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AUDIT OF REGIONAL
ECONOMIC DEVELOPMENT
SERVICES OFFICE/
WEST AND CENTRAL AFRICA
COMPLIANCE WITH A.I.D. PAYMENT
VERIFICATION POLICY STATEMENTS

Audit Report No. 7-698-87-8

April 29, 1987

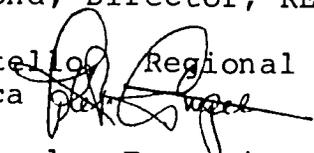
UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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

INTERNATIONAL ADDRESS
RIG/DAKAR
C/o AMERICAN EMBASSY
B.P. 49 DAKAR SENEGAL
WEST AFRICA

April 29, 1987

MEMORANDUM FOR Laurance Bond, Director, REDSO/WCA

FROM: John P. Competello, Regional Inspector General for
Audit/West Africa 

SUBJECT: Audit of Regional Economic Development Services
Office/West and Central Africa Compliance with A.I.D.
Payment Verification Policy Statements (Audit Report
no. 7-698-87-8)

This report presents the results of audit of the Regional Economic Development Services Office/West and Central Africa (REDSO's) Compliance with A.I.D. Payment Verification Policy Statements. The audit was part of a world-wide effort led by the Inspector General's Office of Program and System Audits, Washington, D.C.

The audit found REDSO complied with most of the policy statements. Particularly noteworthy was REDSO's emphasis on the use of public accounting firms to provide financial services to improve project management in West Africa.

However, additional emphasis was needed in two areas. Administrative approval checklists were not submitted in some cases as required by the policy statements. In addition, voucher examination and approval procedures needed to be more thoroughly assessed. Your comments were responsive to the draft report and we have closed four of the five recommendations. The remaining recommendation will be closed when additional information, as indicated in the report, is provided.

We appreciate the assistance and cooperation of your staff. Please let me know within 30 days of further action taken in response to the report recommendations.

EXECUTIVE SUMMARY

In April 1982 the A.I.D. Administrator appointed a task force of A.I.D. senior officials to review the Agency's payment process. The task force produced 16 policy statements covering (a) methods of project implementation and financing, (b) verification, auditing and monitoring procedures, and (c) other procedures contributing to accountability. A.I.D. field offices are responsible for implementing 11 statements and A.I.D./Washington is responsible for implementing 5 statements. The Bureau for Management sent implementing guidance to the field on December 30, 1983.

The Regional Economic Development Services Office/West and Central Africa has accounting responsibilities for programs in Benin, Cape Verde, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Nigeria, Sao Tome and Principe, Sierra Leone, and Togo. Its duties include accounting for and certifying dollar and local currency payments for about 125 projects with obligations totaling \$220 million. During fiscal year 1986, the office processed about 5,500 project vouchers totaling \$34 million.

The Office of the Regional Inspector General for Audit/West Africa performed an audit to assess The Regional Economic Development Services Office's compliance with A.I.D. payment verification policy statements. The audit was part of a world-wide audit led by the Inspector General's Office of Programs and Systems Audits, Washington, D.C.

The Regional Economic Development Services Office complied with 9 of the 11 payment verification policy statements it was responsible for. Its emphasis on the use of public accounting firms was particularly noteworthy. It quickly and successfully negotiated contracts with three public accounting firms to service its field offices in West Africa. The contracts, coordinated with the Regional Inspector General's Office, provided financial services to improve project management in West Africa.

Additional progress was needed, however, in ensuring that internal controls over administrative approval checklists were effective, and that voucher examination and approval procedures were assessed. Policy statement 7 requires that project officers submit administrative approval checklists showing the basis for voucher approval. Project officers did not always submit these checklists, partly because the regional office

allowed exceptions. Without the checklists, there was no assurance that the project officer based his payment approval on adequate information. Policy statement 8 requires annual assessments of voucher examination procedures. The Regional Economic Development Services Office made its first assessment last year but the assessment did not identify weaknesses such as duplicate payments and payments exceeding available funds. The reason for this was that the assessment was not comprehensive enough to identify such weaknesses. Inadequate information on approved vouchers and insufficient knowledge of project weaknesses increased the vulnerability of A.I.D. projects.

This report makes five recommendations which outline steps to better comply with the policy statements. The Regional Economic Development Services Office generally agreed with the recommendations and has taken corrective action.

Office of the Inspector General

AUDIT OF REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE/
WEST AND CENTRAL AFRICA
COMPLIANCE WITH A.I.D. PAYMENT VERIFICATION
POLICY STATEMENTS

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AUDIT OF REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE/
WEST AND CENTRAL AFRICA
COMPLIANCE WITH A.I.D. PAYMENT VERIFICATION
POLICY STATEMENTS

PART I - INTRODUCTION

A. Background

In April 1982 the A.I.D. Administrator appointed a task force of A.I.D. senior officials to review the Agency's payment process. The task force produced 16 policy statements covering (a) methods of project implementation and financing, (b) verification, auditing and monitoring procedures, and (c) other procedures contributing to accountability. A.I.D. field offices are responsible for implementing 11 statements and A.I.D./Washington (A.I.D./W) is responsible for implementing 5 statements. The Bureau for Management sent implementing guidance to the field on December 30, 1983.

