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AUDIT OF IMPLEMENTATION OF THE PAYMENT VERIFICATION POLICY STATEMENTS BY USAID/THAILAND

Audit Report No. 2-493-87-06

June 5, 1987

MEMORANDUM FOR Dr. John R. Eriksson, Director
USAID/Thailand

FROM: Leo D.LaMotte
RIG/A/Manila

SUBJECT: Audit of Implementation of the Payment Verification Policy Statements by USAID/Thailand

This report presents the results of audit on USAID/Thailand's implementation of the Payment Verification Policy Statements. Please advise us within 30 days of any additional information relating to actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended our staff during the audit.

Background

In April 1982, in response to Congressional concern and the results of audits conducted by A.I.D.'s Inspector General and the General Accounting Office (GAO), the A.I.D. Administrator named a task force to review the Agency's payment process. The work of this task force was to coincide with action on an OMB directive which required all federal agencies to undertake a self-assessment of internal control vulnerability. This effort resulted in 16 policy statements which were approved by the Administrator in April 1983. The implementing guidance was developed by the Bureau for Management and sent to the field on December 30, 1983.

Audit Objectives And Scope

This compliance audit was done in conjunction with the Inspector General's Office of Program and Systems Audits' worldwide review of A.I.D.'s implementation of these policy statements. The objectives of this audit were to (1) determine whether the USAID had submitted timely general assessments and updates required by the payment verification policy guidance, (2) test the accuracy of these self-assessments and determine reasons for any inaccuracies, (3) analyze areas where USAID was not in compliance with A.I.D.policies and determine the effect of the non-compliance, (4) assess whether the justifications for non-compliance were reasonable at the time they were made, and (5) determine whether subsequent actions had been taken by the USAID to conform to A.I.D. payment verification policies.

For USAID/Thailand, all project papers completed subsequent to the issuance of the policy statements were reviewed to determine the degree of compliance; random samples of paid vouchers were made to test compliance with specific guidelines; the Annual General Assessments and the support for these assessments were reviewed as well as the USAID Orders which correspond to the policy statements. USAID and regional personnel were interviewed concerning implementation of and compliance

with policy statements. This review was made in accordance with the generally accepted government auditing standards.

Results of Audit

USAID/Thailand had generally complied with the requirements of the Payment Verification Policy Statements. It had submitted on time the required Annual General Assessment Report and yearly updates. These self-assessments were generally accurate. Areas of non-compliance, incomplete project papers and annual assessment of the Mission voucher payment process, did not have a major effect on operations, but were not justified. Project papers issued subsequent to policy statements did not contain all the required information. The Annual General Assessment of Mission voucher approval and examination procedures did not follow the sampling requirement and did not assess the weaknesses in the procedures. Therefore, the recommendations were that (a) the Mission Order be revised to incorporate payment verification policy statements, and (b) the Mission controller comply with the guidance on assessing voucher examination procedures and review the exceptions found.

1. Project Papers Did Not Fully Comply - The policy statements required that specific information be provided in project papers and that the Mission controller sign the face sheet of the papers. Of the seven project papers approved since January 1984, none contained the required table of Methods of Implementation and Financing and the controller had not signed the face sheet. Handbook 3, Project Assistance, which is the guide for preparing project papers, had not been updated by A.I.D./Washington to include the requirements of the policy statements. Project papers did not contain assurances that implementation problems were to be avoided. Consequently, A.I.D. management could not be assured that the projects were most appropriately financed and implemented, adequate financial review occurred, or host country contracting capability was adequate.

Discussion - The policy statements required that "each and every" project paper include a detailed assessment of the Methods of Implementation and Financing in a specific format, referring to the General Assessment and providing detailed justification if the financing deviated from the A.I.D. approved methods of financing (See Exhibit 1). The project paper was to describe and assess the host country government's specific procedures for contracting, commodity procurement and payment verification, if applicable. The Payment Verification Policy Statements of December 1983 had not been incorporated into Handbook 3 by A.I.D./Washington at the time of this audit. Mission Order No. 430.01 (February 10, 1986) described the project development process of the Mission. The Order set forth the requirements for a project paper and stated that the project officer was responsible for a paper which met A.I.D. statutory and regulatory requirements detailed in Handbook 3 - Project Assistance. However, the Mission Order did not advise the staff of Payment Verification Policy Statements requirements.

