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AUDIT OF  
USAID/LIBERIA'S MANAGEMENT SYSTEM  
FOR IDENTIFYING AND SOLVING PROJECT  
IMPLEMENTATION PROBLEMS

Audit Report No. 7-669-87-10

July 14, 1987

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

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July 14, 1987

MEMORANDUM FOR USAID/Liberia Director Mary C. Kilgour

FROM: *M. Darcy*  
Philippe L. Darcy, Acting RIG/A/Dakar

SUBJECT: Audit of USAID/Liberia's Management System For  
Identifying and Solving Project Implementation  
Problems (Audit Report No. 7-669-87-10)

This report presents the results of Audit of USAID/Liberia's Management System for Identifying and Solving Project Implementation Problems. The program results audit was part of a world-wide effort to evaluate A.I.D.'s project management process. In Liberia we determined if the Mission's management system adequately (1) measured project progress, (2) monitored and tracked project implementation problems until corrected, and (3) assured that unexpended project funds were utilized or deobligated. The audit also assessed the adequacy of Mission action to implement a prior audit recommendation.

Audit results showed that USAID/Liberia made significant efforts to monitor its project portfolio and identify and resolve project problems. However, its efforts could be enhanced by better measuring project results, more quickly identifying and resolving problems, and more effectively determining how unexpended project funds can be utilized. The audit found that the Mission had satisfactorily implemented a prior audit recommendation to follow-up audit and A.I.D. evaluation recommendations.

The project management system, an excellent tool for monitoring the Mission's efforts, was providing limited information. The system could have better measured project progress by utilizing quantitative indicators. Furthermore, the project management system did not provide enough periodic information to identify significant problems and track them until resolved. The audit also identified about \$5.4 million of unexpended funds which could be used more effectively.

The report recommends the Mission improve its management system to monitor projects, better monitor unexpended project funds, and deobligate funds not effectively used.

Your comments to the draft report were considered and changes were made as appropriate. You essentially agreed with the recommendations. However, you noted, and we agree, that the issue of quantitative indicators falls in the area of project design, not implementation. Therefore, we have revised the recommendation to require that project papers for current and new projects include quantifiable indicators. Also, you did not agree that about \$5 million in project funds should be deobligated because the Mission was redesigning the projects. The report favors deobligation because of the lack of success of these types of projects over many years. Still the report recognizes you have the option to redesign if properly justified.

Please advise me within 30 days of any additional information related to action planned or taken to implement the audit recommendations.

I appreciate the cooperation and courtesy given to my staff during the audit.

## EXECUTIVE SUMMARY

The United States has long been identified as Liberia's closest friend. Cultural and historical ties date back to the country's founding in 1847. The United States has special interests in Liberia, including strategic rights at the airfield and port, communication facilities, and one of sub-Saharan Africa's largest blocks of private investment. Since 1946 the United States has provided Liberia with about \$674 million in economic assistance.

As of December 31, 1986, USAID/Liberia had 13 active projects authorized at about \$98 million, of which about \$60 million had been obligated. Of this amount, about \$34 million had been spent. The Mission proposed about \$30 million in economic assistance for fiscal year 1988. This amount could be reduced if Liberia does not remain current on its payment of United States development loans.

The Office of the Inspector General is making a world-wide audit of A.I.D.'s management process to identify and solve project implementation problems. As part of this effort, the Office of the Regional Inspector General for Audit/Dakar, made a program results audit of USAID/Liberia's management process for identifying and solving project implementation problems. Audit objectives were to determine if the Mission's management system adequately (1) measured project progress, (2) monitored project implementation problems until corrected, and (3) assured that unexpended project funds were utilized or deobligated. The audit also assessed the adequacy of Mission action to implement a prior audit recommendation.

USAID/Liberia had made significant efforts to monitor its project portfolio and identify and resolve project problems. However, its efforts could be enhanced by better measuring project results, more quickly identifying and resolving problems, and more effectively determining how unexpended project funds can be utilized. The audit found that the Mission had satisfactorily implemented a prior audit recommendation to follow-up, audit and A.I.D. evaluation recommendations.

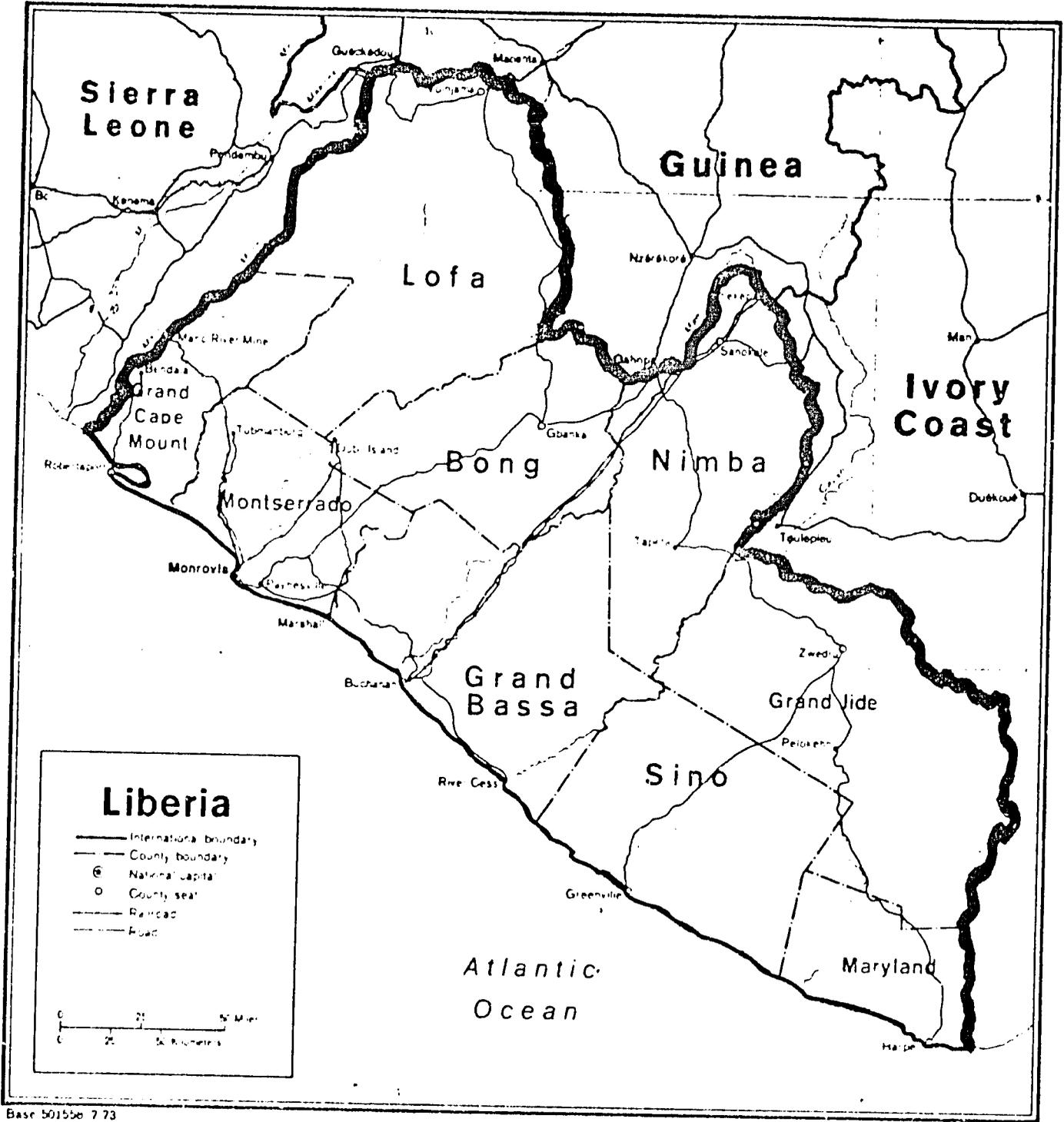
Because of intensive review efforts since mid-1985, USAID/Liberia has had a good grasp of problems encountered in assistance projects. In the spring of 1985 USAID/Liberia and the Africa Bureau conducted a review of the economic assistance program. The review examined to what extent the program's portfolio reflected the country's economic crisis and suggested appropriate adjustments. Consequently, at the time of audit, USAID/Liberia was addressing the country's economic crisis and was in the process of making modifications to the program.

