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NON-FEDERAL AUDIT OF THE
NIGER RURAL HEALTH IMPROVEMENT PROJECT
(683-0208)

AUDIT REPORT NO. 7-683-87-03-N

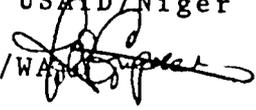
January 28, 1987

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

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WEST AFRICA

January 28, 1987

MEMORANDUM FOR: Peter Benedict, Director, USAID/Niger
FROM: John P. Competello, RIG/A/WA 
SUBJECT: Audit Report No. 7-683-87-03-N, Non-Federal
Audit of the Niger Rural Health Improvement
Project (Project No. 683-0208)

Attached is a copy of the report on subject audit. The certified public accounting firm of Aziz Dieye (affiliate of Coopers & Lybrand), Dakar, Senegal, prepared the report dated January 13, 1987. Although the report was the result of a survey rather than an audit, it includes five recommendations to improve host country accountability and internal controls. These recommendations have been included in the Office of the Inspector General's audit recommendation follow-up system.

Your comments on the draft report have been considered and are included in the report as deemed appropriate. The full text of your comments are in Appendix 1. As a result of actions already taken, we have resolved all recommendations and are closing recommendations 1, 4(b) through (e), and 5 upon issuance of this report.

Please provide written comments within 30 days of any additional information related to actions planned or taken to implement the recommendations.

We appreciate the assistance and cooperation provided to the audit firm and our representative during this review.

January 13, 1987

Mr. John Comptello
Regional Inspector General's Office
RIG - Dakar

Dear Mr. Comptello:

According to the terms of Contract 680-RIG-00-5008-00, dated March 21, 1986, and in compliance with its Statement of Work, we are pleased to submit to you our survey report of the Niger Rural Health Improvement Project (Project No. 680-0000).

The findings and recommendations presented in this report combine the views of UNDP/Niger and host country officials with the results of the tests performed by us. They have been discussed with both UNDP/Niger management and the RIG/NW representative. Mission comments have been included in the final report as appropriate.

Our examination was conducted in accordance with the audit survey requirements of IB's "Guidelines for Surveys and Audits of AID-financed Agreements by Non-Federal Auditors". Therefore, the survey cannot reveal all system weaknesses. Consequently, the reported-on deficiencies and problems may not be all-inclusive.

As you know, the terms of reference covering our engagement called only for a preliminary review, and not an audit. As a result, the comments offered focus only on the requirement for making a "Go/No Go" decision as to whether or not to perform a full audit.

On behalf of our entire staff, I would like to thank all personnel involved for their cooperation. If you have any questions or comments, please do not hesitate to call me.

Yours truly,



Aziz Diye
Coopers and Lybrand

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PRE-AUDIT SURVEY REPORT

NIGER RURAL HEALTH IMPROVEMENT PROJECT

PROJECT NO. 683-0208

JANUARY 13, 1987

NIGER RURAL HEALTH IMPROVEMENT PROJECT

No. 683-0208

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1. EXECUTIVE SUMMARY

1.1. BACKGROUND

The purpose of the Niger Rural Health Improvement Project (No. 683-0208) is to assist the Government of Niger (GON) to carry out the implementation of its national public health program. The goal of the program is to offer an adequate low cost health system to the rural population consisting of two key elements: human resource development and support to health institutions. The original goal of the project was to extend health care to approximately 1,500 additional villages. "By 1982, 43.75 percent of the rural population of Niger should benefit from this", the Grant Agreement states.

The project was authorized in January 1978 ; a series of extensions has resulted in the completion date being rescheduled to December 1987, instead of the original December 1982.

The total amount of USAID/Niger's funding, as amended, is \$16,329,000. The GON's contribution is \$3,187,000. The budget is categorized as follows:

	USAID -----	GON ---
Training	\$ 3,824,000	\$ 3,320,000
Personnel - Technical Assistance	5,692,000	14,000
Commodities and Equipment	1,941,602	1,030,000
Institutional Support	1,441,000	71,000
Construction and Renovation	1,600,000	3,100,000
	-----	-----
Current amount authorized and obligated	16,298,602	\$ 3,187,000 =====
Amount deobligated	30,398	

Original amount authorized and obligated	\$16,329,000 =====	

According to the Project Implementation Order (No. 683-0208-3-00951), "The project has experienced an uneven record of accountability at the MUH level ... as a result of this, ... the level of confidence needs to be reaffirmed." Caspers and Lybrand was engaged in March 1986, "to perform a pre-audit survey of the system, accounts and internal controls in use by the Government of Niger". This was the first audit of the project.

We met with the following officials during the course of our survey:

At USAID/Niger:

- R. Carey Coulter	Acting Director
- Dayton Maxwell	Acting Deputy Director
- Mike Kerst	Acting General Development Officer
- Dawn Liberi	Health Officer and Project Manager
- Dana Vogel	General Development Staff
- Stan Mitchell	Controller
- Steve Usagbue	Supervisor, Financial Analysis

At the Government of Niger's Rural Health Improvement Project:

- Issa Camara	Acting Director
- Mamane Sofu Bawa	Director of Administrative and Financial Affairs
- Oumarou Ali	Accountant

1.2. SCOPE OF WORK AND RELATED AUDIT SURVEY RESULTS

The objectives stipulated by the Statement of Work, in section B, Scope of Work, are as follows:

- a) To perform a survey examination of all project cost line items other than those concerning the U.S.- based technical assistance contractors.
- b) Review the terms and conditions of the grant agreement between USAID/Niger and the Government of Niger/Ministry of Health.
- c) Authentication of the Fiscal Year 1981 financial records as reconstructed by a personal services contractor.
- d) Focus special attention on concerns expressed by either project management and/or USAID/Niger Controller's Office monitors. These include:
 1. Size and promptness of repayment of advances made to the project by USAID/Niger.
 2. Disposition of grant assets without prior USAID/Niger concurrence.
 3. Integrity of the GON/MOH accounts of project funds distinguished from non-project funds, as well as the present status of "Borrowed Funds" and the system in place for discouraging such practices in the future.
- e) Examination of the adequacy of the inventory system in terms of identifying and tracking project commodities at all levels - central and departmental.

The audit survey results of the above-mentioned objectives are as follows:

- a) Analysis of project costs is presented in Section 2.2 of this report. No significant comments need to be made.
- b) Generally, the terms of the grant agreement have been complied with. However, USAID/Niger needs to quantify in monetary terms, to the best of its abilities, how close the Government of Niger's substantial contributions have met the specific requirements stated in the grant agreement.
- c) During our survey it was not possible to locate the original information which served as the basis for reconstructing the 1981 accounting records. Accordingly, we can express no opinion as to the accuracy of these records.
- d)
 1. The original problem of advances reaching the level of over \$800,000, through the harsh discipline of decertification and subsequent recertification, has been reduced to the manageable level of about \$200,000, equal to little more than 30 days' cash requirements.
 2. Following an exchange of correspondence between USAID/Niger and the GON, the proceeds from the sale of three vehicles were deposited in the project's account at the Treasury.
 3. Contrary to the concerns expressed in the Statement of Work, the GON was the lender, rather than the borrower, of project funds.
- e) We found an inventory system to be in place to monitor quantities of supplies and assets, and their respective locations. However, we were unable to determine the value of these inventories because costs are not entered on any of the various records. The last physical inventory took place in November 1985, when the last updating of individual cards occurred.

Our survey was conducted in Niamey from August 4 through August 15, 1986. In compliance with the Statement of Work, a meeting to reach a "GO/NO GO" decision was held on August 13, 1986. Our point of view favoring a more detailed audit was presented at this meeting, for reasons stated in Section 1.3. Perspectives and Summary of Findings and Recommendations.