None of the seven Project Papers formally approved since January 1984, totalling $87.8 million in loans and grants, contained the required table on Methods of Implementation and Financing. The Mission controller had not signed the Project Data Sheets. Also, none of the Project Papers referred to the Annual General Assessment. Project Papers issued subsequent to the special studies of the Royal Thai Government's (RTG) Department of Technical And Economic Cooperation (DTEC) and Ministry of Agriculture and Cooperatives (MOAC) did not refer to those studies or provide specific detailed analysis of host country contracting capabilities. The Methods of Implementation and Financing were identifiable and were the approved methods so justification for deviations was not required. The controller's office participation was indicated on the authorization memorandum for four of the seven Project Papers. In the remaining three, the controller stated, and the project support office agreed, that his organization had participated in the Financial Analysis. However, the Project Papers did not ensure that host country contracting capability was adequately reviewed and the vulnerability in following this procedure was assessed.

The Mission stated that the real finding is that A.I.D./Washington had not incorporated the Payment Verification Policy Statements and necessary implementing guidance into Handbook 3 - Project Assistance. The Mission position is that Handbook 3 is the reference book used for preparation of project papers. As an interim measure, the Mission agreed that it could revise its Mission Order.

By not following the policy statement requirement, the potential exists for a project paper to prescribe an inappropriate method of financing or implementation, such as host country contracting when the host country lacked such capability.

Recommendation No. 1

We recommend that USAID/Thailand revise Mission Order No. 430.01 Project Development Process and include the requirements of Payment Verification Policy Statements, as appropriate.

USAID/Thailand responded that it will revise the Mission Order as recommended. We will close this recommendation after issuance of the revised Mission order.

2. Voucher Examination Procedures Were Not Assessed - The Payment Verification Policy Statement No. 8 required Mission controllers to assess their internal procedures for voucher approval and examination and report areas of high vulnerability and projected solutions or changes which would result in decreasing vulnerability. A random sample of vouchers was to be reviewed to provide reasonable assurance of the effectiveness

of the procedures. The Mission had reported its internal procedures and identified some weaknesses which were corrected. However, the Mission had not made a random sample of vouchers in any of the four reporting years. The audit sample of vouchers showed that weaknesses existed and about $12,000 should not have been paid. It indicated that procedures and vouchers should be reviewed more carefully.

Discussion - Policy Statement No. 8 stated that mission controllers were to provide annual assessments of mission voucher approval and examination procedures. These assessments were to involve a random sample of vouchers large enough to provide reasonable assurance that the Mission's procedures were adequate and were to indicate areas of high vulnerability and proposed solutions or changes in procedures which would result in decreased vulnerability.

An assessment of Mission procedures was not included in the first report in March 1984 as the controller believed it was not required. In the second annual report, the Mission detailed the procedures followed, identified two weaknesses, and specified corrective actions. The third annual report described the mission procedures, but did not highlight areas of vulnerability. The fourth report indicated that the informal procedures were tested and adequate.

A random sample of vouchers was not made for any of the annual reports. The Mission controller stated that, since each voucher is reviewed by the certifying officer prior to payment, a random sample would not provide any additional insight into the process and vulnerability. He also pointed out that a comprehensive vulnerability assessment of their operations was made for the Federal Managers Financial Integrity Act (FMFIA) in October 1986. This report concluded that the level of risk remained medium and the overall vulnerability was low. The weaknesses identified were inexperienced staff and poor payment files. Corrective actions included more training, central files improvement, and installment of computer and accounting system and records.

A random sample of five vouchers for each of the reporting periods was made by the auditors. The results of these samples disclosed that voucher examinations had improved over the years as there were three vouchers with deficiencies the first year, two the second, and one on each of the third and fourth. (See Appendix 1.) The most significant deficiencies existed in the application of the Fly America Act, in procedures followed on a Direct Letter of Commitment, and in documentation maintained in the payment files.