The project management system, an excellent tool for monitoring the Mission's efforts, was providing limited information. The system could have better measured project progress by utilizing quantitative indicators. Furthermore, the project management system did not provide enough periodic information to identify significant problems and track them until resolved. The audit also identified about \$5.4 million of unexpended funds which could be used more effectively.

A.I.D. missions are required to establish management systems that monitor and assess the effectiveness of assistance efforts. USAID/Liberia's system did not adequately (1) use quantitative indicators to measure project progress, (2) gather data or focus on problems identified during site visits and other monitoring activities, or (3) systematically follow-up on recommendations to resolve problems. The basic reason for this was that the Mission's management system did not require documentation and follow-through. As a result, USAID/Liberia had difficulty determining the effectiveness of its assistance, and problems in development projects were not identified and corrected in a timely manner. This report recommends that USAID/Liberia improve its management system to monitor projects. The Mission generally agreed with the audit finding and recommendation.

A.I.D. requires that funds which are not effectively used be deobligated and reobligated to other projects in the country, or deobligated and made available for other uses in the Agency. The audit identified about \$5.4 million in project funds which had not been effectively utilized by USAID/Liberia, and there were no immediate plans for their use. This condition existed because the Mission (1) extended unsuccessful projects rather than deobligate funds, and (2) did not have an adequate system to identify unexpended funds. As a result, funds which could have been made available for better purposes or deobligated, remained obligated for long periods. The report recommends that USAID/Liberia better monitor unexpended project funds and deobligate funds not effectively used. The Mission did not agree that most of the project funds be deobligated because it had plans to utilize the funds.

*Office of the Inspector General*



AUDIT OF  
USAID/LIBERIA'S MANAGEMENT SYSTEM  
FOR IDENTIFYING AND SOLVING PROJECT  
IMPLEMENTATION PROBLEMS

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PART I - INTRODUCTION

A. Background

The United States has long been identified as Liberia's closest friend. Cultural and historical ties date back to the country's founding in 1847. The United States has special interests in Liberia, including strategic rights at the airfield and port, a high concentration of U.S. Government communications facilities, and one of sub-Saharan Africa's largest blocks of private investment. The U.S. objective in Liberia is to foster economic, financial and political stability.

Between 1946 and 1986, the United States provided Liberia about \$674 million in economic assistance. For fiscal years 1985 to 1987, U.S. assistance included:

	<u>1985</u>	<u>1986</u> (in thousands)	<u>1987 *</u>
Economic Support Fund	\$43,000	\$28,710 <u>1/</u>	\$15,000
Development Assistance	15,385	14,667	11,970
Public Law 480	<u>6,000</u>	<u>11,000</u>	<u>10,000</u>
	<u>\$64,385</u>	<u>\$54,377</u>	<u>\$36,970</u>

\* Planned

For fiscal year 1988, USAID/Liberia requested about \$30 million in economic assistance.

As of December 31, 1986, USAID/Liberia had 13 active projects authorized at about \$98 million, of which about \$60 million had been obligated. Of this amount, about \$34 million had been spent. The A.I.D. program was managed by 19 A.I.D. employees and three United States personal services contractors. In addition, the Mission employed 105 local nationals.

1/ The Mission is planning on deobligating \$5,203,000 of this amount.

## B. Audit Objectives and Scope

The Office of the Inspector General is making a world-wide audit of A.I.D.'s management process to identify and solve project implementation problems. As part of this effort, the Office of the Inspector General for Audit/Dakar, made a program results audit of USAID/Liberia's management process for identifying and solving project implementation problems. Audit objectives were to determine if the Mission management system adequately (1) measured project progress, (2) monitored project implementation problems until corrected, and (3) assured that unexpended project funds were utilized or deobligated. The audit also assessed the adequacy of Mission action to implement a prior audit recommendation (Audit of Operating Expenses in Liberia, Audit Report 7-669-87-7 dated May 10, 1985). The recommendation related to USAID/Liberia's system to track audit and evaluation recommendations.

The audit was made at USAID/Liberia from January through March 1987. The audit covered the period 1980-87, and included a review of USAID/Liberia's system for monitoring projects, results of site visits, project implementation, and evaluation reports.

Nine projects that had problems during implementation were identified during discussions with A.I.D. personnel in Washington and the Mission. Special efforts were made to ensure that the final four projects included such important sectors as agriculture, education and private enterprise.

