers on time. These efforts were likely to achieve some success in moving the first group of villagers by October 1986 - four months later than scheduled. Through the intensified efforts, USAID/Mali was expected to resettle the second group of villagers as scheduled in June 1987.

USAID/Mali could take several actions to achieve project objectives and save about \$3.3 million. Villagers could be relocated by repairing and maintaining existing access tracks for about \$350,000, instead of upgrading them for \$2.5 million. Also, technical assistance to supervise construction, estimated to cost about \$1 million, will not be needed after

most construction ends in June 1987. Another \$100,000 in housing and communication facilities could also be eliminated. Savings had not been identified because of faulty project design, and because USAID/Mali was more concerned with moving villagers on time than cost efficiencies. The report recommends USAID/Mali act to reduce project costs. USAID/Mali agreed and had begun corrective action.

Internal controls over budgeting and AID-funded commodities needed improvement. Controls were necessary to properly monitor project activities and to protect project property. The project budget was not useful for cost control because of excessive contingencies included by project designers. As a result, variances between estimated and actual costs were not easily detected. Also, the technical assistance contractor did not design and implement an inventory control system; therefore, controls over about \$328,000 in AID funded commodities were inadequate. The report recommends USAID/Mali improve internal controls. USAID/Mali agreed and had begun corrective action.

Office of the Inspector General

Mali



602726 © 77 (642164)
 Lambert Conformal Projection
 Standard parallels 8° and 32°
 Scale 1:11,000,000
 Boundary representation is
 not necessarily authoritative

--- Railroad
 --- Road
 ↑ Airport

**AUDIT OF THE MANANTALI
RESETTLEMENT PROJECT IN MALI**

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**AUDIT OF THE MANANTALI
RESETTLEMENT PROJECT IN MALI**

PART I - INTRODUCTION

A. Background

Construction of the multi-donor supported Manantali dam started in October 1981 and was to be completed in May 1988. With the summer 1986 rainy season, waters impounded by the dam were expected to rise. Some 8,000 people in 26 villages were faced with flooding and needed new homes. About 5,000 people were to move to 14 villages before the rainy season beginning in June 1986, while the rest were to move in June 1987. Although not involved in dam construction, in August 1984, AID granted the Government of the Republic of Mali (GRM) \$18.3 million through the Manantali Resettlement Project to help relocate the villagers. Other contributions included about \$5.5 million from the World Food Program and \$3.4 million from the host country.

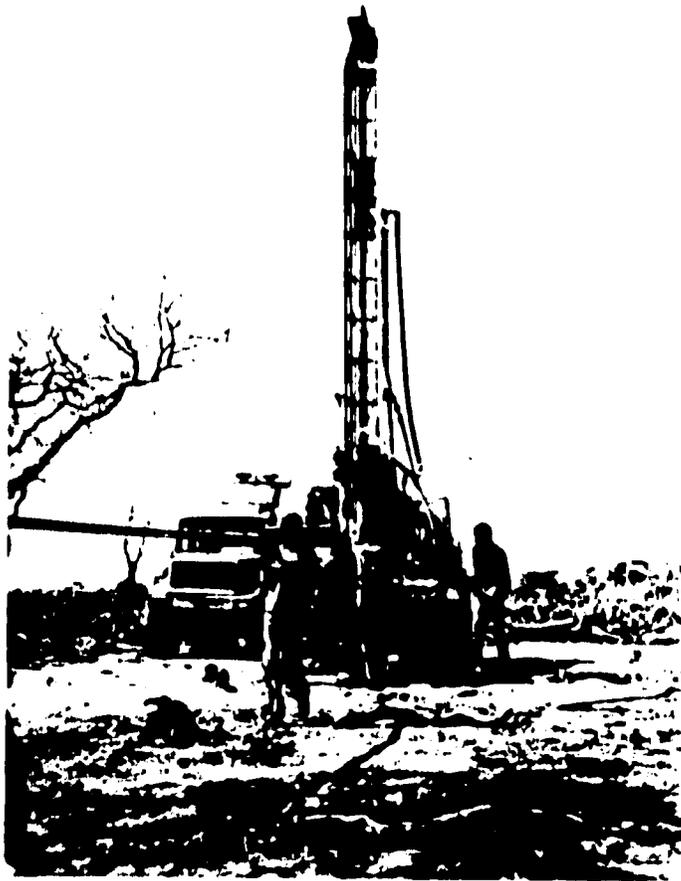
Under the supervision of an AID contracted technical assistance team, the project funded construction of new villages, offices and housing for project personnel, 94 kilometers of access tracks to facilitate the villagers' move, and 105 wells for water supply. AID also financed health and nutritional activities, including the construction and staffing of eight warehouses. Although the project was scheduled for completion by 1989, most construction activities were to be completed by the time the population was moved in summer 1987. As of March 1986, AID had committed about \$13 million, mostly under host country construction contracts, of which \$3.4 million had been spent.