The seriousness of the deficiencies varied from a few dollars to several thousand dollars. Two vouchers involved paying for international airfare on non-U.S. flag carriers, while the loan agreements required that U.S. flag carriers be used if service was available. The total airfare of the two vouchers amounted

to about $16,600, the estimated penalty was about $12,600. For another voucher, the examiner miscalculated the per diem allowance and the traveler was overpaid by a few dollars. For three vouchers the payment files did not contain either lists of approved procurements or the appropriate waiver required for procurement. However, the project office was able to provide the required documentation. In another case, a voucher covered by a Direct Letter of Commitment was paid early and the payment files contained no record of the host country agencies' required review of the invoice. A full discussion of each discrepancy and the sample description are presented in Appendix 1.

Compliance with Policy Statement No. 8 has not been complete. The Mission controller should conduct the random sample because it may identify areas for improvement. The payment files should be more complete. While the voucher examiner reviews for proper approval, he should also seek proper supporting documentation. The procedures in Direct Letters of Commitment should be reviewed as well as the Fly American provision. The controller should discuss this audit with his staff.

Recommendation No. 2

We recommend that the controller improve compliance with Payment Verification Policy Statement No. 8 by taking samples of paid vouchers each year and reporting the sample size in the Annual General Assessment.

Recommendation No. 3

We recommend that the controller investigate transportation payments made by the Department of Technical and Economic Cooperation to determine if the provisions in the loan agreement(s) for utilizing U.S. flag carriers have been met.

Recommendation No. 4

We recommend that the controller conduct a training session with his voucher examiners discussing this memorandum of audit.

Recommendation No. 5

We recommend that the controller review the Mission procedures on Direct Letters of Commitment and determine if host country implementing agencies' approvals of vouchers are received, recorded, and any adjustments made.

The Mission generally concurred with the recommendations and provided information on the actions taken to close these recommendations. However, on Recommendation No. 3, the Mission stated that the standard provision used in the loan agreement requiring the use of U.S. flag carriers was not the appropriate

citation, that A.I.D. policy on loan-funded international travel allows for the use of host country carriers or other 941 carriers. The Mission recognized that it could legally hold the RTG to the terms of this agreement, but believed that to amend the loan agreement was not worth the effort at this late date. However, the Mission was going to issue a project implementation letter advising the RTG that it would enforce this provision for future travel. (See Appendix 2.)

RIG/A/Manila felt that the Mission comments on a whole were positive and demonstrated positive actions. We will close the recommendations upon review of the documents to be issued by the Mission. Recommendation No. 4 is closed upon issuance of this report.

Concerning Recommendation No. 3, we cannot waive enforcement of a loan provision. A refund is due A.I.D. because the provision in the agreement was not complied with. If the loan agreement terms/provisions were improper, then the Mission has a more serious problem than developed in this audit. We may review the Mission agreements at a later date to determine if those meet the Agency guidance.

AUDIT OF
IMPLEMENTATION OF THE PAYMENT
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BY USAID/THAILAND

EXHIBIT AND APPENDICES

EXHIBIT 1

METHODS OF IMPLEMENTATION AND FINANCING
(Illustrative Example)

Method of Implementation	Method of Financing	Approximate Amount (U.S. $000)
TA - HC Instit. Contract	Direct L/Com	5,000
	HC Reimb.	500
	Bank L/Com	1,500
		7,000
TA - HC-PSCs	Direct Pay	300
Construct. - Schools	Fixed Amount Reimbursement	13,000
Commod. - A.I.D. Proc. Proc. Agt. Contracts	Bank L/Com	6,000
	Direct L/Com	2,000
		8,000
Commod. - HC Prod. Purch. Orders	HC Reimb.	500
	Direct Pay	500
		1,000
Total Project		29,300

RESULTS OF SAMPLE OF PAID VOUCHERS

A random selection of vouchers from each reporting period was made to determine the completeness of voucher examination. The universe consisted of one bundle of paid schedules which contained project vouchers. The number of project vouchers in each bundle were counted and their value computed. From the bundle, five vouchers were randomly selected for detailed review. The following table shows the size of the sample and the universe.