The four projects accounted for about \$19 million in obligations and \$18 million of disbursements as of December 31, 1986 (see Exhibit 1). Each of the projects were reviewed to identify how the Mission detected problems, and to assess the adequacy of actions taken to resolve them. The auditors interviewed Mission officials and examined appropriate files. Review of internal controls and compliance was limited to the findings presented in this report. The audit was made in accordance with generally accepted government auditing standards.

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PART II - RESULTS OF AUDIT

USAID/Liberia had made significant efforts to monitor its project portfolio and identify and resolve project problems. However, its efforts could be enhanced by better measuring project results, more quickly identifying and resolving problems, and more effectively determining how unexpended project funds can be utilized. The audit found that the Mission had satisfactorily implemented a prior audit recommendation to follow up audit and A.I.D. evaluation recommendations.

Because of intensive review efforts since mid-1985, USAID/Liberia has had a good grasp of problems encountered in assistance projects. In the spring of 1985 USAID/Liberia and the Africa Bureau conducted a review of the economic assistance program. The review examined to what extent the program's portfolio reflected the country's economic crisis and suggested appropriate adjustments. Consequently, at the time of audit, USAID/Liberia was addressing the country's economic crisis and was in the process of making modifications to the program.

The project management system, an excellent tool for monitoring the Mission's efforts, was providing limited information. The system could have better measured project progress by utilizing quantitative indicators. Furthermore, the project management system did not provide enough periodic information to identify significant problems and track them until resolved. The audit also identified about \$5.4 million of unexpended funds which could be used more effectively.

The report contains recommendations to improve the project management system and to establish a reporting system to monitor unexpended project funds.

A. Findings and Recommendations

1. Improvements Were Needed in Mission Project Management System

A.I.D. missions are required to establish management systems that monitor and assess the effectiveness of assistance efforts. USAID/Liberia's system did not adequately (1) use quantitative indicators to measure project progress, (2) gather data or focus on problems identified during site visits and other monitoring activities, or (3) systematically follow-up on recommendations to resolve problems. The basic reason for this was that the Mission's management system did not require documentation and follow-through. As a result, USAID/Liberia had difficulty determining the effectiveness of its assistance, and problems in development projects were not identified and corrected in a timely manner.

Recommendation No. 1

We recommend that the Director, USAID/Liberia, improve the project management system as follows:

- a. ensure that current and new project papers include adequate quantitative indicators that can be used to periodically measure project progress;
- b. ensure that problems uncovered as a result of project monitoring activities are reported to the proper level of mission management; and
- c. require that reported problems be tracked until corrective action is taken.

Discussion

In order to manage programs effectively and make sound decisions, A.I.D. missions are to establish adequate management systems. Among other things, the management system must (1) compare project performance with benchmarks, (2) identify problems, and (3) track problems to ensure that timely corrective actions are taken.

Since the early 1980s, the Africa Bureau has been revising its management system to make missions more accountable for managing programs. The Bureau now requires missions to submit periodic action plans that establish specific benchmarks in implementing the approved country strategy. Missions are then required to periodically report progress

on systemic problems and identify needed corrective actions. Also, the Bureau assesses the missions' effectiveness through periodic field verifications of the action plans, reports and other supporting documentation.

In the early 1980s, economic conditions in Liberia were deteriorating. Both the Mission and A.I.D./W recognized the need to adjust A.I.D.'s assistance portfolio to meet these changing conditions. This led mission personnel to frequently review project progress. In September 1985, to further enhance project management, the Mission established an experimental project committee to assist project officers. Permanent committees were recently established to ensure more effective performance of A.I.D.'s project responsibilities and to take appropriate actions when problems or unforeseen opportunities arose.

A project design committee was also established to ensure that (1) various experts and resources were involved in project planning and design, (2) design and implementation personnel had a clear understanding of projects, and (3) requisite project documents were developed according to Agency guidelines. Such actions helped the Mission to identify major problems, and to redesign or terminate certain programs and projects.

Despite Bureau and Mission actions to improve the project management system, the system did not produce the information needed to adequately manage the projects. For instance, the reporting system did not adequately inform project managers, development officers, program officers and the Mission Director (1) if projects were achieving their desired results, (2) what the major problems were, and (3) if timely corrective actions were being taken.

Measuring Project Progress - A.I.D. requires designers to include quantifiable indicators to measure progress in providing project inputs, outputs and meeting project objectives (or purpose). Inputs represent the resources A.I.D. or the host country contributes to the project, such as technical assistance and construction. Outputs represent the immediate results from these contributions, such as achievements of the technical assistance team or the completion of buildings. Objectives are most important since they represent what the project is to accomplish, i.e., improving the efficiency of elementary school teachers or improving farmer crop yields with new technology. If the project design identifies the quantifiable indicators and carefully devises a system to measure them, the assessment of project progress is greatly facilitated.

Although quantifiable indicators were used to measure project inputs and outputs, USAID/Liberia did not use them to measure progress in achieving project objectives. As a result, the Mission could not effectively determine how well the projects were meeting objectives.

This condition had existed for several years. In December 1984 the Mission Director complained that project implementation reports did not show progress toward achieving project objectives, but were limited to input indicators such as status of contracting, project implementation orders, amendments and meetings. The following two projects illustrated the condition.

Improved Efficiency of Learning I Project (669-0130) - The objective of this five-year, \$5.5 million project was to improve the teaching effectiveness of elementary teachers and to secure a Government of Liberia commitment to train 75 percent of all unqualified elementary teachers by the project completion date. According to the project's logical framework prepared in 1978, progress was to be measured in terms of (1) a 50 percent increase in the teaching ability of elementary teachers, and (2) a Government of Liberia budget earmarked to train the teachers.

Rather than using these standards to measure project achievement, USAID/Liberia measured achievement in terms of immediate outputs of the project, such as number of teachers, instructors or students trained, number of schools in the program and amount of teaching material developed.

While these measurements were important in evaluating project progress, they did not indicate whether the project was achieving its objectives, namely, had the teachers increased their teaching ability and did the government support the program?

In its response to the report draft, the Mission cited a 1984 study which showed that student achievement under the project was superior to student achievement in other schools. While the auditors agree these results were encouraging, the study did not provide data to assess the increase in teaching ability or the government's efforts to provide funds -- key information about the effectiveness of project activities.