B. Audit Objectives and Scope

At the request of the Assistant Administrator, Africa Bureau, and USAID/Mali, the Office of the Regional Inspector General for Audit, West Africa made a program results audit of the project. Audit objectives were to determine (1) project progress in resettling the population before the rainy season, and (2) whether project activities were being carried out at least cost. The adequacy of selected internal controls were also examined.

The audit covered activities from August 1984 through May 1986 and tested \$2.2 million of the \$3.4 million spent. The audit did not include counterpart contributions. The audit reviewed USAID/Mali and host country records and reports in Bamako and Manantali. USAID/Mali, host country and other officials responsible for project implementation were interviewed. Field visits were made to old and new villages, and to access tracks

and construction sites in the project zone. Field work was completed in May 1986. USAID/Mali was provided a draft report in July 1986. Mission comments have been incorporated in the body of this report and are presented in Appendix 1. The audit was made in accordance with generally accepted government auditing standards.



Digging a Borehole at a New Village Site
February 1985



Brick Making for Construction of New Villages
February 1986

AUDIT OF THE MANANTALI
RESETTLEMENT PROJECT IN MALI

PART II - RESULTS OF AUDIT

The results of audit showed the project was delayed in moving the people before the 1986 rainy season but management was making adequate progress to recover lost time. Project activities were not being carried out at least cost and selected internal controls were inadequate.

USAID/Mali was attempting to meet the June 1986 target date for relocating 5,000 villagers. Progress had been delayed due to (1) unrealistic deadlines, (2) inadequate assessment of host country capabilities, (3) delayed negotiations of host country construction contracts, and (4) problems in establishing a system to account for AID funds. USAID/Mali was aware of these problems, and increased technical assistance and work schedules to help relocate the villagers on time. These efforts were likely to achieve some success in moving the first group of villagers by October 1986 - four months later than scheduled. Through the intensified efforts, USAID/Mali was expected to resettle the second group of villagers as scheduled in June 1987.

The audit found that planned costs for construction, technical assistance, and facilities were excessive, and that significant savings could be achieved. Also, project internal controls over budgets and AID-financed commodities were inadequate.

The report recommends USAID/Mali act to reduce project costs and improve internal controls.

A. Findings and Recommendations

1. Project Costs Could Be Reduced

USAID/Mali could take several actions to achieve project objectives and save about \$3.3 million. Villagers could be relocated by repairing and maintaining existing access tracks for about \$350,000, instead of upgrading them for \$2.5 million. Also, technical assistance to supervise construction, estimated to cost about \$1 million, will not be needed after most construction ends in June 1987. Another \$100,000 in housing and communication facilities could also be eliminated. Savings had not been identified because of faulty project design, and because USAID/Mali was more concerned with moving villagers on time than cost efficiencies.

Recommendation No. 1

We recommend USAID/Mali save about \$3.3 million by performing the following:

- a. repair and maintain existing access tracks rather than spend \$2.5 million for upgrading them;
- b. eliminate (1) technical assistance to supervise construction beyond June 1987, and (2) unnecessary housing and communication facilities.

Recommendation No. 2

We recommend USAID/Mali analyze all project cost elements to determine whether savings could be achieved while accomplishing project objectives.

Discussion

AID policy stresses the need for project design and implementation to achieve project objectives at minimal costs. Project design must consider cost and justify project activities accordingly. Missions must implement the project economically and seek opportunities to reduce costs.

Project designers overstated the capital investment needed to accomplish project objectives, and USAID/Mali had not explored opportunities to reduce costs. For example, the \$1 million cost to construct permanent housing and offices for project personnel in the vicinity of new villages could have been reduced significantly had designers considered temporary office space and housing. However, at the time of audit, permanent construction had advanced such that alternatives could no longer be considered. In this case, the Mission had placed higher priority on moving the villagers on time rather than on cost efficiencies.