Year	No. of Vouchers Audited	Value of Vouchers Audited	No. of Vouchers in Universe	Value of Universe
1983	5	$ 64,183.12	80	$1,154,208.68
1984	5	904,187.30	153	4,362,916.67
1985	5	100,243.97	103	1,967,891.35
1986	5	56,078.36	141	1,780,873.85

The frequency of errors is shown in the table below:

Year	Number of Vouchers Reviewed	Vouchers with Deficiencies	Number without Deficiencies
1983	5	3	2
1984	5	2	3
1985	5	1	4
1986	5	1	4

1983 - The sample disclosed that the voucher examination for three vouchers was incomplete and one payment was possibly improper. The remaining two vouchers were apparently examined correctly. The exceptions were:

a) Voucher No. LV-83-206 was paid to the Department of Technical Economic Cooperation (DTEC) for participant travel to the United States. The voucher was for $6,388.14. The accompanying invoice was to Thai International and the routing on the invoice was to Thai International and the routing on the invoice and ticket coding indicated that Thai International was flown from Bangkok to Seattle, Washington. Travel in the United States was probably performed on U.S. flag carriers. The actual routing and carriers flown could not be determined because DTEC maintained the original voucher and supporting documentation. However, the voucher

examiner did not question the routing and carrier flown. The loan agreement, on which this payment is authorized, contained specific wording that U.S. flag carriers should be used for international air travel when the service is available. The voucher examiner should have required additional information to ensure that payment was proper and legal. The estimated penalty for not using U.S. flag carrier would amount to $4,857.54. The Mission controller stated that when loan funds are used, the host country may use its own air carrier. However, the project's accounting records and agreements did not support his position.

b) Voucher No. LV-83-264 was paid to a vendor for equipment in the amount of $1,694.52. While the voucher file contained invoices on this equipment and it was approved by the project officer, the voucher examiner's file did not contain the approved list of equipment. Thus the voucher was approved for payment by the examiner without verifying that the procurement was in accordance with the project agreement. The approved equipment list was located in the project office and no other deficiencies were noted.

c) Voucher No. LV-83-61 was paid to an host government agency in the amount of $4,466.48. This voucher included cost for vehicle overhaul in the amount of $1,070.74. The Loan Agreement and Project Implementation Letter No. 8 required that vehicle(s) overhaul be approved by A.I.D. before the work was started. While the project officer administratively approved this voucher for payment, there was no record in the controller's office that the prior approval for the work was obtained. Since the project has ended and the amount claimed was small in this voucher, additional follow-up did not seem appropriate.

1984 - The sample disclosed that the voucher examination for three of the five vouchers was adequate. One overpayment and one potentially improper payment was found. The exceptions were:

a) Voucher No. LV-83-247 in the amount of $10,225.34 was paid to DTEC for participant training travel to the United States. The supporting documentation indicated that the travel was not performed on U.S. flag carriers as required by the loan agreement. [Note: This is the same loan agreement discussed in item a) in the 1983 sample.] Thus, an estimated $7,742.64 was possibly improperly paid to DTEC. The Mission controller stated that his position was that under loan funding, Fly American Act did not apply.

b) Voucher No. LV-84-121 in the amount of $2,312.82 was paid to a contractor. This voucher covered international travel for home leave. In recalculating the per diem claim, it was determined that the voucher examiner had miscomputed the claim by $11.00 and the traveler was overpaid. The error was made in determining the claim for the International Date Line and locality rate at the point of arrival in the United States. However, the voucher examiner should not have calculated the claim for travel; that is the responsibility of the traveler/contractor. Voucher examiners are to review claims and verify computations, not construct the claim and compute the amounts.