Without knowing how well the project was achieving its objectives, the Mission added \$2 million to the original authorized budget in July 1983 and extended the project's life to 1985. This decision was made despite A.I.D. evaluation which reported (1) lack of host government support, (2) reservations about program approach,

(3) inadequate teacher training and proficiency, (4) frequent teacher and student absences, and (5) inconclusive evidence that the program was superior to the more traditional education systems.

The negative impact of these shortcomings on the project was evident when, in 1985, after seven years and the expenditure of \$7.5 million, the Improved Efficiency of Learning system had been adopted by only a limited number of schools and the project had trained fewer teachers than planned. The achievements of the project had been limited to the development of Improved Efficiency of Learning instructional materials and the administration of competency tests in some participating schools.

Agricultural Research and Extension I Project (669-0135) - This \$4.2 million project was to develop the Central Agricultural Research Institute's capabilities to conduct adaptive crop, soil and livestock research. The project, initiated in 1980 and scheduled to end in 1983, was to extend the research results to farmers. Progress was to be measured in terms of (1) the installation of staff capable of administering and producing research results, (2) sound and appropriate technology packages for the extension and development programs, and (3) appropriate research results incorporated into the programs.

As implementation proceeded, however, the Mission did not systematically monitor and measure progress in attaining these objectives. Instead, measurement focused primarily on outputs such as the number of participants trained. The development and dissemination of appropriate technology packages were not measured, nor was the utilization of research results. Without this data, the Mission could not effectively determine whether the project was succeeding.

Despite the lack of data, the Mission extended the life of the project, first to September 1984, then to September 1985. Funding was also increased from \$4.2 million to about \$5 million. In April 1986, a project completion report noted that the project's purpose had not been met, and was more likely to be achieved in 15 years rather than in the 5 years planned by the Mission.

In responding to this section of the report, the Mission suggested the audit not focus on projects that ended two years ago. This point would be valid if the Mission had not implemented follow-on projects. The Mission continued these projects under a second phase. At time of audit, success had been markedly limited and the projects had had little activity. The Mission was contemplating redesign. The auditors deem it important that the Mission (1) be aware of

and track implementation problems experienced in preceding projects, and (2) consider these problems when approving and designing follow-on phases.

Gathering Data and Focusing on Progress and Problems - For missions to adequately track progress and analyze problems, progress and problems must be documented and historical records must be maintained. Valuable information about project progress and problems can be gathered from site visits and other periodic reports submitted by the contractor or grantee. Handbook 3 recommends project progress and problems be identified in these reports so that they can be systematically followed-up.

USAID/Liberia made regular project site visits, required progress reports on all projects, and made evaluations on an "as needed" basis, or in accordance with the project terms and agreements. However, the reports did not always contain pertinent information on project progress and problems.

An analysis of the site visit and project implementation reports for the four audited projects showed that the reports contained little of the information suggested by A.I.D. Handbook 3 for monitoring projects (see Exhibit 3).

For example, the reports of the Agricultural Research and Extension I Project did not adequately identify problems such as factors affecting overall progress, training progress, relationships between disbursement of funds and project accomplishments, and planned versus actual host country contributions (see Exhibit 4 for details).

Site visits had not been documented for the \$2.5 million Small and Medium Enterprise Development and Support Project. Mission personnel said that trip reports were not documented since project activity was located near Monrovia and there was frequent contact with project personnel. They believed this kept them abreast of project progress and problems without documenting site visits.

Furthermore, the audit found that semiannual reports prepared between July 1984 and December 1985 did not address serious project problems. A February 1986 A.I.D. evaluation disclosed that:

- the volume of new loan applications had declined;
- current loan portfolio had excessive arrearages and losses;
- loan analysis and evaluation failed to predict client performance;

- donor funds or soft-term loans to the local bank would be needed to carry the project beyond 1986;
- only 38 of an anticipated 100 loans had been made; and
- operating costs were \$10,000 per loan or about 80 percent of the amount of the money loaned.

Preparation of substantive site visit reports would have helped to focus on project problems sooner. The severity of the problems indicate that more attention was needed during the project portfolio reviews. Reviews conducted in March and September 1986 began to address the nature and cause of the problems, their impact on the project, and the corrective action to be taken. Because the problems were not recognized earlier, however, project effectiveness had already been jeopardized.

In responding to this section, the Mission noted that this project and the Nimba County Rural Technology (see next page) projects were managed by a private voluntary organization. A.I.D. Handbook guidance is less rigid about the management of projects handled by voluntary organizations than those managed by a host government. However, the Mission pointed out that in Liberia this is not the case, and the same management system should be followed for all projects. Regardless of the system used, it should assure that project problems are recognized early and acted upon effectively.

Systematic Follow-Up - When project problems surface during site visits or periodic reviews, A.I.D. Handbook 3 recommends that remedial actions be systematically identified and undertaken, responsible parties be designated, and timeframes be established. To ensure timely corrective action, the Handbook recommends that the problem's importance be determined, and that actions be taken during the subsequent two reporting periods. This and other information should be fed into the project management system to improve project implementation, monitoring and portfolio supervision.

When project problems surfaced, the Mission did not have a system to (1) identify remedial action to be taken, (2) designate responsible parties, or (3) establish timeframes.

The criteria outlined in Handbook 3 for systematic follow-up on implementation problems were seldom adhered to. A review of 27 project implementation reports prepared for the four reviewed projects (see Exhibit 2) showed that:

- remedial actions were identified in only six reports;

- responsible parties for correcting problems were designated in only four reports; and
- timeframes for corrective action were established in only two reports.

Similar conditions were found in trip reports (see Exhibit 3).

For example, audit review of project files for the Nimba County Rural Technology project illustrated that although problems were identified, the Mission did not make recommendations, or systematically follow-up to resolve problems.

This five-year \$3.2 million project, started in May 1980, was to reduce dependency on local mining by establishing small enterprises. In September 1982, following a site visit, the Deputy Director noted in the trip report:

- the grantee's objectives were not well conceived;
- the grantee's activities were not focused;
- the continuation of activities in Nimba County was not ensured once the project terminated in 1985 for lack of government funding;
- the project was quite isolated and communication was difficult; and
- the contribution of one unit to the project was marginal. [The Appropriate Technology Unit budgeted at \$240,000 over four years was dropped in 1984 for lack of results.]