The audit identified other opportunities to save about \$3.3 million in achieving project objectives:

Access Tracks - Instead of providing about \$350,000 of needed repair and maintenance of existing access tracks to new villages, the Mission was funding about \$2.5 million to upgrade them to "class C", two-lane roads (referred to as "tracks" in project documents).

The audit identified about two kilometers of tracks in need of repair and two areas where passage would not be possible without bridges. To repair the tracks and provide continued maintenance during the remainder of the project, the cost was estimated by the auditors at about \$350,000, as follows:

2 kilometers of repairs @ \$25,000	=	\$50,000	<u>1/</u>
2 bridges @ \$47,000	=	94,000	<u>1/</u>
Life of Project maintenance		174,000	<u>1/</u>
Contingency 10 percent		<u>32,000</u>	
Total		<u>\$350,000</u>	

In choosing to upgrade instead of repair and maintain the tracks, the Mission miscalculated the needs of the project. By early 1986 the Mission knew the project faced delay and that villagers scheduled to move by mid-1986 could not do so before the rainy season. Therefore, tracks that would be passable during the rainy weather were crucial. Timely repair would meet the needs of the project better than upgrading and construction, which would take about 14 months to complete.

AID requires that road construction be economically justified. AID Program Evaluation Report No. 5, Rural Roads Evaluation Summary Report (1982) provides guidance to estimate cost effectiveness by relating cost of construction and other factors to expected daily traffic. For example, to justify a cost of \$19,000 per kilometer, a road must have a traffic count of 15 vehicles per day. AID also requires assurance of lifetime maintenance to protect its investment.

The project paper included improvement of 206 kilometers of one-lane, "class D" tracks, of which 94 kilometers were to access new villages. The remaining 112 kilometers were to allow people to leave the old villages. The project paper recognized the lack of long-term vehicular activities in the project zone and called for minimum construction. Construction cost was estimated at about \$2.4 million. According to Mission officials, the \$2.4 million was in excess of the amount needed.

1/ These estimates were based on the host country contract unit prices and discussions with Mission personnel.

Nonetheless, in December 1985, the host country signed a contract to construct 94 kilometers of Class C two-lane tracks with AID funding of about \$2.5 million or about \$26,000 per kilometer, excluding lifetime maintenance. In this instance, AID criteria would require daily traffic well in excess of 15 vehicles to justify construction.

In January 1986, the Senior Engineer, Regional Economic Development Services Office, West and Central Africa (REDSO/WCA) questioned the proposed construction. He observed that (1) little vehicular traffic traveled on village access tracks; (2) this was a onetime, not a development project; (3) there was no need for more than service tracks; and (4) maintenance was not assured. He suggested that the Mission limit its investment to minor repair and maintenance.

The Mission and host country accepted the advice of the Senior Engineer. According to Mission records, a senior host country official commented that the tracks were overdesigned and the construction a wasteful expenditure considering the low likelihood of maintenance. USAID/Mali and the host country decided to repair and maintain the tracks, and to amend the construction contract.

Yet, despite this decision, and for unidentified reasons, in February 1986, USAID/Mali and the host country approved the contract for road construction at \$2.5 million. By May 1986, the contractor had spent about \$371,000 for site mobilization and expected to start construction by early June.

The auditors questioned the need for two-lane tracks. The Mission replied that construction was necessary because: (1) the project paper's one-lane design was in error; (2) simultaneous crossing of trucks over two lanes was necessary to complete project activities on time; (3) the width of road scrapers determined the width of the road; (4) vehicular traffic in the zone would increase after project completion; and (5) modification of the construction contract could delay construction by at least six months.

The audit determined that the Mission's justifications were unsound, particularly the assumption that vehicular traffic would increase. The 26 villages served by this project, or about 1,000 families, could not generate agricultural production or the need for services requiring traffic in excess of 15 vehicles per day, or over 5,000 vehicles a year. In comparison, another project in Mali showed that traffic around villages averaged only about 50 vehicles a year.

Technical Assistance - USAID/Mali could save about \$1 million by reducing the number of technical assistants when most of the construction is completed in June 1987.

The project agreement required two assistants--two to control project and two to supervise construction. Construction Control Service was allocated \$2.9 million to provide this support. However, by February 1986, the composition had changed. For construction, a project account

The audit questioned the amount allocated until 1988 because project activities were very limited. By June 1987, construction supervision should be complete at a nursery. Other projects were for social and economic development and distribution. In the audit, the focus was over these activities to the extent of being trained by the team.