The Regional Economic Development Services Office/West and Central Africa (REDSO) has accounting responsibilities for programs in Benin, Cape/Verde, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Nigeria, Sao Tome and Principe, Sierra Leone, and Togo. REDSO is responsible for accounting for and certifying dollar and local currency payments for about 125 projects with obligations totaling \$220 million. During fiscal year 1986, REDSO processed about 5,500 project vouchers totaling \$34 million.

B. Audit Objective and Scope

The Office of the Regional Inspector General for Audit/West Africa (RIG/A/WA) performed an audit to assess REDSO's compliance with A.I.D. payment verification policy statements. The audit was part of a world-wide effort led by the Inspector General's Office of Programs and Systems Audits, Washington, D.C.

REDSO officials were interviewed and project files were examined. Five projects authorized at about \$27.3 million were selected to test compliance with the policy statements (see Exhibit 1). The five projects had obligated about \$19 million or about 9 percent of total obligations within REDSO's jurisdiction. Compliance was also tested by examining 54 fiscal year 1986 vouchers and supporting documents totaling \$5 million. The 54 vouchers were selected for audit based on two criteria: vouchers had to be for large amounts of money and all countries under REDSO's accounting jurisdiction had to be

represented. The audit also included an analysis of general assessment reports submitted to A.I.D./W by REDSO. The audit was conducted in Abidjan, Ivory Coast, from December 1986 through February 1987. The audit was made in accordance with generally accepted government auditing standards.

AUDIT OF REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE/
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PART II - RESULTS OF AUDIT

The Regional Economic Development Services Office/West and Central Africa (REDSO) complied with 9 of the 11 payment verification policy statements it was responsible for. Its emphasis on the use of public accounting firms was particularly noteworthy. REDSO quickly and successfully negotiated contracts with three public accounting firms to service its field offices in West Africa. The contracts, coordinated with the Regional Inspector General for Audit/West Africa (RIG/A/WA), provided services to improve project management in West Africa.

Additional progress was needed, however, in ensuring that internal controls over administrative approval checklists were effective, and voucher examination and approval procedures were assessed.

The report recommends actions to ensure better compliance with the policy statements.

A. Finding and Recommendations

1. Need to Better Comply With Policy Statements 7 and 8

Policy statement 7 requires that project officers submit administrative approval checklists showing the basis for voucher approval. Project officers did not always submit these checklists, partly because the regional office allowed exceptions. Without the checklists, there was no assurance that the project officer based his payment approval on adequate information. Policy statement 8 requires annual assessments of voucher examination procedures. The Regional Economic Development Services Office made its first assessment last year but the assessment did not identify weaknesses such as duplicate payments and payments exceeding available funds. The reason for this was that the assessment was not comprehensive enough to identify such weaknesses. Inadequate information on approved vouchers and insufficient knowledge of project weaknesses increased the vulnerability of A.I.D. projects.

Recommendation No. 1

We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, obtain A.I.D./Washington waivers for exceptions to policy statement 7.

Recommendation No. 2

We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, require that annual assessments ensure that there are adequate controls over (a) submission of project officer administrative approval checklists, (b) duplicate payments, (c) payments exceeding available funds, (d) delayed liquidations of project advances, (e) payment of inappropriate expenses, and (f) missing vouchers.

Recommendation No. 3

We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) recover with interest a duplicate payment of \$42,252 made to Sheladia Associates, Inc., (b) establish procedures to prevent duplicate payments, and (c) provide assurance that measures have been taken to identify and recover all other duplicate payments that may have been made.

Recommendation No. 4

We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) establish procedures to ensure that disbursements do not exceed

available funds, and (b) request that client posts make additional funds available for 53 disbursements made in excess of available funds.

Recommendation No. 5

We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) update computer files of project advances, and (b) establish target dates for liquidations of advances.

Discussion

To decrease vulnerability of A.I.D. projects in West Africa, full compliance with policy statements 7 and 8 is necessary. The following sections discuss REDSO's compliance with policy statements 7 and 8. Exhibit 2 lists the 16 policy statements.

Policy Statement 7 - When a payment voucher is approved, project officers are required to provide a statement to the controller noting the basis upon which administrative approval was given. Implementing guidelines offer project officers a checklist to use when providing administrative approval. The checklist provides controllers with more thorough information on the relative vulnerability of each payment. The policy statement does not allow controllers to make exceptions to the checklist requirement.

REDSO did not fully comply with policy statement 7. Of 54 vouchers included in RIG/A/WA's audit, 15 (28 percent) totaling about \$500,000 were not supported by checklists.