The Deputy Director concluded that "a good memo would at this point summarize what should be done to 'straighten out' a troubled project." However, his report did not include recommendations, and only one problem, lack of funding, was reported in the semiannual project implementation report prepared 12 days later on September 30. This problem, never adequately resolved, plagued the project.

During a later site visit in August 1984, a Mission official identified problems similar to those noted by the Deputy Director in 1982. He said it was imperative that the grantee focus on worthwhile initiatives, establish productive enterprises and increase revenues, and attract more donor participation. No recommendations were made.

Between late 1984 and early 1985, a number of project extension proposals were submitted and rejected by the Mission because they were too ambitious, too costly and overly dependent on A.I.D. funding. After site visits by the Mission, a final proposal was made and approved in which the grantee identified the problems that slowed progress. Some of the problems were the same as those identified in earlier reports. At the time of the audit, the two-year \$749,000 extension was close to completion.

The Mission, in response to the Inspector General's Audit of Operating Expenses in Liberia (Audit Report 7-669-85-7 dated May 10, 1985), had satisfactorily developed a system to follow-up on recommendations resulting from audits and A.I.D. project evaluations. However, the system was limited to the scope of the recommendation and did not include follow-up on project problems identified through other management actions.

USAID/Liberia needed to strengthen its project management system by making more use of quantitative indicators to measure project progress, gather data on problems in order of their importance, and systematically follow-up and correct all identified project problems.

#### Management Comments

Management officials essentially agreed with the recommendation but they did have some suggestions and observations. They said that the auditors thought the project management system should be followed to the letter of Handbook 3. However, they considered Handbook 3 as guidance for project management and monitoring. How project management and monitoring were carried out would be dictated by a range of factors, including the location of the project, the type of activity, experience of the project officer, host institution and contractor capability, and adequacy of the basic design document.

Management suggested that part (a) of the recommendation be restructured because the issue of quantitative indicators to measure project progress was a design rather than a project monitoring issue. Further, they suggested that recommendation 1 (b) and 1 (c) be merged because they relate to the same management system. They planned corrective action to (1) place greater emphasis on reporting project problems in the implementation reports, and (2) use project implementation committees to assist project officers in resolving problems. In addition, the Mission wanted to establish a tracking system to monitor progress in resolving problems identified in project implementation reports.

## Office of Inspector General Comments

The auditors agree with the Mission that the project management system cannot always follow the Handbook to the letter. Further, they agree that management must consider many factors when monitoring project implementation, many of which may not be covered in the Handbook. However, the management system must (1) compare project performance with benchmarks, (2) identify problems, and (3) track problems to ensure that timely corrective actions are taken. The audit found that the management system did not effectively do this.

We agree with the Mission that the issue of quantitative indicators falls in the area of project design. Therefore, we have revised the recommendation to require that project papers for current and new projects include quantifiable indicators. With regards to the Mission request that part (b) and (c) of the recommendation be merged, we believe they should be kept separate. The report emphasized the need for data on project problems to be reported, but the audit also found that problems which had been reported were not adequately acted upon. We consider these two findings to be quite different; therefore, the related recommendations should not be merged.

Action outlined by the Mission to strengthen the project management system is responsive to the concerns expressed under recommendation No. 1. As a result, the recommendation is now considered resolved. It can be closed when the Mission provides evidence that action has been implemented.

## 2. Unexpended Project Funds Must Be Better Monitored

A.I.D. requires that funds which are not effectively used be deobligated and reobligated to other projects in the country, or deobligated and made available for other uses in the Agency. The audit identified about \$5.4 million in project funds which had not been effectively utilized by USAID/Liberia, and there were no immediate plans for their use. This condition existed because the Mission (1) extended unsuccessful projects rather than deobligate funds, and (2) did not have an adequate system to identify unexpended funds. As a result, funds which could have been made available for better purposes or deobligated, remained obligated for long periods.

### Recommendation No. 2

We recommend that the Director, USAID/Liberia:

- a. implement a system to monitor unexpended project funds;
- b. analyze projects in which funds have been unexpended for long periods of time; and
- c. either justify how the unexpended funds can be effectively utilized or deobligate them.

### Discussion

Missions are responsible for periodically reviewing their project portfolios to identify opportunities for deobligation of funds. Opportunities occur when (1) projects are completed without using all the budgeted funds and (2) unsuccessful projects are terminated. In the early 1980s the administrator expressed concern that most deobligations occurred when projects were completed. USAID/Liberia rarely took action to terminate unsuccessful projects.

An analysis of USAID/Liberia project obligations showed that as of December 31, 1986, approximately \$16.9 million remained unexpended. Of this amount \$6.2 million had either been unexpended for more than one year, and/or authorized for projects achieving little success. USAID/Liberia had only deobligated about \$697,000 since 1984. More funds were not deobligated because the Mission (1) extended unsuccessful projects rather than deobligate the money, and (2) had a reporting system that did not identify funds unexpended for long periods.

Further analysis of the \$6.2 million of unexpended funds for four projects showed that \$5.4 million should either be justified or deobligated.

<u>Project</u>	<u>Amount Unexpended</u>	<u>Potential for Deobligation</u>	<u>Relevant Information</u>
Agricultural Research Exten. II	\$4,177,000	\$3,477,000	Unsuccessful project. Also, \$2.6 million unspent from 6 to 24 months.
Economic and Financial Management Training	1,594,000	1,594,000	Unsuccessful project. Also, \$594,000 unspent for 24 months.
Agricultural Research Exten. I	197,000	197,000	Unspent for 18 months.
Rural Development Training	199,000	149,000	Unspent for 18 to 24 months.
TOTAL	<u>\$6,167,000</u>	<u>\$5,417,000</u>	

Unsuccessful Projects Extended - The Agricultural Research Extension II and the Economic Financial Management Training projects were extended although they had achieved little success.

A 1986 Mission review of the Agricultural Research Extension II project disclosed that the project was oversized, planned costs were unrealistic, and project objectives and strategy were unclear. This project, authorized in 1984, was a follow-on to the Agricultural Research Extension I Project which achieved few results and was plagued by problems affecting performance (see Exhibit 4). At the time of the audit, activity was limited. The Mission was planning to redesign the project in April 1987.