Other Opportunities - A lack of a teletype system, both to transmit and receive the project design but not ne

Project design called for a house of about \$80,000. The house was for technical assistance coordination in Bamako. The audit questioned the adequacy of hotel facilities at \$10 per day per person. In order to be cheaper, the entire team spent their time in Bamako rather than in Manantali.

Project design also called for a road between Manantali and Bamako. This was redundant since there was a road between these locations, and it was completed by June 1987. In the Mission eliminated plans

Cost savings for access track construction opportunities had not been explored. First, the project officer could not overcome unrealistic cost estimates and country capabilities and limited construction contracts. Second, only limited support from other agencies with managing emergency distribution. Cost reduction became secondary to move the people.

Although project delays and the priority accorded to moving people prevented USAID/Mali from reducing certain project costs, about \$3.3 million could still be saved. USAID/Mali needs to take action on these savings opportunities and to evaluate other project costs for similar savings.

Management Comments - USAID/Mali concurred with the report's finding and recommendations. The Mission was attempting to renegotiate the construction contract and was prepared to cancel the contract if the GRM was unwilling to reduce the scope of work. The Mission agreed to study minimum levels of technical assistance required during the final year of the contract. The Mission also was terminating leases for Bamako housing facilities.

Office of Inspector General Comments - Mission actions undertaken or planned are responsive to the recommendations. The recommendations are therefore considered resolved and will be closed upon completion of corrective actions.



An AID-financed Access Track
No need for expensive upgrading - only maintenance needed
May 1986



AID-financed Access Track in Need of Repairs
May 1986

2. Need to Improve Internal Controls Over Budgeting and Commodities

Internal controls over budgeting and AID-funded commodities needed improvement. Controls were necessary to properly monitor project activities and to protect project property. The project budget was not useful for cost control because of excessive contingencies included by project designers. As a result, variances between estimated and actual costs were not easily detected. Also, the technical assistance contractor did not design and implement an inventory control system; therefore, controls over about \$328,000 in AID funded commodities were inadequate.

Recommendation No. 3

We recommend USAID/Mali:

- a. improve project cost controls by eliminating unnecessary contingencies from the operating budget;
- b. require that the technical assistance contractor establish an inventory and record keeping system to account for project property; and
- c. monitor project operating budgets and periodically review contractor internal controls of AID-financed commodities.

Discussion

The audit identified needed improvement in controls over project budgets and AID-funded commodities.

Controls Over Budget - AID recognizes the need to add contingencies to project cost estimates for sound financial planning. Two types of contingencies must be considered: physical contingencies account for accidental omissions, errors in quantities or in the number of personnel/years needed; the other contingency accounts for inflation. AID recommends physical contingencies of no less than 10 percent and inflation contingencies tied to rates expected during the project life.

Of \$18.3 million budgeted, about \$4.4 million or about 24 percent was to cover contingencies. The project included physical contingencies ranging from 10 to 37 percent and inflation of seven percent. Some of these contingencies increased cost estimates. For example, of \$3 million budgeted for village housing, about \$1.2 million (40 percent) were for physical and inflation contingencies; of \$256,000 budgeted for site clearing, \$111,000 (43 percent) were contingencies.

With contingencies amounting to 40 percent for some cost components, the project could not effectively monitor costs and detect variances. A budget was needed which more closely matched cost components to amounts actually contracted by the project for construction. At the time of the audit, this information was available, and a realistic estimate of project costs could have been developed. In March 1986, upon our suggestion, the Mission eliminated contingencies of \$523,000.

Controls Over Commodities - The technical assistance contractor, responsible for safeguarding project property, could not account for project commodities such as office equipment, vehicle parts and well-drilling equipment. As a result, AID had no assurance equipment valued at about \$328,000 was properly safeguarded and used for intended purposes.

The technical assistance contract called for the contractor to complete within 60 days of arrival in Mali: (1) a review of the inventory storage system and the methods of monitoring and record-keeping; and (2) the introduction of changes to ensure compliance with AID requirements. By February 1986, AID had entrusted commodities valued at about \$328,000 to the contractor's care.

About 10 months after the arrival of contract personnel, the contractor had not established an inventory and record-keeping system to account for the receipt and utilization of commodities. USAID/Mali failed to assure that the contractor carried out the requirement. As a result, there was no assurance that the commodities were safeguarded or used for project purposes. For example, project personnel indicated that mission drilling equipment was allegedly destroyed in a fire. However, the contractor could not provide the quantities or values involved in the loss because records were not available.