REDSO officials said that, with four exceptions, it no longer pays vouchers unless the required checklists are attached. According to REDSO officials, certifying officers should be allowed to make exceptions to the policy statement since checklists were created to protect certifying officers. In 1986 REDSO informed its client posts of four allowed exceptions to policy statement 7. However, waivers for these exceptions had not been obtained from A.I.D./W. The four exceptions were:

- Advance of funds. REDSO believed checklists for advance of funds duplicate checklists which are subsequently submitted to liquidate the advance. The need for the advance is verified by the Controller's Office. Thus, REDSO believed a simple approval for payment by the project officer is adequate for the certifying officer.
- Participant trainee allowances. REDSO considered checklists for participant trainees' allowances impractical since monthly payments to participants studying in third countries are made by USAIDs in those countries. In addition, REDSO believed that expenses for participant

trainees must be paid regardless of how well or how poorly the participant does in training. Thus, a training officer's approval is considered adequate for the certifying officer.

Salaries for personal service contractors. REDSO said that timesheets for personal services contractors are approved by USAID officials and, therefore, effectively substitute for the checklists.

-- Travel. REDSO said checklists are unnecessary when travel authorizations are issued by USAIDs.

Although REDSO's rationale for the exceptions to policy statement 7 had merit, AID/W approval should have been requested. Also, when checklists are not submitted, there is no assurance that the project officer bases his payment approval on adequate information. Thus, the vulnerability of A.I.D. projects is increased.

Policy Statement 8 - USAIDs are required to annually assess voucher examination and approval procedures and report results to A.I.D./W. The assessments are to determine the adequacy of supporting documents submitted with contractor invoices, and the ability of project and certifying officers to relate contractor performance to contractor invoices. Implementing guidance requires a detailed flow chart of the mission vouchering and paying process, an examination of randomly selected vouchers, and reports on procedures that indicate a high degree of vulnerability.

REDSO did not make assessments covering calendar years 1983, 1984 and 1985. The first two assessments were not made because REDSO was in the process of installing an automated accounting system. The third assessment was postponed in order to combine it with an internal quality review later in 1986. The internal quality review, however, was subsequently postponed until 1987. Thus, the third assessment was not made.

In November 1986, REDSO made its first annual assessment of voucher examination and approval procedures. The assessment found weaknesses in voucher examination procedures including (a) missing project officer administrative approval checklists, (b) lack of original supporting documents, and (c) missing vouchers.

To correct weaknesses identified in the assessment, REDSO said it would provide training to voucher examiners. Also, the regional office was evaluating the need for an operations manual to document payment and accounting procedures. In addition, the supervisory voucher examiner was instructed to require project officer administrative approval checklists, and signout sheets were introduced to control voucher filing.

However, the 1986 assessment did not identify those weaknesses found during the RIG/A/WA audit. These included (a) duplicate payments, (b) payments in excess of available funds, (c) delayed liquidations of project advances, and (d) payment of inappropriate expenses. Also, seven vouchers selected for audit could not be found.

The assessment did not identify these weaknesses because it was not comprehensive enough. Insufficient knowledge of project weaknesses increased the vulnerability of A.I.D. projects. Annual assessments of voucher examination and approval procedures would ensure adequate controls over these noted weaknesses.

Duplicate payments. In May 1986 a \$42,252 voucher selected for audit was paid twice to Sheladia Associates, Inc., for consulting services to the Cape Verde Watershed Development project. REDSO had not detected the error. The first payment was made based on a telex copy of the invoice. Five days later, the duplicate payment was made when REDSO received the original invoice.

In order to recover the overpayment, REDSO said it would withhold reimbursement of subsequent vouchers submitted by the contractor, including a \$30,957 voucher scheduled to be paid in February 1987. In addition, REDSO should recover \$2,454 of interest on the overpayment during the eight months the contractor had use of the funds. This amount was calculated using the U.S. Treasury current value of funds rate for the time period May 16, 1986, to February 6, 1987.

To avoid duplicate payments, voucher approval should be based on original documents. REDSO said it normally requires original documents. The duplicate payment occurred during the time that REDSO was taking over accounting responsibility for the project. REDSO also explained that payment procedures under the Sheladia contract had not yet been documented.

To determine if other duplicate payments had been made the audit analyzed a REDSO computer listing of payments. The listing showed 29 cases totaling \$24,446 in which identical amount had been paid more than once within individual projects. The 29 cases could have been duplicate payments or duplicate postings (see Exhibit 3).

Payments exceeded available funds. A \$26,390 voucher to buy computer equipment exceeded the amount committed for the procurement. REDSO discovered the problem when the amount could not be posted to the project account since it was undercommitted by \$49.

As of January 30, 1987, REDSO files showed that 52 other disbursements have exceeded available funds. The 52 disbursements, totaling \$158,102 for operating and project expenses, were made between April 1986 and December 1986.

The mistakes had not been corrected. Delays occurred because supervisors were not promptly notified of the mistakes. REDSO officials said staffing constraints also prevented prompt corrective action.

To avoid the same problem in the future, REDSO is considering procedural changes. A practical solution would be to train voucher examiners to more closely compare voucher amounts with funds committed and/or obligated.

Delayed liquidations of project advances. Up to \$68,000 in unnecessary borrowing costs were incurred by the U.S. Treasury on advances that remained outstanding for periods longer than allowed. As of February 5, 1987, REDSO computer files showed about \$1.7 million of advances outstanding past the allowable liquidation date (see Exhibit 4). Borrowing costs were determined by applying the U.S. Treasury current value of funds rate to amounts of outstanding advances past liquidation dates.