1985 - All five payments were proper and all but one carefully examined. This one voucher (LV-85-266) was based on a Direct Letter of Commitment. This Letter stated that the contractor billing was to be approved by the RTG agency within 15 days of receipt of the billing. After approval, the contractor invoices were to be sent to the controller for payment. The Direct Letter of Commitment also stated that the Mission controller could make payment if the RTG had not approved an invoice within 15 days. The subject voucher, was for an invoice covering the period October 1984 through December 1984. The bill was dated on February 8, 1985. However, it was not received by the RTG until July 1, 1985. USAID received a copy of the invoice from the contractor's representative on July 3, 1985. There was no record in the controller's office of the RTG approval or disapproval. Yet the controller made payment on July 10, 1985; therefore the terms of the Letter of Commitment were not followed. However, the amount of the bill appeared to be reasonable and was administratively approved for payment.

In the 1985 review of this one voucher, we found that the voucher files did not contain any approvals by the RTG implementing agency of the contractor's vouchers. Only one letter from the RTG indicating it was reviewing the contractor's invoice was in the payment files. Normally the RTG agency would eventually review and forward its opinion on contractor invoices to USAID and these would be compared to the paid vouchers and any differences noted and action taken. In fact, the Letter of Commitment calls for this procedure. Thus, we believe that controls over Letters of Commitment should be reviewed. The Mission controller agreed to review the procedures.

1986 - All five vouchers were proper payments. However, voucher No. V-86-3727 was paid to DTEC in the amount of $24,693.25 for two foreign-made trucks. The invoice showed that the source of these vehicles would require a waiver. The voucher examiner's file in the controller's office did not contain a copy of the waiver or the PIO/C, which referenced the waiver. We located the waiver in the project office.

Official Mission Comments

ACTION: AID-6 INFO: CHG/7

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PP RUEHML CN: 43126
DE RUEHBK #9814/01 1241114 CHRG: AID
ZNR UUUUU ZZH DIST: AIDA
P 041112Z MAY 87 ADD:
FM AMEMBASSY BANGKOK
TO AMEMBASSY MANILA PRIORITY 4192
BT
UNCLAS SECTION 01 OF 03 BANGKOK 19814

ADM AID

FOR RIG/A/M

SUBJECT: DRAFT MEMO AUDIT REPORT ON IMPLEMENTATION OF THE PAYMENT VERIFICATION POLICY STATEMENTS BY USAID/THAILAND

REF: MEMO LAMOTTE/ERIKSSON, RIG/A/M-87-112, DATED 3/20/87

A. RECOMMENDATION NO. 1

- RECOMMEND THAT USAID/THAILAND REVISE MISSION
- ORDER NO. 430.01 PROJECT DEVELOPMENT PROCESS AND
- INCLUDE THE REQUIREMENTS OF PAYMENT VERIFICATION
- POLICY STATEMENTS, AS APPROPRIATE.

MISSION ACTION:

- MISSION AGREES TO REVISE MISSION ORDER AS RECOMMENDED.

2. RECOMMENDATION NO. 2

- WE RECOMMEND THAT THE CONTROLLER IMPROVE COMPLI-
- ANCE WITH PAYMENT VERIFICATION POLICY STATEMENT
- NO. 8 BY REPORTING THE SAMPLE SIZE OF VOUCHERS
- REVIEWED IN THE ANNUAL GENERAL ASSESSMENT.

MISSION ACTION:

- AS PART OF FUTURE REVIEWS, THE CONTROLLER WILL REPORT THE SAMPLE SIZE OF VOUCHERS REVIEWED IN THE ANNUAL GENERAL ASSESSMENT.

- PAST REVIEWS OF THE VOUCHER EXAMINATION SYSTEM HAVE BEEN DONE BASED ON THE EXPERIENCE AND KNOWLEDGE WHICH BOTH THE CONTROLLER AND DEPUTY CONTROLLER HAVE GAINED THROUGHOUT THE YEAR FROM THE CERTIFICATION OF VOUCHERS. INTERNAL CONTROL REVIEWS HAVE ALSO EXAMINED VOUCHER PROCESSING PROCEDURES.

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- NEVERTHELESS, RECOGNIZING THAT SAMPLING IS A REQUIREMENT OF THE POLICY STATEMENT NO. 8, IT WILL BE DONE IN THE FUTURE.

- WE REQUEST THAT THIS RECOMMENDATION BE LISTED AS CLOSED IN THE FINAL REPORT.