The audit questioned whether the redesign effort was appropriate in view of the serious problems and lack of results since the project began in 1980. The audit estimated that project activities could be phased out over the next year for about \$700,000 to cover minor commodity purchases and advisor costs. The remaining \$3,477,000 could be deobligated.

The Economic and Financial Training Project, introduced in April 1982 as a three-year, \$3 million project, was designed to help the Government of Liberia improve its financial management system. The system was used to help control the Liberian budget deficit and external debt. Since 1982 the project had been extended twice (the latest extension was to August 1988) and authorization had been increased to \$5,889,000.

Over the years, the project underwent a number of design changes. In March 1987, project activity was limited and Mission employees were unsure of future project development because of the severe economic crisis in Liberia. Furthermore, a key Mission official indicated the Government of Liberia was not supportive of the project. According to the Mission, the funds should not be deobligated because the funds may be needed in the future to stabilize Liberia's economy. However, the audit found no evidence that the Mission had analyzed what the need would be or when it would occur.

Unexpended Funds Not Identified - The Controller's Office provided Mission management with a quarterly report that showed the amount of obligations, expenditures, and unexpended funds. However, the report did not show Mission project officers how long the funds had remained unexpended. A system to identify how long funds had remained unexpended was necessary to alert the Mission to funds not effectively utilized or funds which could be deobligated.

More detailed reporting for the Agricultural Research Extension I and Rural Development Training projects would have shown that \$346,000 (\$197,000 + \$149,000 as shown in the table on page 14) could have been deobligated. Our analysis showed that both projects ended during the summer of 1985 and (1) \$45,000 had been withheld pending the outcome of an Office of the Inspector General audit, (2) \$163,000 had been earmarked for late billings, (3) \$100,000 had been earmarked for the project extension, and (4) \$38,000 was not earmarked for a specific purpose.

Further analysis showed that (1) all of the \$45,000 could have been deobligated as early as September 1986 when the audit report was issued, (2) the last project billing was received on October 27, 1986, and the entire amount of \$163,000 could have been deobligated at that time, (3) the \$100,000 was never used for the project extension and could have been deobligated as early as February 1985, and (4) the \$38,000 had been unexpended from 7 to 30 months.

USAID/Liberia has had opportunities to deobligate funds not effectively utilized. The current system to monitor project funds could be expanded to (1) monitor the pace of project implementation, (2) identify slow-moving line items, (3) make informed decisions on subsequent obligations, and (4) identify unexpended funds that could be deobligated.

#### Management Comments

The Mission agreed that more detailed and frequent information was necessary to better monitor unexpended project funds. However, the Mission felt that in the absence of specific guidance on when to deobligate funds, deobligation action should be considered only (1) when projects were in such an advanced state of implementation that excess funds could be clearly identified or (2) when projects had been completed. Deobligation too early in the project would lead to precipitous stops and starts if funds were deobligated and if future budgetary action did not provide the planned assistance.

Regarding the four projects reviewed during the audit, the Mission indicated it is redesigning two of the active projects and would deobligate the unexpended funds on the two projects which had been terminated. The Mission was exploring the possibility of developing a system which could better identify unexpended funds. In the meantime, the Mission was considering adding the date of the last disbursement activity for each action of the quarterly project financial reports.

#### Office of Inspector General Comments

The auditors agree that deobligation decisions must be judicious so they are not made prematurely. While available guidance does not specify when funds should be deobligated, it provides general guidance about the conditions which lead to deobligation. As noted earlier, these conditions are when projects are completed without using all the budget funds or when unsuccessful projects are terminated. The report also notes the Administrator's concern that unsuccessful projects are rarely terminated. The report questions large unexpended fund balances on two projects which had proven to be unsuccessful, and unexpended fund balances on two completed projects. The report notes that for both types of projects, the Mission should have made a decision to justify retention of the funds or deobligate them. At time of audit, no evidence was available to show that the Mission had (1) identified large fund balances unexpended for long periods of time, or (2) decided whether fund retention was justified.

The Mission's proposed action to redesign the active projects and deobligate funds on the terminated projects addresses the concerns raised in this section of the report. The proposed action to add the date of the last funding activity to the quarterly reports addresses concerns on monitoring. The proposed action to develop a better system is also responsive to the report. Based on proposed actions, recommendation number 2 is considered resolved. It can be closed when the Mission provides RIG/A/D with evidence that (1) a more effective monitoring system has been designed and implemented, (2) the project portfolio has been analyzed to identify funds unexpended for long periods of time, and (3) the Mission has decided whether unexpended funds can be effectively utilized or should be deobligated.

## B. Compliance and Internal Control

### Compliance

The audit disclosed no instances of noncompliance with applicable laws, A.I.D. regulations or project agreements. The audit review of compliance was limited to the findings presented in this report.

### Internal Control

Internal controls needed improvement. Finding 1 discusses the need for better controls over the use of quantitative indicators to measure progress, the gathering of information to monitor project activities and the identification and tracking of project problems to ensure corrective action. Finding 2 addresses the need to better monitor unexpended project funds. The audit review of internal controls was limited to the findings presented in this report.

AUDIT OF  
USAID/LIBERIA'S MANAGEMENT SYSTEM  
FOR IDENTIFYING AND SOLVING PROJECT  
IMPLEMENTATION PROBLEMS

PART III - EXHIBITS AND APPENDICES

PROJECTS WITH IMPLEMENTATION PROBLEMS

OBLIGATIONS AND DISBURSEMENTS  
(as of 12/31/86)

<u>Project Number</u>	<u>Project Title</u>	<u>Started</u>	<u>Completed</u>	<u>Amounts</u>	
				<u>Obligated</u>	<u>Disbursed</u>
669-0130	Improved Efficiency of Learning I	7/30/78	3/31/85	\$7,498,843	\$7,498,843
669-0135	Agricultural Research and Extension I	1/03/80	9/30/85	4,487,259	4,289,542
669-0163	Nimba County Rural Technology	9/19/80	5/26/87*	4,263,500	4,165,568
669-0201	Small and Medium Enterprise Development and Support	7/20/84	7/30/89*	<u>2,766,500</u>	<u>1,766,548</u>
				<u>\$19,016,102</u>	<u>\$17,720,501</u>

\* Planned

ANALYSIS OF INFORMATION FOUND IN PROJECT IMPLEMENTATION REPORTS

IMPROVED EFFICIENCY OF LEARNING I (669-0130)  
(March 31, 1981 - March 31, 1985)