REDSO said its computer files overstated outstanding advances. Client USAIDs had not submitted liquidation vouchers for expenditures made. In addition, some liquidation vouchers already processed by REDSO had not yet been posted to the accounts. REDSO personnel had recently visited some client USAIDs to assist in and accelerate liquidation of advances. REDSO had also started reviewing past due advances every three months to remind USAIDs of corrective actions.

Inappropriate expenses. Three vouchers, including \$7,626 of inappropriate expenses, were approved for payment. The expenses were incurred in connection with A.I.D.-approved seminars under the African Development Bank project. Seminar expenses included \$2,285 for seven cocktail parties and \$2,322 for two excursion tours to nearby tourist attractions. Cocktail parties and excursions do not appear to be appropriate uses of A.I.D. economic assistance funds. A.I.D. Handbook 15 prohibits the financing of alcoholic beverages unless specifically permitted by the Assistant Administrator. Such permission was not obtained. The vouchers also included \$3,019 for banquet meals which had already been reimbursed to seminar attendees through per diem payments.

During the audit REDSO said total expenses for the seminar attendees, including room, board and the questioned expenses, were less than if A.I.D. paid full per diem under U.S. Government regulations. In addition, REDSO explained that such expenses were a customary part of seminars held in West Africa. In their response to the draft report, REDSO officials

stated that A.I.D. finances only a portion of the expenses incurred for seminars under the African Development Bank.

In order for REDSO to ensure that such expenses are financed by other donors, the documents supporting reimbursement vouchers need to reflect this. Our review of REDSO reimbursement vouchers revealed that REDSO paid only a portion of total expenses incurred during seminars, but that portion included expenses for cocktail parties and excursions amounting to \$7,626.

Missing vouchers. Seven of 54 vouchers (13 percent) selected for audit, totaling about \$507,000, were missing from the filing cabinets. During the audit, five of the missing vouchers were found. REDSO did not find the other two vouchers, one for \$34,105 and the other for \$30,149.

REDSO established a system of signout sheets to establish control over vouchers. However, the signout sheets, which were attached to voucher cabinets, had not solved the problem of misplaced vouchers. Controller's Office staff had to search through their offices to find vouchers selected for audit. During the audit, vouchers were observed being removed from the cabinets without being signed out. REDSO employees had not been formally instructed to use the signout sheets.

Management Comments

REDSO generally concurred in the finding and recommendations and made the following comments:

Recommendation 1: In April 1987 A.I.D./W issued further guidance to controllers concerning the use of checklists under policy statement 7. The guidance allowed controllers to determine situations where project officer checklists should not be required.

Recommendation 2: REDSO has scheduled an internal control review for June 1987, to be followed by an assessment of payment procedures.

Recommendation 3: REDSO recovered the \$42,252 duplicate payment and was corresponding with the contractor regarding the interest amount. In addition, it reviewed the list of possible duplicate payments cited in the draft report and determined that only one set of payments was still in question. That payment was being researched. Furthermore, REDSO was establishing a procedure to periodically identify potential duplicate payments.

Recommendation 4: REDSO implemented a procedure to ensure that funds are available and coded correctly prior to payment being made, and resolved outstanding cases where payments exceeded obligations.

Recommendation 5: REDSO identified four principal causes of the outstanding advances and had taken or was taking corrective action. In addition, REDSO has instituted country evaluations that will review details of single country accounts, including old open advances.

The complete text of REDSO's comments is shown as Appendix 1.

Office of Inspector General Comments

REDSO actions undertaken or planned are responsive to the recommendations. Based on the above actions, recommendations 1, 2, 4, and 5 are considered closed upon issuance of this report. Recommendation 3 is considered resolved and can be closed when RIG/A/WA receives the final information on any duplicate payments or postings found in the listing of payments contained in Exhibit 3.

B. Compliance and Internal Control

Compliance

The audit disclosed two instances of noncompliance with A.I.D. payment verification policy statements. These are discussed in the report finding.

Other than the conditions cited, nothing came to our attention that would indicate that untested items were not in compliance with applicable laws and regulations.

Internal Control

Instances of noncompliance discussed in the report directly relate to the adequacy of internal controls. Strengthened internal controls were needed in the areas of voucher examination procedures, use of project officer administrative approval checklists, availability of funds for disbursement, outstanding advances, and duplicate payments.

AUDIT OF REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE/
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COMPLIANCE WITH A.I.D. PAYMENT VERIFICATION
POLICY STATEMENTS

PART III - EXHIBITS AND APPENDICES

Projects Selected to Test REDSO
Compliance With Payment Verification
Policy Statements

<u>Project</u>	<u>Project</u> <u>Number</u>	<u>Date</u>	<u>Authorized</u> <u>(\$million)</u>
African Development Bank II- Ivory Coast	598-0434	1985	15.0
Contraceptive Supplies - Ghana	641-0109	1985	7.0
Trilateral Agricultural Training - Sao Tome and Principe	658-0002	1986	0.9
CCCD - Guinea	698-0421	1985	0.9
Sio River Economics Development - Togo	693-0226	1985	3.5
Total			<u>27.3</u>

REDSO Compliance With A.I.D.
Payment Verification Policy Statements

Policy Statement 1 - A comprehensive general assessment of methods of implementation and financing, reviewed from the standpoint of accountability, is to be presented on a regular basis and more specific assessments are to be included in Project Papers.