3. RECOMMENDATION NO. 3

- WE RECOMMEND THAT THE CONTROLLER INVESTIGATE
- TRANSPORTATION PAYMENTS MADE BY THE DEPARTMENT
- OF THE TECHNICAL AND ECONOMIC COOPERATION TO
- DETERMINE IF THE PROVISIONS IN THE LOAN AGREE-
- MENT(S) FOR UTILIZING U.S. FLAG CARRIERS HAVE
- BEEN MET.

MISSION ACTION:

- THE REQUIREMENT IN ARTICLE C. SECTION C.1.(D) OF THE STANDARD PROVISIONS THAT LOAN-FINANCED INTERNATIONAL TRAVEL UNDER THE SEED II PROJECT MUST BE ON U.S. CARRIERS TO THE EXTENT AVAILABLE IS NOT REQUIRED BY APPLICABLE U.S. LAW OR AID REGULATIONS, AND IN FACT DOES NOT CONFORM TO THE STANDARD PROVISION LANGUAGE DEALING WITH INTERNATIONAL AIR TRAVEL SET FORTH IN THE MODEL FORM OF PROJECT LOAN AND GRANT AGREEMENT IN CHAPTER 7 APP. 6.A. OF HANDBOOK 3. THE HB 3 LANGUAGE APPLIES TO THE U.S. AIR CARRIER REQUIREMENT ONLY TO GRANT FUNDS. IN THIS REGARD, THE HB 3 STANDARD LANGUAGE IS CONSISTENT WITH THE PROVISIONS OF SECTION 7C(1)(C) OF AID HANDBOOK 1B, WHICH STATES THAT IN THE CASE OF LOAN FINANCING THERE IS NO STATUTORY REQUIREMENT FOR THE USE OF U.S. AIR CARRIERS AND THAT WHEN THE AUTHORIZED ICAN SOURCE IS CODE 941, AID POLICY REQUIRES USE OF HOST COUNTRY, U.S. OR OTHER CODE 941 AIR CARRIERS.

- LEGALLY, AID COULD HOLD THE RTG TO THE TERMS OF THE STANDARD PROVISIONS OF THE PROJECT AGREEMENT, WHICH APPLIES THE U.S. AIR CARRIER REQUIREMENT TO BOTH GRANT AND LOAN-FINANCED INTERNATIONAL TRAVEL. HOWEVER, SINCE APPLICABLE LAW, AID POLICY AND STANDARD PRACTICE DO NOT REQUIRE U.S. AIR CARRIERS FOR LOAN-FUNDED TRAVEL AND

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SINCE THE PROJECT AGREEMENT PROBABLY APPLIED THE REQUIREMENT TO LOAN FUNDS INADVERTENTLY, IT SEEMS APPROPRIATE IN THIS CASE NOT TO REQUIRE ADHERENCE TO THE TERMS OF THE PROJECT AGREEMENT AS WRITTEN.

- ALTHOUGH USAID MAKES PAYMENT IN ACCORDANCE WITH THE ACTUAL TERMS AND CONDITIONS OF THE PROJECT AGREEMENT, UNLESS OTHERWISE AGREED, IT SEEMS REASONABLE FOR VOUCHER EXAMINERS TO ASSUME THAT THE STANDARD PROVISIONS OF PROJECT AGREEMENTS FOLLOW THE STANDARD LANGUAGE IN HB 3, WHICH EMBODIES VARIOUS AID POLICIES, SUCH AS THOSE ON SOURCE, ORIGIN AND NATIONALITY. THE STANDARD PROVISION IS THAT CODE 041 LOAN-FUNDED INTERNATIONAL TRAVEL MAY BE ON HOST COUNTRY, U.S. OR OTHER 941 AIR CARRIERS. IN THE ORDINARY COURSE, VOUCHER EXAMINERS MAY REASONABLY RELY ON THE ASSUMPTION THAT THIS GENERAL RULE APPLIES WITHOUT THE NECESSITY OF EXAMINING THE STANDARD PROVISION OF A PROJECT AGREEMENT IN THE CASE OF EACH VOUCHER. IF DEVIATIONS FROM THE STANDARD LANGUAGE ARE INCORPORATED IN THE SIGNED PROJECT AGREEMENT, IT IS PRUDENT TO ALERT VOUCHER EXAMINERS TO THIS FACT. HOWEVER, IN THIS CASE, THE RESTRICTION OF LOAN-FUNDED AIR TRAVEL TO U.S. CARRIERS WAS PROBABLY INADVERTENT.