Better internal controls over budgets and AID-financed commodities were needed to monitor costs and protect AID-financed commodities entrusted to the technical assistance contractor.

Management Comments - USAID/Mali generally concurred with the report's finding and recommendation. The Mission had completed action to update the project budget, was implementing a system to control procurement and inventory, and agreed to monitor the project budget and contractor internal controls of commodities.

Office of Inspector General Comments - Mission actions undertaken or planned are responsive to the recommendation. Based on Mission action to update the project budget part (a) of the recommendation is considered closed as of the date of report issuance. Parts (b) and (c) are considered resolved and will be closed when corrective actions are completed.

B. Compliance and Internal Control

Compliance - USAID/Mali needed to better comply with AID regulations to achieve project objectives at a lower cost, especially in justifying road construction. Finding Number 1 disclosed significant savings were possible. Finding Number 2 discusses the technical assistance contractor's non-compliance with the AID contract on establishing inventory controls. Other than these items, nothing came to the auditors' attention that caused them to believe untested items were not in compliance with applicable laws and regulations.

Internal Control - USAID/Mali needed to improve internal controls. Finding 1 disclosed the need to better control project costs to seek lower cost alternatives. Finding Number 2 disclosed a need to improve budgetary control by removing excessive budget cost contingencies and to improve accounting for commodities by establishing an inventory system.



Construction of a New Village for Resettlement
May 1986



A Hut Used for Project
Spare parts destroyed by fire - No accounting for items lost
February 1986

**AUDIT OF THE MANANTALI
RESETTLEMENT PROJECT IN MALI**

EXHIBITS AND APPENDICES

MANANTALI RESETTLEMENT PROJECT
Financial Summary as of March 31, 1986

(In Thousands of U. S. Dollars)

	<u>Budgeted</u>	<u>Committed</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Construction	\$10,157	\$7,908	\$1,667	\$8,490
Tech. Assistance	4,226	3,532	1,187	3,039
Operating Expenses	1,625	714	119	1,506
Studies	972	47	26	946
Commodities	684	560	366	318
Evaluation	394			394
Compensation	<u>277</u>	<u>15</u>	<u>14</u>	<u>262</u>
Total	<u>\$18,335</u>	<u>\$12,776</u>	<u>\$3,379</u>	<u>\$14,955</u>

ACTION: RIG-2 INFO: DCM

VZCZCTAA123BMA534
 OO RUTADS
 DE RUTABM #5155 2451615
 ZNR UUUUU 228
 O 021538Z SEP 86
 FM AMEMBASSY BAMAIO
 TO AMEMBASSY DAKAR IMMEDIATE 5358
 BT
 UNCLAS BAMAIO #5155