Complied

Policy Statement 2 - A.I.D./W Controller concurrence on the implementation and financing aspects are to be included in the general assessment and the more specific Project Paper assessments requiring A.I.D./W review.

Complied

Policy Statement 3 - As part of the assessments under Policy Statement 1, a justification is to be submitted whenever the mission proposes to depart from any of the following general policies:

(a) The use of Fixed Amount Reimbursement (or modified Fixed Amount Reimbursement) as the preferred method in financing multiple unit construction.

(b) Use of the Federal Reserve Letter of Credit procedure. (Note that Federal Reserve Letters of Credit may be used only in the case of non-profit organizations. They cannot be used in any case for host country contracts or loan financed contracts.)

(c) The use of the direct reimbursement procedure (reimbursing the host country, contractors and others) instead of other methods of payment which entail A.I.D. financial credit instruments to direct payments for contractors and suppliers.

Complied

Policy Statement 4 - As part of the assessments under Policy Statement 1, a justification is to be provided whenever the mission proposes use of the bank letter of commitment rather than the direct letter of commitment except for Commodity Import Program and project commodity financing for which the mission anticipates a proliferation of invoices.

Complied

Policy Statement 5 - Where host country contracting is proposed as a means of implementation, the assessments required under Policy Statement 1 must set forth a realistic appraisal of the prospective contracting agency's ability to (a) advertise, award and negotiate contracts, (b) monitor contract implementation, (c) examine invoices, and (d) audit contractor records and reports. If local currency is to be made available to an intermediate credit institution or to any other organization responsible for controlling and reporting on the use of such funds, the mission should first assess the organization's financial management procedures and related internal controls. Such an assessment should also be performed as a prerequisite for providing grants to indigenous private voluntary organizations. Subsequent audit or evaluation reporting on the project should measure performance in reference to the assessments made under policy statement 1 as well as other appropriate factors.

Complied

Policy Statement 6 - Project papers are to (a) include an evaluation of the need for audit coverage in light of potential risks, and describe planned contract and project audit coverage by the host government, A.I.D. and/or independent public accountants. Project funds should be budgeted for independent audits unless adequate audit coverage by the host country is reasonably assured or audits by third parties are not warranted as, for example, in the case of direct A.I.D. contracts or direct placement of participants by A.I.D..

Complied

Policy Statement 7 - In lieu of the current negative statement, the project officer is to provide to the Controller a statement advising the basis upon which administrative approval is

given. A.I.D./W implementing guidelines provided a checklist to be used by project officers when approving vouchers for payment.

Partially complied - see audit report text (p.5).

Policy Statement 8 - Mission controllers are responsible for providing annual assessments of the mission voucher approval and voucher examination procedures. Such assessments should indicate the adequacy of supporting documents submitted with contractor invoices and the ability of project officers and authorized certifying officers to relate contractor performance with contractor invoices.

Partially complied - See audit report text (p.6).

Policy Statement 9 - Mission controllers are to provide annual assessments of the adequacy of the monitoring and invoice examination procedures followed by host country contracting agencies. Such assessments should serve as the basis for reliance on host country performance certificates and voucher reviews.

Complied

Policy Statement 10 - (a) USAID controllers are encouraged to use the services of competent public accounting firms to a greater degree in providing accounting and financial management consulting services within the project design as a part of program funding and in auditing host country contracts. (b) Auditing services will be performed on the basis of preapproval by the Inspector General staff. In their areas of responsibility, USAID controllers are encouraged to use contract personnel to supplement direct-hire foreign nationals for voucher examination.

Complied

Policy Statement 11 - The agency's commodity price analysis function should be strengthened to permit more adequate pre- or post-payment audit of commodity costs.

No REDSO action required

Policy Statement 12 - Where suitable and subject to federal and AID guidelines, the agency should place greater reliance upon incentive contract approaches, where contractors share in savings or receive extra benefits for timely completion.

No REDSO action required

Policy Statement 13 - Host country contracts should include definitive requirements for submission of invoices and supporting documents.

Complied

Policy Statement 14 - Models for use of the Fixed Amount Reimbursement concept for non-construction projects should be developed for consideration.

No REDSO action required.

Policy Statement 15 - Definitive requirements for arrival accounting should be developed and published for commodity import programs. Assessments of arrival accounting systems should be included in all Commodity Import Program approval documents.

No REDSO action required.

Policy Statement 16 - The agency will explore resuming use of formal two-step loan agreements given the increased emphasis on private sector participation.

No REDSO action required.