However, the "No Go" decision was reached when, at the end of an approximately 4-hour discussion, USAID/Niger and RIG/W/Dakar requested that the second detailed audit phase not be implemented. Many of the findings of the audit team had become apparent to the Mission subsequent to the time the audit was requested, and the Mission attempted to initiate corrective action wherever possible. There was no evidence that there were serious problems other than those already identified, which would necessitate a

detailed audit at this stage. We were then asked to hold an exit conference with the GON administrators of the project. This took place on August 15, 1986.

As a result of the "No Go" decision, this report focuses only on the observations made during the preliminary review. It details the conclusions presented to USAID/Niger at the meeting of August 13, 1986, and to the GON project administrators at the meeting of August 15, 1986.

The report is outlined as follows:

- PART 1 Executive Summary
- PART 2 Responses to Questions Presented in the Statement of Work
- PART 3 Results of the Limited Review
- PART 4 Recommendations
- PART 5 Other Comments

1.3. PERSPECTIVE AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

Both in the course of preliminary discussions with USAID/Niger and RIG/A/Bakar officials and in the actual extended "Go/No Go" meeting, the majority opinion consistently argued against a more detailed follow-up audit, in contrast to our own view which favored more immediate comprehensive coverage.

USAID/Niger stressed the fact that fifteen months had lapsed since the request for the audit and the actual time the audit work was being performed. The emphasis at that time, in May, 1985, was in favor of audit rather than survey. Yet everyone also appreciated the GAU/IG discipline of conducting a survey prior to performing a detailed audit. However, from the Mission point of view, one "audit pass" was considered sufficient. Even more importantly, a good deal of correctional effort was claimed to have taken place since the work order calling for the audit was written in early 1985.

A first-time reader of the audit report should also be made aware that subsequent to the request for audit, the project was decertified - an extreme step to reinstitute some accounting disciplines. The project was later recertified. USAID/Niger further claimed that the majority of the findings were already known to the Mission, and therefore were already incorporated into the Statement of Work. The Mission was far more concerned whether or not there existed some other deficiencies which the Mission was not even aware of, and therefore unable to address constructively.

Two subjects that we believed merited more extensive audit coverage were training and the purchase of commodities and equipment. Training represents 53 percent of the total grant provided by USAID/Niger. In view of the known embezzlements in the past and the subsequent imprisonment of the Scholarship Fund's treasurer, we felt that this problem area merited further detailed audit work. Because of the inclusion of fuel, spare parts, materials and supplies in the categories of commodities and equipment, with their high potential for alternative use, we felt that this area could also benefit by further audit work.

USAID/Niger, which provided both the initiative and the funding for the audit, concluded that, by offering a series of recommendations dealing with residual unfinished business, the overall objectives of its original concerns would be fully met. On the other hand, USAID/Niger and RIG/A/Dakar readily agreed that in the event that timely implementation of these recommendations would not produce the hoped-for results, then some later specific limited scope auditing intervention may be in order to address any unresolved issues.

Without condoning the existence of some serious historical accounting deficiencies within the GON, USAID/Niger also pointed out that concurrently with the project, two events had occurred that significantly detracted from the pursuit of better administrative and accounting techniques and practices:

- the severity of the drought;
- the collapse of uranium prices.

Both events preempted much time and energy on the part of Nigerien officials, as well as USAID personnel assigned to provide relief for both disasters.

We, on the other hand, interpreted Section 5 of the grant agreement more literally when it called for periodic audits. Some typical objectives of a detailed audit would have been to ensure that purchases made served the goals of the project exclusively, and that all transactions were posted in the appropriate journals and justified by proper vouchers. A more detailed audit also would have produced the additional benefit of an inventory of commodities and other assets, including costs as well as quantities.

USAID/Niger and RIG/A/Dakar, in assessing the related costs and benefits of additional audit effort, determined that the benefits would be marginal, if not negative, particularly in view of the fact that there existed an extremely thin dividing line between the project itself and the larger health sector. While the project intended to assist the health sector at large, via the more specific project, any cost commitment distinguishing between the two activities would be "nice to have", but lacking practical utility in terms of achieving meaningful and results.

It is against this background that our own position in favor of additional audit effort was either questioned or deferred by USAID/Niger and RIG/A/Dakar.

Our preliminary work and sampling nevertheless resulted in a number of action recommendations which were readily agreed to by RIG/A/Dakar and accepted by USAID/Niger. In its subsequent comments to the draft report and its recommendations, USAID/Niger emphasized additional corrective efforts and requested appropriate recognition for those efforts where warranted.

RECOMMENDATION NO. 1

USAID/Niger issue a Project Implementation Letter in connection with the increase in funding from \$15,429,000 to \$16,329,000 and draft an amendment to indicate the deobligation of \$30,398 in project funds.

USAID/Niger responded to the draft report by stating that it has issued Project Implementation Letter No. 25, dated November 15, 1986, increasing total project funding from \$ 15,429,000 to \$ 16,329,000. The response added that the USAID/Niger's Controller's Office had reobligated the \$ 30,398 in project funds that had been deobligated, and had reported that action to HID/Washington.

As a result of this action this recommendation will be considered closed with the issue of this report.

RECOMMENDATION NO. 2

USAID/Niger determine to what extent the Government of Niger has complied with the terms of the grant agreement to contribute its \$8,187,000 share to the project.

While USAID/Niger cited four convincing specifics which clearly supported the Government of Niger's significant contributions, these citations lacked all reference to their monetary value.

The recommendation will be closed upon submission of at least an estimate demonstrating that the monetary requirements of the grant agreement have been substantially met.

RECOMMENDATION NO. 3

USAID/Niger request the Government of Niger to:

- (a) Update all project inventory records, and to keep them current;
- (b) Add cost information to all inventory records, and
- (c) Provide quarterly project inventory reports covering both quantities and costs.

USAID/Niger confirmed requesting the additional information and quarterly reporting.

Upon receipt of the first such report from the Government of Niger, this recommendation will be closed.

RECOMMENDATION NO. 4

USAID/Niger ensure that AID funds provided to the Rural Health Improvement project are adequately accounted for and proper internal controls are established by requesting the Government of Niger to:

- (a) Update and maintain current the General Ledger;
- (b) Update and maintain current the Register of Advances to the Zones;
- (c) Reconcile all bank accounts, in conjunction with the authentication of the cash receipts and cash disbursement journals, as of the dates the respective bank accounts were established;
- (d) Review all other project books of original entry and related journals to ensure their being current and reconciled; and
- (e) Prepare a vehicle log to ensure the proper use of vehicles and petroleum.

USAID/Niger commented that it planned to install a new General Ledger system on a Mission-wide basis in the spring of 1967, and that the project being audited was only one of many that would benefit by that innovation. With respect to the updating and maintenance of the Register of Advances to the Zones, the Mission stated that it had already notified the project, in its recertification report, to open and keep current a subsidiary ledger for that specific purpose. During its last recertification the Mission also satisfied itself that bank reconciliations are now being performed monthly and are, in fact, current. That same visit also established that books of original entry are up-to-date and reconciled. The Mission also stated that each vehicle now maintains the recommended log in which all uses of the vehicle are being recorded, that gasoline coupons are logged and that all gasoline purchases and usage are now documentable.

As a result of the above actions we consider parts (b) through (e) of the recommendation closed upon issue of the report, with (a) remaining open pending further progress reports concerning the installation of the announced system.

RECOMMENDATION NO. 5

USAID/Niger continue to freeze all payments to the Scholarship Fund until USAID decides how the Fund should be used.