LOC: 337
 02 SEP 86
 CN: 24139
 CHRG: AID
 DIST: RIG

ADM AID

FOR: RIG/A/DAKAR

E.O. 12356: N/A
 SUBJECT: RESPONSE TO AUDIT REPORT - MANANTALI
 - RESETTLEMENT PROJECT - 625-0955

1. RECOMMENDATION 1A: MISSION CONCURS WITH GENERAL CONCLUSION OF AUDIT REPORT CONCERNING A REDUCTION IN FUNDING TO BE PROVIDED FOR CONSTRUCTION/MAINTENANCE OF ROADS. MISSION ISSUED PIL.61 WHICH DEFINE A PROCEDURE FOR THE ROADS COMPONENT WHEREBY DISCRETE ROAD SEGMENTS ARE APPROVED ACCORDING TO UNIT COSTS AND PIL.62 WHICH GIVES USAID APPROVAL OF THE FIRST YEARS WORKPLAN. BOTH OF THESE PIL'S REAFFIRM WHAT WAS CONTAINED IN ORIGINAL PIL (NO. 49) FOR ROAD CONSTRUCTION COMPONENT. USAID IS ATTEMPTING TO RENEGOTIATE OTER CONTRACT TO REDUCE LEVEL OF EFFORT TO MINIMUM REQUIREMENTS. MISSION IS PREPARED TO CANCEL CONTRACT AND PAY TERMINATION COSTS WHICH ARE OUR LEGAL RESPONSIBILITY, IF GRM IS UNWILLING TO RENEGOTIATE LEVEL OF EFFORT. FYI OTER HAS STOPPED ALL WORK PENDING OUTCOME OF NEGOTIATIONS. END FYI. MISSION HAS CONSULTED RLA DAKAR. FOR OUR INFORMATION, WOULD APPRECIATE COPY OF AUDITOR WORKSHEETS WHICH SUPPORT CALCULATION IN AUDIT STATEMENT QUOTE USAID/MALI COULD RELOCATE VILLAGERS BY REPAIRING AND MAINTAINING EXISTING TRACKS FOR ABOUT USDOLS. 350 000 INSTEAD OF UPGRADING THEM FOR USDOLS. 2,5 MILLION. END QUOTE.
2. RECOMMENDATION 1.F: MISSION CONCURS IN RECOMMENDATION 1B(1) AND WILL INVESTIGATE MINIMUM LEVELS OF T.A. REQUIRED DURING FINAL YEAR OF CONTRACT. AT PRESENT MISSION OPINION IS THAT, AT MINIMUM, POSITIONS OF BOTH CHIEF OF PARTY AND FINANCIAL ADVISOR SHOULD BE CONTINUED THROUGH PACD. 1B(2): MISSION CONCURS IN RECOMMENDATION. THE BAMAIO GUEST HOUSE OPERATED BY CCSC HAS BEEN CLOSED AND TWO RESIDENTIALS LEASES FUNDED UNDER THE SAME CONTRACT WILL BE TERMINATED IN AUGUST. T.A. TEAM, WITH EXCEPTION OF PROCUREMENT SPECIALIST HAS BEEN RELOCATED TO MANANTALI EFFECTIVE AUGUST 21, 1986.
3. RECOMMENDATION 2.: USAID CONCURS IN RECOMMENDATION. WE REALIZE THAT COST EFFICIENCY MUST

BE PROPERLY ADDRESSED. AS STATED IN PARA 2 CERTAIN EFFICIENCIES AS RECOMMENDED BY THE AUDIT HAVE ALREADY BEEN TAKEN. HOWEVER GIVEN THE TIME FRAME IN WHICH PROJECT ACTIVITIES MUST BE COMPLETED AID MUST ACCEPT THE FACT THAT SERVICES/COMMODITIES WILL COMMAND A PREMIUM.

4. RECOMMENDATION 3(A): AS NOTED IN THE REPORT, ACTION HAS ALREADY BEEN TAKEN TO UPDATE THE PROJECT BUDGET. BUDGET ADJUSTMENTS HOWEVER DID NOT REDUCE MONIES COMMITTED TO THE PROJECT BUT RATHER ALLOCATED SAVINGS TO BUDGET COMPONENTS WHICH HAD BEEN UNDERFUNDED.

5. RECOMMENDATION 3(B): AS REPORTED TO RIG/A/DAKAR A SYSTEM TO CONTROL PROCUREMENT AND INVENTORY HAS BEEN ACCEPTED BY THE GRM AND IS CURRENTLY BEING IMPLEMENTED. IT SHOULD BE CLARIFIED THAT DEVELOPMENT OF THIS SYSTEM WAS GIVEN A HIGH PRIORITY BY THE CCSC FINANCIAL ADVISOR UPON HIS ARRIVAL IN OCTOBER 1985. BLAME FOR DELAYS IN IMPLEMENTATION OF THE SYSTEM MUST BE SHARED BY BOTH USAID AND THE GRM. IN FACT IT WAS ONLY AFTER USAID ADVISED THE GRM INFORMALLY THAT PRM OPERATING FUNDS WOULD BE BLOCKED PENDING IMPLEMENTATION OF THE PROPOSED PROCUREMENT AND INVENTORY SYSTEM, THAT ACTION WAS TAKEN BY THE GRM TO APPROVE THE SYSTEM.

6. RECOMMENDATION 3(B): MISSION CONCURS AND WILL COORDINATE WITH T.A. TEAM AND GRM TO MONITOR PROJECT OPERATING BUDGET AS WELL AS REVIEW CONTRACTOR INTERNAL CONTROLS OF AID-FINANCIAL COMMODITIES.

RYAN
BT
#5155

NNNN

REPORT DISTRIBUTION

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USAID/Nouakchott	1
USAID/Ouagadougou	1
USAID/Praia	1
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AIG/A	1
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IG/LC	1
IG/EMS/C&R	12
AIG/II	1
RIG/II/Dakar	1
RIG/A/Cairo	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
RIG/A/Washington	1
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