<u>Subject</u>	<u>Date of Report</u>							
	<u>3/31/81</u>	<u>12/31/81</u>	<u>7/21/82</u>	<u>12/31/82</u>	<u>3/31/83</u>	<u>6/30/83</u>	<u>3/31/84</u>	<u>3/31/85</u>
Planned vs actual contribution								
- Other donor(s)	No	No	No	No	No	No	No	No
- Host country	No	No	No	No	No	No	No	No
Discrepancies between planned and actual disbursements	No	No	No	No	No	No	No	No
Progress on key project components								
- construction	No	No	No	No	No	No	No	No
- procurement	No	No	No	No	No	No	Yes	No
- training	No	No	No	Yes	Yes	No	No	Yes
- consulting services	Yes	Yes	No	No	Yes	No	No	No
Adherence to implementation schedule	No	No	Yes	Yes	Yes	No	Yes	Yes
Major implementation problems identified	Yes	No	Yes	Yes	Yes	Yes	No	No
Remedial actions to be undertaken	No	No	No	Yes	No	Yes	No	No
Responsible parties for correcting problems were identified	No	No	No	Yes	No	Yes	No	No
Timeframes designated for corrective action	No	No	No	No	No	No	No	No
Intermediate progress on project outputs	No	Yes	No	No	No	No	Yes	Yes
Continuing validity of project objectives and designs	No	No	Yes	Yes	No	No	Yes	Yes

ANALYSIS OF INFORMATION FOUND IN PROJECT IMPLEMENTATION REPORTS

NIMBA COUNTY RURAL TECHNOLOGY (669-0163)  
(Sept. 30, 1980 - Sept. 30, 1986)

<u>Subject</u>	<u>Date of Report</u>							
	<u>9/30/80</u>	<u>3/31/81</u>	<u>9/30/81</u>	<u>3/31/82</u>	<u>9/30/82</u>	<u>9/30/84</u>	<u>9/30/85</u>	<u>9/30/86</u>
Planned vs actual contribution								
- Other donor(s)	No	No	No	No	No	No	No	No
- Host country	No	No	No	No	Yes	Yes	No	No
Discrepancies between planned and actual disbursements	No	No	No	No	No	No	No	No
Progress on key project components								
- Construction	No	No	No	No	No	No	No	No
- Procurement	No	No	No	No	No	No	No	No
- Training	No	No	No	No	No	No	No	No
- Consulting services	No	No	Yes	No	No	No	No	No
Adherence to implementation schedule	No	Yes	No	No	No	Yes	Yes	Yes
Major implementation problems identified	No	No	No	Yes	Yes	No	No	Yes
Remedial actions to be undertaken	No	No	No	No	Yes	No	No	No
Responsible parties for correcting problems were identified	No	No	No	No	No	No	No	No
Timeframes designated for corrective action	No	No	No	No	No	No	No	No
Intermediate progress on project outputs	No	No	No	No	No	Yes	No	No
Continuing validity of project objectives and designs	No	No	No	No	No	No	No	No

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ANALYSIS OF INFORMATION FOUND IN PROJECT IMPLEMENTATION REPORTS

AGRICULTURAL RESEARCH AND EXTENSION I (669-0135)

(Dec. 31, 1982 - Sept. 30, 1985)

<u>Subject</u>	<u>Date of Report</u>					
	<u>12/31/82</u>	<u>9/30/83</u>	<u>3/31/84</u>	<u>9/30/84</u>	<u>3/31/85</u>	<u>9/30/85</u>
Planned vs actual contribution						
- Other donor(s)	No	No	No	No	No	No
- Host country	Yes	Yes	No	No	Yes	Yes
Discrepancies between planned and actual disbursements	No	Yes	No	No	No	No
Progress on key project components						
- construction	Yes	No	No	No	No	No
- procurement	No	No	No	No	No	No
- training	No	No	Yes	Yes	No	No
- consulting services	No	No	No	No	No	No
Adherence to implementation schedule	No	Yes	No	No	No	No
Major implementation problems identified	Yes	Yes	No	No	No	No
Remedial actions to be undertaken	No	Yes	No	No	No	No
Responsible parties for correcting problems were identified	Yes	No	No	No	No	No
Timeframes designated for corrective action	No	No	No	No	No	No
Intermediate progress on project outputs	No	No	No	No	No	No
Continuing validity of project objectives and designs	No	No	No	No	No	No

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ANALYSIS OF INFORMATION FOUND IN PROJECT IMPLEMENTATION REPORTS

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AND SUPPORT (669-0201)

(Sept. 30, 1984 - Sept. 30, 1986)

<u>Subject</u>	<u>Date of Report</u>				
	<u>9/30/84</u>	<u>3/31/85</u>	<u>9/30/85</u>	<u>3/31/86</u>	<u>9/30/86</u>
Planned vs actual contribution					
- Other donor(s)	No	No	No	No	No
- Host country	No	No	No	No	No
Discrepancies between planned and actual disbursements	No	No	No	No	No
Progress on key project components					
- Construction	No	No	No	No	No
- Procurement	No	No	No	No	No
- Training	Yes	Yes	Yes	No	No
- Consulting services	No	No	No	Yes	No
Adherence to implementation schedule	No	Yes	Yes	Yes	Yes
Major implementation problems identified	No	No	No	Yes	Yes
Remedial actions to be undertaken	No	No	No	Yes	Yes
Responsible parties for correcting problems were identified	No	No	No	No	Yes
Timeframes designated for corrective action	No	No	No	No	Yes
Intermediate progress on project outputs	No	Yes	Yes	No	No
Continuing validity of project objectives and designs	No	No	No	No	No

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ANALYSIS OF INFORMATION FOUND IN TRIP REPORTS

IMPROVED EFFICIENCY OF LEARNING I (669-0130)  
 (July 23 - October 10, 1984)

<u>Subject</u>	<u>Date of Report</u>		
	<u>7/23/84</u>	<u>9/28/84</u>	<u>10/10/84</u>
Progress reported to date	No	No	No
Major issues and problems identified	No	No	Yes
Remedial actions and timeframes	No	No	No
Responsible parties identified	No	No	No
Adherence to established schedule	No	No	No
Factors affecting overall progress	No	No	No
Progress on key project components			
- construction/installation	No	No	No
- procurement	No	No	No
- training	No	No	Yes
Relationship between disbursement of funds and physical accomplishments under			
- technical assistance	No	No	No
- engineering	No	No	No
- construction/installation	No	No	No
- procurement	No	No	No
- training	No	No	No
Discrepancies between planned and actual disbursements	No	No	No
Planned versus actual contributions			
- Other donor(s)	No	No	No
- Host country	No	No	No
Anticipated changes to project costs	No	No	No