USAID/Niger believes that its actions since the audit survey have been fully responsive to the recommendation. Specifically, USAID/Niger says that it has determined that a major goal of the project is to support the

Development of a Rural Health Delivery System, including the training and retraining of village health workers, nurses, and midwives. Therefore, support for the training of students of the two paramedical schools is in keeping with the overall project purpose. Accordingly, USAID/Niger has made the determination that disbursement to the two schools, ENSP and ENICAS, can now be made.

As a result of this determination the recommendation is considered closed with the issue of this report.

When the question was raised concerning USAID/Niger resources being available to implement all of the above recommendations, the Acting Mission Director stated unhesitatingly that this would represent no problem. The formal comments received January 2, 1987, reinforce that assertion made in August 1986.

It is against this background that we modified our original position in favor of immediate extended audit coverage. At the same time, the Acting Mission Director greatly encouraged us to summarize, as an adjunct to our field work, a postscript of "Lessons Learned". These appear under a separate heading in Section 5, Other Comments.

2. SPECIFIC RESPONSES TO ISSUES RAISED IN THE STATEMENT OF WORK

2.1. SCOPE

In order to respond to the issues raised in the Statement of Work, the pre-audit team:

- a) Reviewed the grant agreement along with the amendments and project implementation letters.
- b) Calculated the total amount of financing.
- c) Compiled a summary statement of advances and recoveries.
- d) Identified the different accounting ledgers and journals established by the project.
- e) Conducted a descriptive analysis of the procedures and systems of internal control devised by the project.
- f) Reconciled the different accounting journals: commitments journal, cash receipts and disbursements journal, and donor's account.
- g) Reviewed the filing system for vouchers.

The work performed made it possible, first of all, to respond to the points outlined in the Statement of Work and, secondly, to present the results of the pre-audit survey which are in Part 3.

Survey work was performed both at USAID/Niger Mission and at the Rural Health Improvement Project offices in Niamey between August 4 and August 15, 1986. Our survey contacts are listed in the Executive Summary, in Section 1.1.

The survey audit was performed in accordance with generally accepted auditing standards, and specifically included those established by the Comptroller General of the United States in "The Guidelines for (Surveys and) Audits of AID-Financed Agreements by Non-Federal Auditors". Our review included such tests as necessary, given the abbreviated scope, to determine if the funds and commodities have been properly accounted for and used as directed by the grant agreement and applicable laws and regulations. Other than the comments included in our report, nothing came to our attention that caused us to believe that items not reviewed are not in compliance with applicable laws and regulations.

2.2. PROJECT COST LINE ITEMS

Presented below are the project cost line items, as amended, contained in the original project budget.

	TOTAL - USAID & GON

Personnel - Technical Assistance	\$ 5,706,000
Training	8,944,000
Construction and Renovation	4,700,000
Commodities and Equipment	2,971,602
Other Costs - Institutional Support	2,164,000

	\$24,485,602
	=====

The bilateral sharing of funding of these items was planned as follows for the period of 1978 to December 1982:

USAID	\$ 14,029,000
GON	8,187,000

	\$ 22,216,000
	=====

Delays in launching the project resulted in amendments to the agreement for both the amount of funding and the project's duration. The new deadline for the Project Assistance Completion Date is now December 31, 1987, and the source of funding was modified as follows:

USAID	\$ 16,329,000
GON	8,187,000

	\$ 24,516,000
	=====

During 1985, \$30,398 was deobligated from the USAID contribution, thereby reducing the total amount of funding to \$24,485,602. Actions subsequent to the completion of our field work restored the original (higher) levels, by reobligating \$30,398.

The Statement of Work limited our review to all the project costs funded by USAID, except for those related to the two technical assistance contractors based in the United States. (The GON contributed funding of \$14,000 to the budget line item for Technical Assistance, for a joint total of \$5,706,000.) Therefore, our survey examination focused on:

Total USAID Funding	\$ 16,298,602	(\$16,329,000 less \$30,398)
Technical Assistance	(5,692,000)	(\$5,706,000 less \$14,000)

	\$ 10,606,602	
	=====	

This sum of \$10,606,602 represents 65 percent of the total USAID funding or 43 percent of the total USAID/GON funding.

The following table shows the USAID audit universe and the size of our survey samples, by line items:

	TOTAL BUDGET	%	EXPENDITURES REVIEWED	% OF BUDGET
	-----	-	-----	-----
Training	\$ 5,624,000	53	\$ 3,393,918	60
Construction	1,600,000	15	1,439,676	90
Commodities & Equipment	1,941,602	18	1,413,741	73
Other Costs	1,441,000	14	897,880	62
	-----	--	-----	--
	\$ 10,606,602	100	\$ 7,145,215	67
	=====	===	=====	==

2.3. REVIEW OF THE TERMS AND CONDITIONS OF THE GRANT AGREEMENT

A review of the grant agreement revealed, that, in general, the terms and conditions of the agreement have been complied with. Modifications to the grant agreement are made on the basis of amendments, and are confirmed or recorded through Project Implementation Letters.

At the time of our review, in addition to the original agreement, 24 Project Implementation Letters and eleven amendments had been introduced. These various documents also showed that the Project Assistance Completion Date while first set for December 1982, had been extended to December 1987.

Amendment No. 11 increased the USAID financing from \$15,429,000 to \$16,329,000, but a Project Implementation Letter was not issued. In addition, we noted that document JV No. 734-85-163 dated August 17, 1985, deobligated \$30,398. The total funding was thus reduced to \$16,298,602 without the establishment of either an amendment or a Project Implementation Letter.

The grant agreement set the contribution of the GON at \$8,187,000. At present, it is impossible to determine the actual amount of the Nigerian Government's financial commitment to the project. However, it is possible to say that the GON is making a real and effective contribution as evidenced by the:

- a) office facilities provided for the project within the Ministry of Health;
- b) payment of salaries to the civil servants assigned to the project;
- c) payment of charges for utilities (light and water) used by the project;
- d) granting of exemptions from taxes and custom duties.

RECOMMENDATION NO. 1

USAID/Niger issue a Project Implementation Letter in connection with the increase in funding from \$15,429,000 to \$16,329,000 and draft an amendment to indicate the deobligation of \$30,398 in project funds.

USAID/Niger responded to the draft report by stating that it has issued Project Implementation Letter No. 25, dated November 15, 1986, increasing total project funding from \$15,429,000 to \$16,329,000. The response added that the USAID/Niger's Controller's Office had reobligated the \$30,398 in project funds that had been deobligated, and had reported that action to AID/Washington.

As a result of this action this recommendation will be considered closed with the issue of this report.

RECOMMENDATION NO. 2

USAID/Niger determine to what extent the Government of Niger has complied with the terms of the grant agreement to contribute its \$8,187,000 share to the project.

While USAID/Niger cited four convincing specifics which clearly supported the Government of Niger's significant contributions, these citations lacked all reference to their monetary value.

The recommendation will be closed upon submission of at least an estimate demonstrating that the monetary requirements of the grant agreement have been substantially met.

2.4. AUTHENTICATION OF THE 1981 FINANCIAL RECORDS

The accounting system employed when the project first began would not meet the USAID standards now required. During 1981, accounting operations were recorded in notebooks which were torn up, but not destroyed. Consequently, it was necessary to hire a personal services contractor to reconstruct them, to set up an accounting system, and to train the bookkeeper.

During our survey examination, it was not possible to obtain the original information which served as the basis for establishing the 1981 accounting books. These documents, which were not available at the project office, would have made it possible to ensure that the books established by a contractor were accurately based on the records which had been torn up.