Listing of Potential
Duplicate Payments or Duplicate Postings
(Between October 1985 and January 1987)

<u>Amount (\$)</u>	<u>Description</u>	<u>Voucher Number</u>	<u>Schedule Number</u>	<u>Posting Date</u>
355	materials	693070078	73987553	01-26-87
355	materials	693070079	73987553	01-22-87
1,304	salary	693070130	73987569	01-22-87
1,304	salary	693070130	73987569	01-21-87
566	air fare	657070101	71587177	01-20-87
566	air fare	657070101	71587177	01-20-87
500	travel	52402263	524	01-14-87
500	travel	52404603	524	01-14-87
59	salary	641060465	73086367	11-14-86
59	salary	624060465	73186367	08-27-86
746	per diem	675060369	74887475	10-28-86
746	per diem	675060370	74887475	10-28-86
40	reimbursement	6201832	None	10-27-86
40	reimbursement	6201-33	None	10-27-86
406	salary	624070066	73187616	10-21-86
406	salary	624077066	73187616	10-21-86
307	salary	5307985	530	10-15-86
307	salary	53007985	530	12-04-86
402	salary	624062633	73187600	10-14-86
402	salary	624062633	73187600	10-14-86
412	adjustment	624861389	731SF1017	09-23-86
412	adjustment	624861389	731SF1017	09-18-86
1,682	air fare	675060330	74886449	09-03-86
1,682	air fare	675060331	74886449	09-03-86
2,546	services	693060709	73986515	09-03-86
2,546	services	693060710	73986515	09-03-86
204	maintenance	657063364	71506871	08-22-86
204	maintenance	657063279	71586063	08-07-86

<u>Amount</u> <u>(\$)</u>	<u>Description</u>	<u>Voucher</u> <u>Number</u>	<u>Schedule</u> <u>Number</u>	<u>Posting</u> <u>Date</u>
2,047	advertisement	624062290	73186519	08-12-86
2,047	advertisement	624062211	73186499	07-30-86
292	FICA	624861338	731SF1017	08-04-86
292	FICA	5403419	None	05-07-86
990	air fare	657063207	71586050	07-25-86
990	air fare	657063207	71586050	07-25-86
990	air fare	657063207	71586050	07-25-86
1,503	spare parts	675060273	74886423	06-05-86
1,503	spare parts	675060273	74886423	06-05-86
679	salary	624863112	731SF1081	05-21-86
679	salary	624061775	73186378	05-16-86
400	allowance	522-5571	None	05-13-86
400	allowance	522-5565	None	05-13-86
400	allowance	522-5575	None	05-13-86
400	allowance	522-5524	None	05-13-86
75	commodities	6200395	None	05-07-86
75	commodities	5201432	None	05-07-86
1,232	air fare	675060172	74886411	04-28-86
1,232	air fare	675060293	74886415	05-16-86
960	per diem	675060212	74886394	04-26-86
960	per diem	675060214	74886395	04-11-86
960	per diem	675060213	74886394	04-11-86
810	storage	693060374	73986452	04-21-86
810	storage	693060374	73986452	04-21-86
300	air fare	675060231	74886396	04-18-86
300	air fare	675060232	74886395	04-11-86
300	air fare	675060230	74886395	04-11-86
20	handling	624863058	731SF1081	04-07-86
20	handling	624863060	731SF1081	04-07-86

<u>Amount (\$)</u>	<u>Description</u>	<u>Voucher Number</u>	<u>Schedule Number</u>	<u>Posting Date</u>
1,312	salary	624060586	73186144	01-09-86
1,312	salary	624060586	73186144	01-09-86
991	air fare	624060254	73186435	11-06-85
991	air fare	624060255	73186435	11-06-85
256	expenditures	693060036	73986374	10-17-85
256	expenditures	693060036	73986374	10-17-85

<u>Commodity Purchased</u>	<u>Amount (\$)</u>	<u>Posting Date</u>	<u>Voucher Number</u>
10,000 liters gasoline	2,134	04-11-86	693060527
10,000 liters gasoline	2,292	04-11-86	693060527
1,000 liters gasoline	4,696	04-09-86	624861191
25 empty gas bottles	1,219	04-11-86	675060216
25 empty gas bottles	2,090	04-11-86	675060216

Summary: In 29 cases, totaling \$24,446, the same amounts were paid more than once within individual projects. In addition, five purchases of gasoline and gas bottles appeared questionable.

Estimated Interest Cost To U.S. Treasury
From Overdue Advance Liquidations
As of February 5, 1987

<u>Liquidations</u> <u>Due Date a/</u>	<u>Amount</u> <u>of Advance</u> <u>(\$)</u>	<u>Estimated</u> <u>Interest</u> <u>Expense b/</u> <u>(\$)</u>
<u>1982</u>		
Jan-Dec	2,000	618
<u>1983</u>		
Jan-Dec	896	220
<u>1984</u>		
Jan-Mar	0	0
Apl-Jun	4,795	915
Jul-Sep	5,283	886
Oct-Dec	13,136	2,110
<u>1985</u>		
Jan-Mar	15,267	2,103
Apl-Jun	67,559	7,817
Jul-Sep	96,937	9,909
Oct-Dec	39,014	3,503
<u>1986</u>		
Jan-Mar	77,778	4,729
Apl-Jun	188,299	8,693
Jul-Sep	613,610	20,241
Oct-Dec	<u>562,191</u>	<u>6,603</u>
Total	<u>\$1,686,765</u>	<u>\$68,347</u>

a/ REDSO established these accountability dates to indicate when projects were required to liquidate advances.

b/ The interest expense was estimated considering the number of days advances were outstanding past their due date, and (2) the 1987 U.S. Treasury current value of funds rate.