- SINCE THERE IS ONLY A SMALL AMOUNT OF ADDITIONAL INTERNATIONAL TRAVEL UNDER THIS PROJECT, WE HAVE DECIDED TO ADVISE THE RTG TO COMPLY WITH THE STANDARD PROVISION AS WRITTEN FOR FUTURE TRAVEL AS IT IS NOT WORTH THE EFFORT AT THIS LATE DATE TO AMEND THE LOAN AGREEMENT. A PIL IS BEING ISSUED ON THIS SUBJECT.
- WE REQUEST THAT THIS RECOMMENDATION BE LISTED AS CLOSED IN THE FINAL REPORT.

4. RECOMMENDATION NO. 4

- WE RECOMMEND THAT THE CONTROLLER CONDUCT A
- TRAINING SESSION WITH HIS VOUCHER EXAMINERS
- DISCUSSING THE DEFICIENCIES DESCRIBED IN THIS
- MEMORANDUM.

MISSION ACTION:

- THE PROBLEM AREAS OUTLINED IN THIS REPORT HAVE BEEN DISCUSSED WITH THE VOUCHER EXAMINERS AND CORRECTIVE ACTIONS TAKEN.

- WE REQUEST THAT THIS RECOMMENDATION BE LISTED AS CLOSED IN THE FINAL REPORT.

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5. RECOMMENDATION NO. 5

- WE RECOMMEND THAT THE CONTROLLER REVIEW THE
- MISSION PROCEDURES ON DIRECT LETTERS OF COMMIT-
- MENT AND DETERMINE IF HOST COUNTRY IMPLEMENTING
- AGENCIES' APPROVAL OF VOUCHERS ARE RECEIVED,
- RECORDED, AND ANY ADJUSTMENTS MADE.

MISSION ACTION:

- NORMALLY, VOUCHERS PAID UNDER A DIRECT LETTER OF COMMITMENT ARE APPROVED BY THE RTG WITHIN THE PERIOD ALLOWED UNDER THE CONTRACT.

- IN THIS CASE THE HOST COUNTRY CONTRACT PROVIDED ONLY 15 DAYS FROM THE DATE OF RECEIPT OF INVOICE FOR THE RTG TO APPROVE THE VOUCHER. THEY HAVE RARELY BEEN ABLE TO ACT WITHIN SUCH A SHORT PERIOD. AS A RESULT, PAYMENTS WERE MADE BY USAID AFTER THE EXPIRATION OF THAT PERIOD IF APPROVAL HAD NOT BEEN RECEIVED BY THE RTG IN ACCORDANCE WITH THE TERMS OF THE CONTRACT.

- THE AUDITORS CORRECTLY POINTED OUT THAT THERE WAS ONE CASE WHERE PAYMENT WAS MADE PRIOR TO THE EXPIRATION OF THE 15 DAY PERIOD. ALTHOUGH THAT WAS AN ERROR, OUR REVIEW HAS DETERMINED THAT IT IS NOT INDICATIVE OF A SYSTEMIC PROBLEM. WE WILL CLARIFY WITH THE RTG IMPLEMENTING AGENCY THAT WE EXPECT THEM TO SUBMIT THEIR VOUCHER APPROVAL EVEN AFTER THE EXPIRATION OF THE 15 DAY PERIOD TO ASSURE OURSELVES THAT NO SUBSEQUENT PAYMENT ADJUSTMENT SHOULD BE MADE.

- WE REQUEST THAT THIS RECOMMENDATION BE LISTED AS CLOSED IN THE FINAL REPORT.

6. WE WOULD LIKE TO COMMEND BOTH OF THE AUDITORS FOR THEIR THOROUGHNESS AND PROFESSIONALISM. WINDER
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APPENDIX 3

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