2.5. SIZE AND PROMPTNESS OF REPAYMENT OF ADVANCES

The cumulative amount of advances and outstanding advances, presented by year, is shown in the accompanying table. During 1983, the level of net outstanding advances had reached over \$800,000. This situation resulted from the fact that USAID had granted advances to the project without receiving in return timely and proper justification for the disbursements.

In an effort to force a resolution of this problem, the project was decertified in December 1985. As a result, no reimbursements or advances were given to the project from November 1985, to August 1986. However, an exception was made with an advance of 40,000,000 CFA francs (\$116,110) in April 1986, for which no disbursement details were requested. At present, the project has again been certified and in August 1986, received an advance of 61,157,593 CFA francs (\$176,247). Much progress has been made in reducing the level of advances to an appropriate amount, consistent with agency and U.S. Treasury guidelines.

As of July 31, 1986, the total amount of unrecovered advances, as shown in USAID/Niger's records, was \$234,581, about the equivalent of one month's expenditures.

2.6. DISPOSAL OF PROJECT ASSETS

As part of the measures to reduce the size of the GON's motor pool, three vehicles were sold without receiving the prior concurrence of USAID. Following an exchange of correspondence between the GUN and USAID, the proceeds from the sales were deposited into the project's account at the treasury. It should be pointed out that although some motorbikes were also sold, USAID had previously agreed to the sale.

2.7. INTEGRITY OF THE PROJECT'S FUNDS

Our analysis has revealed that, contrary to the concern expressed in the Scope of Work that the GON/MOH borrowed funds from the project, it was the GON which loaned money to the project. USAID/Niger, as it analyzed project funding activities closer, had arrived at the same conclusion just before the start of the audit survey. The cash receipts and disbursements journal showed that as of July 31, 1986, the project's account at the GON Treasury had an overdraft balance of 12,519,441 CFA francs (\$36,288).

Our examination of the project's accounts did not reveal the existence of funds other than those in line with the stated objectives. Indeed, the project operates only with USAID funds, but in the past, advances have been made by the GON Treasury or other organizations such as Direction de l'Enseignement de l'Education Sanitaire et Nutritionnelle (DEESN) and Office National des Produits Pharmaceutiques et Chimiques (ONAPC).

2.8. ADEQUACY OF THE INVENTORY SYSTEM

The project has established procedures for monitoring the stocks of supplies and equipment. These procedures are in keeping with the Decree No. 74-311 PCMS/MF dated December 6, 1974, and the Enactment Order of the Decree No. 35MF DBCP dated February 7, 1975.

To this end, various control documents have been established, namely:

- a) A stock of receipts and issues ledger;
- b) A summary inventory listing;
- c) Individual inventory cards;
- d) An inventory list of office furniture and equipment by location.

Although the cards enable periodic monitoring of the quantities and locations of supplies and other assets (an inventory list is placed behind the door of each room), it is not possible to know their respective costs, either individually or collectively, by simply consulting a single registry or card.

The receipts and issues ledger, likewise, does not provide any cost information, as consumable and non-consumable goods are not recorded separately. Thus this system makes it impossible to determine the respective costs of or proceeds from purchases, sales or scrapplings of all non-consumable goods.

Our review of available documents showed that the cards had not been updated since November 1985, the date of the last inventory.

RECOMMENDATION NO. 3

USAID/Niger request the Government of Niger to:

- (a) Update all project inventory records, and to keep them current;
- (b) Add cost information to all inventory records, and
- (c) Provide quarterly project inventory reports covering both quantities and costs.

USAID/Niger confirmed requesting the additional information and quarterly reporting.

Upon receipt of the first such report from the Government of Niger, this recommendation will be closed.

3. RESULTS OF THE LIMITED REVIEW

3.1. STATUS OF ADVANCES AND DISBURSEMENTS

According to the project's summary of advances received and disbursements made, the bank ledger showed the following balances as of July 31, 1986:

Advances Received	1,691,359,055	CFA F
Disbursements Made	1,744,092,535	CFA F

	(52,733,480)	CFA F
	=====	

If the cash receipts and disbursements journals' figures are valid, the project apparently spent more money than it received. This condition suggests at least two possibilities:

- 1) Errors in posting the cash receipts and/or cash disbursements journals.
- 2) The existence of a number of deposits in-transit that have not yet been credited by the bank.

The summary of the advances made to the project and the subsequent documented liquidations recorded by USAID/Niger is based on the entries on the "Advances and Liquidations" forms. The totals were, as of July 31, 1986:

Advances Issued	\$ 4,142,616
Recoveries	3,908,035

Unrecovered Balance (not yet justified)	\$ 234,581 =====

Comments regarding the unrecovered balance are found in Part 2.5.

3.2. IDENTIFICATION OF ACCOUNTING RECORDS

We identified the following accounting documents:

- general ledger
- cash receipts and disbursements journal
- journal of advances to the zones
- commitments journal
- donor's account
- petty cash journal

The basic accounting journals required by USAID/Niger at all levels of the project are the cash receipts and disbursements journal, the commitments journal, and the donor's account. However, it should be pointed out that although the other documents are not mandatory, they are still essential to the sound management of a project as complex as that of RHIP.

There exists a filing system for vouchers which appears to be adequate. Tests performed on the vouchers revealed no exceptions. However, we cannot confirm that all vouchers from the beginning of the project exist, but rather that the ones which do, have been chronologically filed in binders labelled from 1978 to 1986.

There are three categories of cash receipts and disbursements journals:

<u>DESCRIPTION OF ACTIVITY</u>	<u>BANK ACCOUNT NUMBER</u>
- specified budget items for certain Treasury operations	Treasury 125-11
- small purchases	BDRN 00-010-19-229-13
- construction-related operations	BDRN 00-010-23-870

(BDRN is the Banque de Developpement de la Republique du Niger)

The cash receipts and disbursements journal for the Treasury account consists of three books, which cover these operations from the inception of the project in 1973. The integrity of these records appears questionable in that monthly and annual balances have not always been established and closing balances have not been systematically carried over from one year to the next; i.e., a closing balance was not established for 1983; therefore, no figures were brought forward into 1984. A closing balance was established for 1984, but it was not recorded in the 1985 journal. Also, there is a discrepancy between the first and second journals. The second one was begun in June 1984, but does not show the closing balances established at May 31, 1984. The first one continued on until August 1985. The two journals overlap by more than one year, but differ from each other due to the fact that no balances were carried forward when the second journal was begun.

The two accounts opened at BDRN have been closed, each at a different time. The construction account (no. 00-010-23-870) was closed in July 1982, after building operations were completed. The account for small purchases (no. 00-010-19-229-13) was closed November 7, 1985, at the request of USAID. The closing balance of 3,212,432 CFA francs was transferred to the Treasury account.

There are no bank reconciliations in the files for the full period during which the account for small purchases was in use. There were reconciliations only until October 30, 1984, while bank statements were provided until October 30, 1985. Upon the closing of this bank account, a

petty cash fund was set up at the project. It functions as an imprest account, with a maximum limit of 100,000 CFA francs. Individual disbursements can be no higher than 10,000 CFA francs (approximately \$30).