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PP RUTADS
DE RUEHAB #0093/01 1141207
ZNR UUUUU ZZH
P 241206Z APR 87
FM AMEMBASSY ABIDJAN
TO AMEMBASSY DAKAR PRIORITY 9607
BT
UNCLAS SECTION 01 OF 02 ABIDJAN 10093

AIAC

E.C. 12356: N/A
SUBJECT: COMMENTS ON DRAFT AUDIT REPORT - REDSO/WCA
COMPLIANCE WITH PAYMENT VERIFICATION POLICY STATEMENTS.

REF: STATE 111726

1. COMMENTS ON THE SUBJECT DRAFT ARE AS FOLLOWS:

REDSO CONTENDS THAT THE FIELD CONTROLLER MAY DETERMINE THAT THERE ARE CASES OR SITUATIONS WHERE THE PROJECT OFFICER CHECKLIST SHOULD NOT BE REQUIRED.

REDSO DISAGREES WITH THE STATEMENTS REGARDING INAPPROPRIATE EXPENSES ON PAGE 18 OF THE DRAFT. REDSO FINANCES ONLY A PORTION OF THE EXPENSES INCURRED FOR SEMINARS UNDER THE AFRICAN DEVELOPMENT BANK. OUR REIMBURSEMENTS IN THE CASES CITED WERE LESS THAN TOTAL SEMINAR EXPENSES EXCLUDING THOSE EXPENSES CITED AS INAPPROPRIATE. FURTHER, WE ARE AWARE OF NO ABSOLUTE RESTRICTION ON USE OF AID FUNDS FOR ACTIVITIES NOTFD. REVIEW FOR EXPENSES WHICH ARE NOT ALLOWABLE ARE A REGULAR PART OF THE PROJECT REVIEW PROCESS.

THE FOLLOWING ACTIONS HAVE BEEN TAKEN:

RECOMMENDATION 1.

PER REFTEL, AID/W HAS AGREED WITH REDSO THAT THE FIELD CONTROLLER MAY DETERMINE THAT THERE ARE CASES OR SITUATIONS WHERE THE PROJECT OFFICER CHECKLIST SHOULD NOT BE REQUIRED.
RECOMMENDATION 2.

AS STATED ABOVE, WE HAVE SCHEDULED AN INTERNAL CONTROL REVIEW IN JUNE AND PLAN TO IMMEDIATELY FOLLOW THIS WITH AN ASSESSMENT OF PAYMENT PROCEDURES.

RECOMMENDATION 3.

THE DUPLICATE PAYMENT TO SHELADIA ASSOCIATES HAS BEEN RECOVERED THROUGH OFFSET AGAINST VOUCHERS PROCESSED. WE ARE CORRESPONDING WITH SHELADIA REGARDING THE INTEREST AMOUNT.

WE HAVE REVIEWED THE LISTING OF POSSIBLE DUPLICATE PAYMENTS INCLUDED IN THE DRAFT AUDIT. ONLY ONE OF THE SETS OF PAYMENTS LISTED IS STILL IN QUESTION, MADE

THROUGH A MISSION CASHIER AND NOT THROUGH THE OFFICE
HERE IN ABIDJAN. WE ARE REQUESTING THE MISSION INVOLVED
TO CHECK THE PAYMENTS.

PROCEDURES DURING THE VOUCHER REVIEW PROCESS INCLUDE A
REVIEW OF PAYMENTS MADE TO THE SAME VENDOR UNDER THE
SAME OBLIGATION OR COMMITMENT. WE BELIEVE THAT THE
PROCEDURES IN PLACE ARE SATISFACTORY. THE DUPLICATE
PAYMENTS WHICH WERE MADE WERE THE RESULT OF ERRORS IN
APPLYING PROCEDURES, NOT THE PROCEDURES THEMSELVES. WE
WILL BE DOING AN INTERNAL CONTROL REVIEW IN JUNE AND
WILL FOLLOW THIS WITH AN ASSESSMENT OF PAYMENT
PROCEDURES. WE ARE FURTHER ESTABLISHING A PROCEDURE
WHICH WILL PERIODICALLY IDENTIFY POSSIBLE DUPLICATE
PAYMENTS FOR INTENSIVE REVIEW.

RECOMMENDATION 4.