RECOMMENDATION NO. 4

USAID/Niger ensure that AID funds provided to the Rural Health Improvement Project are adequately accounted for and proper internal controls are established by requesting the Government of Niger to:

- (a) Update and maintain current the General Ledger;
- (b) Update and maintain current the Register of Advances to the Zones;
- (c) Reconcile all bank accounts, in conjunction with the authentication of the cash receipts and cash disbursements journals, as of the dates the respective bank accounts were established;
- (d) Review all other project books of original entry and related journals to ensure their being current and reconciled; and

USAID/Niger commented that it planned to install a new General Ledger system on a Mission-wide basis in the spring of 1987, and that the project being audited was only one of many that would benefit by that innovation. With respect to the updating and maintenance of the Register of Advances to the Zones, the Mission stated that it had already notified the project, in its recertification report, to open and keep current a subsidiary ledger for that specific purpose. During its last recertification the Mission also satisfied itself that bank reconciliations are now being performed monthly and are, in fact, current. That same visit also established that books of original entry are up-to-date and reconciled.

As a result of the above actions we consider parts (b) through (d) of the recommendation closed upon issue of the report, with (a) remaining open pending further progress reports concerning the installation of the announced system.

3.3. INTERNAL CONTROL PROCEDURES AND WEAKNESSES

We reviewed procedures for the following operations:

- a) Requests for advances and reimbursements
- b) Procurement of supplies
- c) Procurement of commodities and services
- d) Procurement of fuel
- e) Payment of grants and per diem
- f) Distribution of fuel
- g) Inventory of supplies and equipment

Tests conducted in detailing the procedures in use indicate that, on the whole, the systems function properly and that internal controls are in place. Nevertheless, certain deficiencies in the systems need to be pointed out.

3.3.1. Distribution of Fuel

The project purchased vehicles which were to be used by the Ministry of Public Health. Program activities require that gasoline supplies be provided. At present, however, there is no method of ensuring that this supply is used strictly within the confines of the project. The creation of a standard vehicle log, providing key control data, offers the best solution for remedying the existing lack of control.

RECOMMENDATION NO. 4

USAID/Niger ensure that AID funds provided to the Rural Health Improvement Project are adequately accounted for and proper internal controls are established by requesting the government of Niger to:

- (e) Prepare a vehicle log to ensure the proper use of vehicles and petroleum.

The Mission stated that each vehicle now maintains the recommended log in which all uses of the vehicle are being recorded, that gasoline coupons are logged and that all gasoline purchases and usage are now documentable.

As a result of the above actions we consider part (e) of the recommendation closed upon issue of the report.

3.3.2. Purchase of Spare Parts for the Garage

Spare parts bought by the project are given to the garage in exchange for free servicing of the project vehicles. USAID/Niger amplified the draft report by adding that "both vehicular and spare parts support by the project become part of the pool of the MOH garage, to be utilized and serviced like all the other vehicles in the garage. Project vehicles are not serviced separately." This arrangement notwithstanding, vehicles are sent for repairs to other garages which require payment for servicing.

The budget provides for maintenance and repairs, and greater utilization of the MOH garage, supported by project resources, would engender savings which could be used for the purchase of medicines or medical equipment. Senior USAID officials expressed satisfaction with the vehicle "up time", over the life of the project, and the repair and maintenance unit costs required to achieve this high level of "up time". We did not independently verify these assertions.

3.3.3. Ledgers and Documents Not Kept Current

The general ledger has not been maintained or updated since June 1984. The register of advances to the zones (Agades, Dosso, etc.) has not been updated since May, 1985. Inventory cards have not been revised or kept current since the last inventory completed in November 1985. These conditions have already been described previously, under appropriate functional headings. They are being repeated here to illustrate important internal control weaknesses, as are the other following comments.

3.3.4. Transactions Not Recorded

A reimbursement which was received by the project was not recorded in the cash receipts and disbursements journal, specifically voucher number BS 1230/1883 of August 4, 1982, in the amount of 19,311,512 CFA francs.

The purchase of vehicles in Niger which were paid for directly by USAID for a sum of 99,630,844 CFA francs is not traceable in the project's ledgers.

The payment of scholarships totalling 471,040,000 CFA francs to ENICAS and ENSP students was made by the Ministry of Health. The MOH had to intervene because USAID did not advance any project funds from November 1985 to August 1986. USAID/Niger's payment freeze was due, first, to the temporary decertification, and secondly, to the embezzlements alleged at these two institutions. Embezzlement was only proved at ENSP, the school in Niamey, according to Mission officials. Even more importantly, project documentation is weak and ambiguous concerning the true intent of the Scholarship Fund. Under a restrictive interpretation it could limit its support to very narrowly defined health training objectives. A more liberal view could justify across-the-board budgetary support to the entire Nigerien educational system. Clearly, a precise redefinition needs to take place, prior to releasing any funds.

At present, there is a claim in excess of \$1,000,000 to be collected from USAID/Niger. This sum is not recorded in the books of the project, however. USAID/Niger agreed that it needs to reexamine the intent of the Scholarship Fund. Once that determination has been made, a decision will be possible either to deny all funding or to legitimize the disbursements. A formal action recommendation to that effect has been offered by us:

RECOMMENDATION NO. 5

USAID/Niger continue to freeze all payments to the Scholarship Fund until USAID decides how the Fund should be used.

USAID/Niger believes that its actions since the audit survey have been fully responsive to the recommendation. Specifically, USAID/Niger says that it has determined that a major goal of the project is to support the Development of a Rural Health Delivery System, including the training and

retraining of village health workers, nurses and midwives. Therefore, support for the training of students of the two paramedical schools is in keeping with the overall project purpose. Accordingly, USAID/Niger has made the determination that disbursement to the two schools, ENIA and ENICAB, can now be made.

As a result of this determination the recommendation is considered closed with the issue of this report.

3.3.5. Excessive Delays in Recording Entries

An invoice from Mobil Oil for 3,903,661 CFA francs for services performed in February 1985, and paid for in March, 1985, was recorded only in July 1985. This tardiness in recording ongoing transactions is illustrative of the overall casualness we have observed, and which prompted us to make a formal recommendation to improve prompt accountability and reconciliation procedures. (Recommendation No. 4)

3.3.6. Figures in the Cash Receipts and Disbursements Journal do Not Agree With Those in the Donor's Account

The reconciliation of advances and reimbursements from USAID/Niger as recorded in the above journal and the donor's account reveal a variance of 58,264,989 CFA francs. The comparison is:

Amount received from USAID per the journal	1,691,368,055	CFA F
Amount received from USAID per donor's account	1,633,104,066	CFA F

Difference	58,264,989	CFA F
	=====	

It is difficult to determine the reason for the difference, given that the donor's account was opened only in June 1984. A cursory examination of this variance might indicate that either entries of non-USAID funds were made in the cash receipts and disbursements journals, or that the reimbursements recorded might include those which have been only requested, but not yet actually received. The resolution of this difference will take place as part of the overall record updating and reconciliation process pledged by USAID/Niger.

Mission officials, in answer to a specific question, agreed that adequate staffing was available to carry out whatever updates and correction activities had to be performed.

4. RECOMMENDATIONS

The recommendations below are submitted in response to the issues outlined in this report, and were previously cited both in the Executive Summary, as well as in the detailed report, as applicable.

Recommendation No. 1

USAID/Niger issue a Project Implementation Letter in connection with the increase in funding from \$15,429,000 to \$16,329,000 and draft an amendment to indicate the deobligation of \$30,398 in project funds.

Recommendation No. 2

USAID/Niger determine to what extent the Government of Niger has complied with the terms of the grant agreement to contribute its \$8,187,000 share to the project.

Recommendation No. 3

USAID/Niger request the Government of Niger to:

- (a) Update all project inventory records, and to keep them current;
- (b) Add cost information to all inventory records, and
- (c) Provide quarterly project inventory records covering both quantities and costs.

Recommendation No. 4

USAID/Niger ensure that AID funds provided to the Rural Health Improvement Project are adequately accounted for and proper internal controls are established by requesting the Government of Niger to:

- (a) Update and maintain current the General Ledger;
- (b) Update and maintain current the Register of Advances to the Zones;
- (c) Reconcile all bank accounts, in conjunction with the authentication of the cash receipts and cash disbursement journals, as of the dates the respective bank accounts were established;
- (d) Review all other project books of original entry and related journals to ensure their being current and reconciled; and
- (e) Prepare a vehicle log to ensure the proper use of vehicles and petroleum.

Recommendation No. 5

USAID/Niger continue to freeze all payments to the Scholarship Fund until USAID decides how the Fund should be used.

5. OTHER COMMENTS

At the request of USAID/Niger's Acting Mission Director to discuss and summarize the "Lessons Learned" from the RHIF project, both in project specific as well as Mission portfolio terms, we offer the following comments. They are based on first-hand observations and supportable facts that came to our attention in the course of our engagement.

5.1. THE NEED FOR A COMPREHENSIVE ACCOUNTING SYSTEM IN USAID-FUNDED PROJECTS

The present financial status of the projects is blurred as a result of a rudimentary and incomplete accounting system, using single-entry bookkeeping, which is primarily maintained to provide justifications for the advances made by USAID. The accounting system accommodates only cash transactions, and is incapable of taking into consideration accruals and pending commitments. As a result, total and effective accounting and cost management of project assets are unfeasible, as are the on-going monitoring and control of the different project components, and the integration of all the elements of the project's operations.

Our observations and related recommendations are not related exclusively to the Rural Health Improvement Project, but are applicable to other USAID-funded projects as well. With a view to controlling project funds and ensuring the effective management of assets acquired with these funds, modification of the project accounting system should be considered. It should comprise two distinct and complementary divisions, accounts managed by the controller's office and accounts managed by the Project Management Unit.

The following suggestions, in our opinion, apply equally to the RHIF as well as to other USAID/Niger projects. Serious consideration should be given to their implementation as part of the formal recommendations dealing with constructing, updating, and reconciling the individual accounts.

The controller's office should maintain:

- a) The miscellaneous obligations documents in chronological and numerical order;
- b) The statements of advances and recoveries;
- c) A commitments journal, which would facilitate regular monitoring of the available balances of the funds provided for each budget line item;
- d) A journal listing all the assets acquired with project funds and detailing the type of asset, a brief physical description, and the acquisition cost in U.S. dollars and in CFA francs;

- e) A journal detailing the various sums paid for technical assistance contracts;
- f) A general ledger for all the project's accounts, in order to facilitate the necessary reconciliations among the different journals and bank statements.

The Project's Management Unit should be as autonomous as possible from the Central Accounting Service of the host country. Management of the project's accounting system should be based on standard formats and practices of historical cost accounting, double-entry bookkeeping, and cumulative (inception-to-date) accounting, with periodic closing statements being required and balances being carried forward from one period to the next.

The following documentation should be maintained by the project's accountants:

- a) Registers of assets acquired with project funds, either directly by the project administrators or through USAID/Niger. These records should provide at least the purchase date of the assets, a description of the types of assets, the purchase costs in U.S. dollars and CFA francs, and their physical location.
- b) Cash receipts and disbursements journal detailing all deposits and transfers, as well as all withdrawals.
- c) Boner's account, which would trace the movement of funds and the recovery of funds issued by USAID/Niger, and which would make it possible to verify that all Mission advances have been duly received in the project's accounts. The posting in this ledger of the justifications offered to, and accepted by, USAID/Niger would facilitate the monitoring of the advances which have not yet been recovered by the Mission and which might eventually have to be reimbursed.
- d) A commitments journal, which would serve to ensure close follow-up of the disbursement of project funds. Expenditures would be posted as they occur, regardless of the status of payment. Consequently, the level of contingent liabilities would be readily available.
- e) Journal of counterpart contributions, whose purpose would be to provide an indication of not only the degree to which the host government is fulfilling its commitment to USAID/Niger, but also of the actual costs of project operations. Indeed, the civil servants assigned to the project, the administrative facilities made available, as well as other contributions in kind, can all be assigned their respective costs. This, in turn, necessitates the recording of all of these contributions in a separate journal for counterpart funds. The debits to the expense accounts would be offset by credits to the host government's accounts.

- f) A general ledger to group all the accounts of the project by specific time periods, starting from the beginning of the project and providing periodic closings.
- g) A trial balance which would facilitate the establishment of a summary statement of all operations conducted.

Recommendation No. 4 addresses these concerns only in terms of the RHIP. However, USAID/Niger - in its comments - has previewed the outline of a Mission-wide refinement of all of its project accounting disciplines.

5.2. NEED FOR QUARTERLY REVIEWS:

As called for by the RHIP grant agreement, a minimum number of periodic reviews should be performed by either the host government or by USAID/Niger. These reviews, in the form of either external audits or internal examinations, should consist of:

- a) Verification that funds have been disbursed in conformance with the terms of the grant agreement;
- b) Periodic review of the assets acquired with project funds, in order to ensure that these assets are not being misused;
- c) Various reconciliations to certify that all the funds paid by USAID/Niger have been properly recorded in the project's accounts.

5.3. CONCLUSION:

The proposed improved and more practical bookkeeping systems need not be complicated or cumbersome, but should allow for better control of the project's activities, more comprehensive reviews of the project's operations, and facilitate management's role in the direction of the project's activities. USAID/Niger's response to the draft report suggests that the Mission has accepted these 'Lessons Learned', and is actively working on further systems and procedures improvements.

LIST OF ACRONYMS

EDRN	Banque de Développement de la République du Niger
DEESH	Direction de l'Enseignement de l'Éducation Sanitaire et Nutritionnelle
ENICHS	École Nigerienne des Cadres de Santé
ENSP	École Nationale de Santé Publique
GON	Government of Niger
MOH	Ministry of Health
ONPC	Office National des Produits Pharmaceutiques et Chimiques
RHIP	Rural Health Improvement Project
USAID	United States Agency for International Development