ALL OPEN CASES WHICH WERE APPARENT PAYMENTS IN EXCESS OF
OBLIGATED FUNDS HAVE BEEN RESEARCHED AND ARE EITHER
RESOLVED OR IN THE PROCESS OF RESOLUTION. MOST OF THE
CASES WERE CODING ERRORS AND NOT REPEAT NOT PAYMENTS IN
EXCESS OF OBLIGATIONS. IN A FEW CASES, PAYMENTS
EXCEEDED OBLIGATIONS DUE TO EXCHANGE RATE FLUCTUATIONS
AND OTHER VARIABLES. THESE CASES HAVE BEEN RESOLVED
THROUGH EITHER UPWARD ADJUSTMENT OR OTHER APPROPRIATE
ACTION. WE HAVE IMPLEMENTED A PROCEDURE WHICH REQUIRES
ENTRY INTO MACS OF PAYMENTS PRIOR TO RELEASE OF THE
DATEL. THIS ENSURES THAT FUNDS ARE AVAILABLE AND CODING
IS CORRECT PRIOR TO THE PAYMENT BEING MADE.
RECOMMENDATION 5.

THE LARGE NUMBERS OF APPARENTLY OUTSTANDING PROJECT
ADVANCES ARE CAUSED BY A NUMBER OF FACTORS:

- A) A MISUNDERSTANDING OF THE USE OF ACCOUNTABILITY DATE
IN THE CODING OF ADVANCES. THIS HAS CAUSED ADVANCES TO
APPEAR TO BE OVERDUE WHEN THEY ARE NOT. THE CORRECT
CODING HAS BEEN EXPLAINED TO EMPLOYEES INVOLVED SO THIS
SHOULD NOT BE A PROBLEM IN THE FUTURE.
- B) SOME MISSIONS WERE ERRONEOUSLY PROCESSING NO-PAY

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LIQUIDATION VOUCHERS THROUGH THE EMBASSY CASHIER FOR EMBASSY SELF-HELP. THIS CAUSES THESE VOUCHERS TO BE RECEIVED IN WAAC FROM RAMC ALONG WITH THE 1221 REPORT. THIS DELAYS RECEIPT IN WAAC AND ALSO CREATES PROBLEMS DUE TO INCOMPLETE CODING ON CASHIERS VOUCHERS. THIS HAS BEEN EXPLAINED TO EMBASSY OFFICIALS INVOLVED AND SHOULD NOT BE A FUTURE PROBLEM.

C) ONE HOST GOVERNMENT REQUIRES AN EXTENDED PERIOD OF TIME FOR INTERNAL CLEARANCE OF VOUCHERS, CAUSING A DELAY BEFORE SUBMISSION TO WAAC. THIS PROBLEM IS BEING DISCUSSED WITH THE MINISTRIES INVOLVED. WE WILL CONTINUE DISCUSSIONS TO ATTEMPT TO RESOLVE THIS PROBLEM.

D) SUBSTANTIAL AMOUNTS OF DETAILED DOCUMENTATION HAS ACCOMPANIED NO-PAY LIQUIDATION VOUCHERS. REVIEW OF THIS DOCUMENTATION BY THE VOUCHER EXAMINER CONSUMES EXTENDED PERIODS OF TIME. WE ARE CONSIDERING A SYSTEM WHERE LIQUIDATION VOUCHERS WILL BE ACCOMPANIED BY FINANCIAL REPORTS, WITH ORIGINAL DOCUMENTATION BEING MAINTAINED AT THE PROJECT SITE. PERIODICALLY, THE ORIGINAL DOCUMENTATION WILL BE REVIEWED BY FINANCIAL PERSONNEL FROM WAAC DURING FIELD SITE VISITS AND DISALLOWANCES MADE AS APPROPRIATE. THIS SHOULD SPEED THE PROCESSING OF VOUCHERS AND LIQUIDATIONS OF ADVANCES.

WAAC HAS INSTITUTED COUNTRY REVIEWS WHERE THE DETAILS OF ALL ACCOUNTS FOR A SINGLE COUNTRY ARE SUBJECTED TO INTRASIVE REVIEW. THIS INCLUDES OLD OPEN ADVANCES. ACTION PLANS ARE THEN DEVELOPED TO RESOLVE THESE OLD AMOUNTS.

THE PROJECT SECTION ROUTINELY FOLLOWS UP WITH MISSION STAFF BOTH THROUGH SITE VISITS AND BY CABLE.

2. WAAC HAS NO FURTHER COMMENTS ON THE SUBJECT DRAFT.

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List of Report Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	4
We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, obtain A.I.D./Washington waivers for exceptions permitted by REDSO to policy statement 7.	
<u>Recommendation No. 2</u>	4
We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, require that annual assessments ensure that there are adequate controls over (a) submission of project officer administrative approval checklists, (b) duplicate payments, (c) payments exceeding available funds, (d) delayed liquidations of project advances, (e) payment of inappropriate expenses, and (f) missing vouchers.	
<u>Recommendation No. 3</u>	4
We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) recover with interest a duplicate payment of \$42,252 made to Sheladia Associates, Inc., (b) establish procedures to prevent duplicate payments, and (c) provide assurance that measures have been taken to identify and recover all other duplicate payments that may have been made.	
<u>Recommendation No. 4</u>	4
We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) establish procedures to ensure that disbursements do not exceed available funds, and (b) request that client posts make additional funds available for 53 disbursements made in excess of available funds.	
<u>Recommendation No. 5</u>	5
We recommend that the Director, Regional Economic Development Services Office/West and Central Africa, (a) update computer files of project advances, and (b) establish target dates for liquidations of advances.	

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