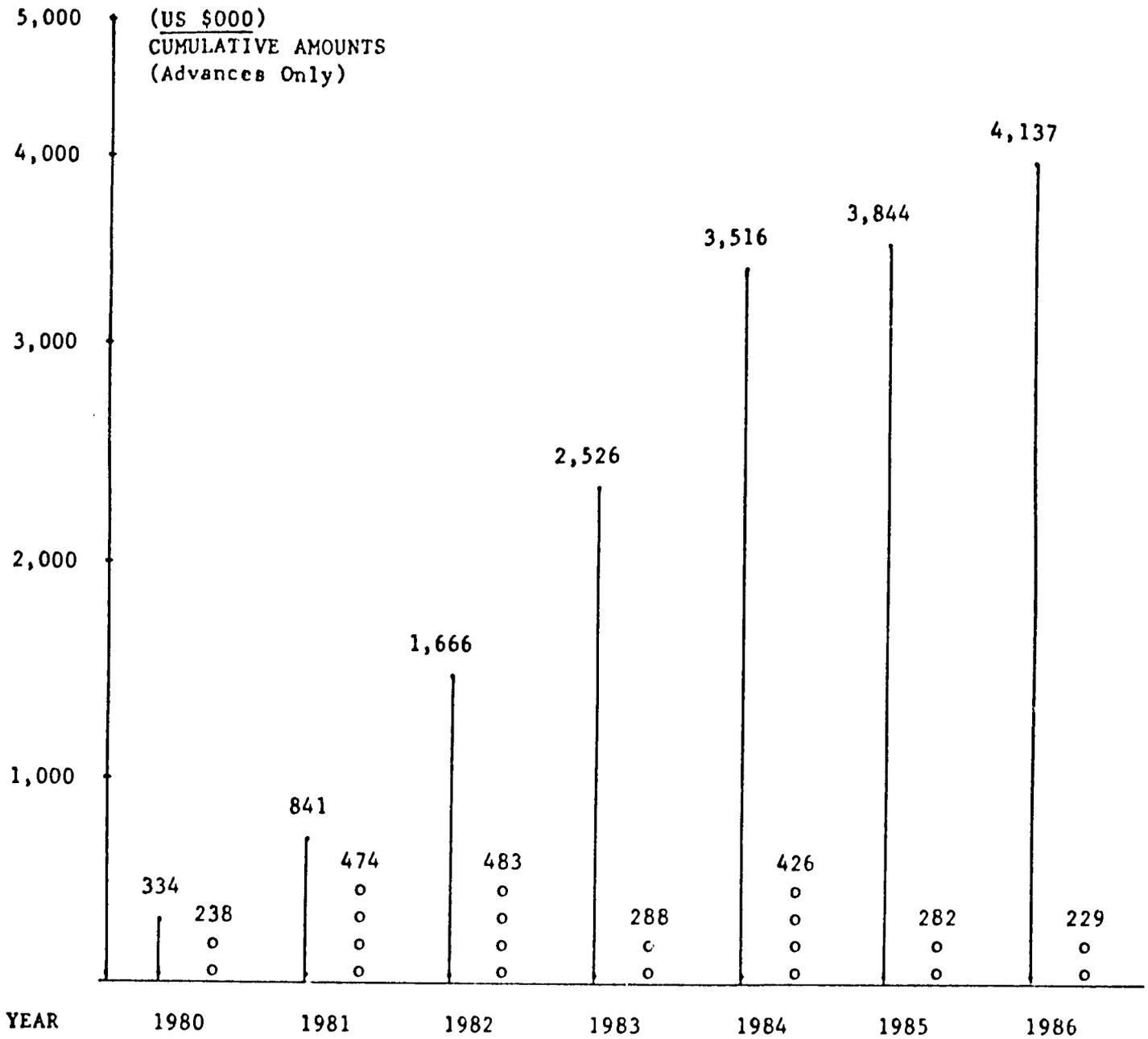
USAID/Niger
Rural Health Improvement Project (685-0206)
STATEMENT OF ADVANCES AND RELATED JUSTIFICATIONS
(US \$000)

YEAR	ADVANCES		DOCUMENTED LIQUIDATIONS		BALANCE OUTSTANDING	
	ACTUAL	CUMULATIVE	ACTUAL	CUMULATIVE	ACTUAL	CUMULATIVE
1980	334	--	96	--	238	--
1981	507	841	271	367	236	474
1982	825	1,666	816	1,183	9	483
1983	860	2,526	1,055	2,238	(195)	288
1984	990	3,516	852	3,090	138	426
1985	328	3,844	472	3,562	(144)	282
1986	<u>293</u>	4,137	<u>346</u>	3,908	<u>(53)</u>	229
	<u>4,137</u>		<u>3,908</u>		<u>229</u>	

SOURCE: USAID/Niger Advances and Liquidation Register

USAID/Niger
Rural Health Improvement Project (683-0200)

CUMULATIVE ADVANCES vs. YEAR END BALANCES OUTSTANDING
(US \$000)



— Advance
oooo Outstanding

SOURCE: Exhibit 1

ACTION: RIG-2 INFO: DCM

VZCZCT/A08001VAP038
OO BUTALS
IF RUEBNN #08954/01 305133Z
ZNF UUUUU ZZR
C 211300Z TEC 06
FM AMEMBASSY NIAMEY
TO AMEMBASSY DAKAR IMMEDIATE 0576
BT
UNCLAS SECTION 01 OF 02 NIAMEY 08954

IOC: P
21 DEC 86
CN: 43148
CHRG: AID
LIST: RIG

AIIAC

FOR RIG/A/WA, J. COMITELLO

E.O. 12858: N/A

SUBJECT: NON-FEDERAL DRAFT AUDIT REPORT, NIGER RURAL
- HEALTH IMPROVEMENT PROJECT (083-2202) DATED
- 10/15/86 - CABINET AZIZ DIYE (COOPERS AND
- LYERAND AFFILIATE), DAKAR, SENEGAL.

1. IN RESPONSE TO YOUR MEMO DATED OCTOBER 20, 1986,
OUTLINING THE RECOMMENDATIONS FROM THE SUBJECT AUDIT
REPORT, PLEASE FIND BELOW USAID/NIGER'S RESPONSE TO
EACH OF THESE RECOMMENDATIONS. IN ADDITION, PLEASE
FIND COMMENTS AND CORRECTIONS CONCERNING THE TEXT OF
SUBJECT AUDIT.

2. RECOMMENDATION NO. 1
USAID/NIGER HAS ALREADY TAKEN ACTION TO CLOSE THIS
RECOMMENDATION AS FOLLOWS: QUOTE USAID/NIGER HAS
ISSUED PROJECT IMPLEMENTATION LETTER NO. 25 (NOVEMBER
15, 1986), INCREASING TOTAL PROJECT FUNDING FROM DOLS
15,429,200 TO DOLS 18,329,200. THE USAID/NIGER
ACCOUNTROLLER'S OFFICE HAS RECLASSIFIED THE DOLS 32,398 IN
PROJECT FUNDS THAT HAD BEEN RE-OBLIGATED, AND HAS
REPORTED THIS ACTION TO AII/W. UNQUOTE. PLEASE REVISE
RECOMMENDATIONS TO REFLECT MISSION CORRECTIVE ACTION.

3. RECOMMENDATION NO. 2
USAID/NIGER AGREES WITH THE STATEMENT IN THE DRAFT
AUDIT REPORT (PAGE 22), QUOTE IT IS IMPOSSIBLE TO
DETERMINE THE ACTUAL AMOUNT OF THE NIGERIAN
GOVERNMENT'S FINANCIAL COMMITMENT TO THE PROJECT
UNQUOTE. WHILE A VALUE IS DIFFICULT TO ESTIMATE, THE
GCN CONTRIBUTION HAS BEEN SUBSTANTIAL. THE AUDIT
REPORT STATES THAT THE GCN IS MAKING A REAL AND
EFFECTIVE CONTRIBUTION BY VIRTUE OF (A) PROVIDING
OFFICE FACILITIES FOR THE PROJECT WITHIN THE MOH, (B)
PAYING THE SALARIES OF ALL CIVIL SERVANTS ASSIGNED TO
THE PROJECT, (C) PAYING THE CHARGES FOR UTILITIES
(ELECTRICITY AND WATER) AND TELEPHONE USED BY THE
PROJECT AND (D) GRANTING EXEMPTIONS FROM TAXES AND
CUSTOMS DUTIES. THEREFORE, USAID/NIGER RECOMMENDS
CLOSURE OF THIS RECOMMENDATION.

JK

4. RECOMMENDATION NO. 3
THOUGH NOT REQUIRED BY 121 (D) CERTIFICATION, USAID/NIGER AGREES THAT HAVING INVENTORY RECORDS WITH COST INFORMATION IS AN IMPORTANT PROJECT MANAGEMENT TOOL. THE LAST 121 (D) SITE VISIT (10/22/86), INDICATED THAT PROJECT INVENTORY RECORDS WERE UP TO DATE. USAID/NIGER WILL REQUEST THE GON TO PROVIDE QUARTERLY PROJECT INVENTORY REPORTS COVERING QUANTITIES AND COSTS FROM NOW UNTIL THE PACD OF 12/31/87.

5. RECOMMENDATION NO. 4
(A) REGARDING THE GENERAL LEDGER, USAID/NIGER AGREES THAT WHILE THIS RECORD IS USEFUL, IT IS NOT REQUIRED UNDER THE FAA 121 (D) CERTIFICATION REQUIREMENTS (SEE P. 29 AUDIT REPORT). HOWEVER, USAID/NIGER PLANS TO INSTALL A NEW GENERAL LEDGER SYSTEM MISSION-WIDE FOR ALL PROJECTS IN SPRING 1987. RHIP WILL BE PART OF THAT PROCESS AND A GENERAL LEDGER WILL BE ESTABLISHED AT THAT TIME. FOR COST BENEFIT REASONS, THE INSTALLATION OF GENERAL LEDGERS FOR ALL AID - FINANCED PROJECTS IS PLANNED AS A SINGLE ACTIVITY.
(B) USAID HAS ALREADY NOTIFIED THE PROJECT (IN ITS RECERTIFICATION REPORT) TO OPEN AND KEEP CURRENT A SUBSIDIARY LEDGER FOR ADVANCES TO THE ZONES. (C) USAID/NIGER, IN ITS RECERTIFICATION VISIT, FOUND THAT THE BANK RECONCILIATION IS DONE MONTHLY, AND IS CURRENT. (D) THE LAST 121 (D) CERTIFICATION VISIT FOUND THAT THE CURRENT BOOKS OF ORIGINAL ENTRY ARE UP TO DATE AND RECONCILED.
(E) WITH REFERENCE TO VEHICLE LOG, EACH VEHICLE -AS A CARNET DE BOARD IN WHICH ALL USES OF THE VEHICLE ARE RECORDED. GASOLINE COUPONS ARE LOGGED, AND THIS DOCUMENT SHOWS ALL PURCHASES AND USE OF GASOLINE. PLEASE REVISE ABOVE RECOMMENDATIONS TO REFLECT MISSION CORRECTIVE ACTION.

6. RECOMMENDATION NO. 5
USAID HAS ALREADY TAKEN CORRECTIVE ACTION TO CLOSE THIS RECOMMENDATION AS FOLLOWS: THE GON HAS COMPLIED WITH THE REQUEST OF THE USAID/NIGER CONTROLLER'S OFFICE TO PROVIDE THE NAMES AND SIGNATURES OF ALL STUDENTS RECEIVING USAID FUNDING FOR THE PERIOD OF TIME IN QUESTION. IN ADDITION, USAID/NIGER HAS DETERMINED THAT ONE OF THE MAJOR PURPOSES OF THE RHIP IS TO SUPPORT THE DEVELOPMENT OF A RURAL HEALTH DELIVERY SYSTEM, INCLUDING THE TRAINING AND RE-TRAINING OF VILLAGE HEALTH WORKERS, AND THE TRAINING OF NURSES AND MIDWIVES TO SUPERVISE THE VWV'S. GIVEN THIS, SUPPORT FOR THE TRAINING OF STUDENTS AT THE TWO PAR-MEDICAL SCHOOLS IS IN KEEPING WITH THE OVERALL PROJECT PURPOSE. THEREFORE USAID/NIGER HAS MADE THE DETERMINATION THAT REIMBURSEMENT TO ENSP AND ENICAS CAN NOW BE MADE. PLEASE REVISE RECOMMENDATION TO REFLECT MISSION CORRECTIVE ACTION.

7. COMMENTS ON BODY OF DRAFT AUDIT REPORT

-A) PAGE 10, PARA THREE - QUOTE HOWEVER, THE QUOTE NO GC UNQUOTE DECISION WAS REACHED WHEN, AT THE END OF AN APPROXIMATELY 4 HOUR DISCUSSION, USAID/NIGER AND RIG/A/DASAR REQUESTED THAT THE SECOND DETAILED AUDIT PHASE NOT BE IMPLEMENTED. UNQUOTE - USAID/NIGER WOULD LIKE TO ADD AFTER THE WORD QUOTE IMPLEMENTED, UNQUOTE QUOTE GIVEN THAT THE FINDINGS OF THE AUDIT TEAM WERE ALREADY KNOWN TO THE MISSION, AND CORRECTIVE ACTION ON MOST OF THEM HAD ALREADY BEEN TAKEN. FURTHER, THERE WAS NO EVIDENCE TO INDICATE THAT THERE WERE SERIOUS PROBLEMS OTHER THAN THOSE ALREADY IDENTIFIED, WHICH WOULD NECESSITATE A DETAILED AUDIT AT THIS STAGE. UNQUOTE.

-E) PAGE 25, 2.7 INTEGRITY OF THE PROJECT'S FUNDS, PARA 1 - QUOTE OUR ANALYSIS HAS REVEALED THAT, CONTRARY TO THE CONCERN EXPRESSED IN THE SCOPE OF TOR THAT THE GOV/MOH BORROWED FUNDS FROM THE PROJECT, IT WAS THE GCN WHICH LOANED MONEY TO THE PROJECT. UNQUOTE - THIS ERROR HAD BEEN POINTED OUT TO RIG/A/VA IN NIAMEY 4105, PRIOR TO THE ARRIVAL OF THE AUDIT TEAM.

-C) PAGE 33, 3.3.2 PURCHASE OF SPARE PARTS FOR THE GARAGE, PARA 1 - QUOTE SPARE PARTS ARE GIVEN TO THE GARAGE IN EXCHANGE FOR FREE SERVICING OF THE PROJECT VEHICLES. UNQUOTE - THIS STATEMENT IS SLIGHTLY MISLEADING. VEHICLES PURCHASED BY THE RHP ARE TURNED OVER TO THE MOH FOR UTILIZATION IN THE OVERALL FUNCTIONING OF THE MINISTRY (SUPERVISORY VISITS, TRANSPORT OF MEDICAL EQUIPMENT, ETC.) AS PART OF THIS SUPPORT TO THE MOH, THE RHP ALSO SUPPLIES A CERTAIN NUMBER OF SPARE PARTS TO SERVICE THE VEHICLES. HOWEVER, ALL VEHICLES AND SPARE PARTS PURCHASED BY THE RHP BECOME PART OF THE POOL OF THE MOH GARAGE, TO BE UTILIZED AND SERVICED LIKE ALL OF THE OTHER VEHICLES IN THE GARAGE. PROJECT VEHICLES ARE NOT SERVICED SEPARATELY. USAID/NIGER RECOMMENDS LEAVING OUT THE FIRST PARAGRAPH OF SECTION 3.3.2, AS THE COMMENTS DO NOT ACCURATELY REFLECT THE UTILIZATION OF SPARE PARTS OR SERVICING OF THE PROJECT VEHICLES.

-D) PAGE 44, 3.3.4 TRANSACTIONS NOT RECORDED, PARA 3, SENTENCE THREE - QUOTE USAID'S PAYMENT FREEZE WAS DUE ... TO THE EMBEZZLEMENTS DISCOVERED IN THESE TWO INSTITUTIONS. UNQUOTE - THESE TWO INSTITUTIONS SHOULD BE CHANGED TO QUOTE ENSP, UNQUOTE AS EMBEZZLEMENT WAS ONLY PROVEN AT THE SCHOOL IN NIAMEY.

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NIAMEY 038954/02

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03

RURAL HEALTH IMPROVEMENT PROJECT

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USAID/Mauritania	1
USAID/Senegal	1
USAID/Sierra Leone	1
USAID/The Gambia	1
USAID/Togo	1
USAID/Zaire	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
Director PSA Washington	1