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ANALYSIS OF INFORMATION FOUND IN TRIP REPORTS

NIMBA COUNTY RURAL TECHNOLOGY (669-0163)  
 (Jan. 21, 1980 - Dec. 8, 1986)

<u>Subject</u>	<u>Date of Report</u>							
	<u>1/21/80</u>	<u>2/24/81</u>	<u>11/4/81</u>	<u>9/13/82</u>	<u>11/10/83</u>	<u>8/22/84</u>	<u>1/30/85</u>	<u>12/8/86</u>
Progress reported to date	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Major issues and problems identified	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Remedial actions and timeframes	Yes	No	No	Yes	Yes	Yes	No	Yes
Responsible parties identified	No	No	No	Yes	No	Yes	No	Yes
Adherence to established schedule	No	No	No	No	No	No	No	No
Factors affecting overall progress	No	Yes	No	No	No	No	No	No
Progress on key project components								
- construction/installation	No	No	No	No	No	No	No	No
- procurement	No	Yes	No	No	No	No	No	No
- training	No	No	No	No	No	No	No	No
Relationship between disbursement of funds and physical accomplish- ments under								
- technical assistance	No	No	No	No	No	No	No	No
- engineering	No	No	No	No	No	No	No	No
- construction/installation	No	No	No	No	No	No	No	No
- procurement	No	No	No	No	No	No	No	No
- training	No	No	No	No	No	No	No	No
Discrepancies between planned and actual disbursements	No	No	No	No	No	No	No	No
Planned versus actual contributions								
- Other donor(s)	No	No	No	Yes	No	No	No	No
- Host country	No	No	No	Yes	No	No	No	Yes
Anticipated changes to project costs	No	No	No	No	No	No	No	No

ANALYSIS OF INFORMATION FOUND IN TRIP REPORTS

AGRICULTURAL RESEARCH AND EXTENSION I (699-0135)  
(Dec. 1, 1982 - Nov. 23, 1984)

<u>Subject</u>	<u>Date of Report</u>							
	<u>12/1/82</u>	<u>3/28/83</u>	<u>6/6/83</u>	<u>11/23/83</u>	<u>1/19/84</u>	<u>2/16/84</u>	<u>5/8/84</u>	<u>11/23/84</u>
Progress reported to date	No	No	No	No	No	No	No	No
Major issues and problems identified	No	No	Yes	No	Yes	No	No	No
Remedial actions and timeframes	No	No	No	No	Yes	No	No	No
Responsible parties identified	No	No	No	No	Yes	No	No	No
Adherence to established schedule	No	No	No	No	Yes	No	No	No
Factors affecting overall progress	No	No	No	No	No	Yes	No	No
Progress on key project components								
- construction/installation	No	No	No	Yes	Yes	No	Yes	Yes
- procurement	No	Yes	No	No	Yes	No	Yes	Yes
- training	No	No	No	Yes	No	Yes	No	No
Relationship between disbursement of funds and physical accomplishments under								
- technical assistance	No	No	No	No	No	No	No	No
- engineering	No	No	No	No	No	No	No	No
- construction/installation	No	No	No	No	No	No	No	No
- procurement	No	No	No	No	No	No	No	No
- training	No	No	No	No	No	No	No	Yes
Discrepancies between planned and actual disbursements	No	No	No	No	No	No	No	No
Planned versus actual contributions								
- Other donor(s)	No	No	No	Yes	No	No	No	No
- Host country	Yes	No	No	Yes	No	No	No	Yes
Anticipated changes to project costs	No	No	No	No	No	No	No	Yes

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SPECIFIC FACTORS NOT IDENTIFIED IN REPORTS  
OF AGRICULTURAL RESEARCH AND EXTENSION I PROJECT

Management reports for this project did not identify the following problems:

- factors affecting overall progress. Although the reports lacked this information, evaluations conducted in 1982 and 1983 noted that project progress was hindered by a loss of staff following a coup, irregular budget allocations by Government of Liberia, lack of a permanent director, poor linkage to the extension service, and lack of a focused research strategy and workplan;
- training progress. The project's completion report, however, noted that planned training targets had not been met because (1) there was an insufficient number of qualified candidates for long-term training, and (2) the Government of Liberia did not provide travel funds for short-term training;
- relationships between disbursement of funds and project accomplishments. The project was to foster the development of an agricultural research system in Liberia through technical assistance, training and the supply of commodities. Although commodities (research equipment) were supplied, technical assistance was not provided as planned, and only 70 percent of the target for training had been achieved by the end of the project. Problems causing these shortfalls were not addressed in the trip or project implementation reports;
- planned versus actual host country contributions. The Government of Liberia was to be the second largest donor after A.I.D. to the project. The host government's contributions were behind schedule throughout the life of the project.

*JB*

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ADM AID

DAKAR FOR RIG/IG/WA

F.O. 12356: N/A  
SUBJECT: USAID/LIBERIA COMMENTS ON DRAFT AUDITREPORT  
ON USAID/L'S MANAGEMENT SYSTEM FOR FLAGGING,  
REDISIGNING AND TERMINATING TROUBLED PROJECTS

REF: (A) DAKAR 4056 (B) DAKAR 5381

1. PARA TWO OF THIS MESSAGE TRANSMITS SUMMARY COMMENTS  
ON THE DRAFT AUDIT AND OUR REACTION TO ITS TWO  
RECOMMENDATIONS, PARAS THREE THROUGH FIVE PRESENT  
DETAILED COMMENTS FOR CORRECTION OF FACTUAL ERROR AND  
QUESTIONS OF INTERPRETATION.

2. SUMMARY COMMENTS:

- A. PERCEPTION OF PROJECT MANAGEMENT SYSTEMS: THE  
AUDIT SEEMS TO TAKE AS AXIOMATIC THAT THE PROJECT  
MANAGEMENT SYSTEM OF AID HB 3 SHOULD BE FOLLOWED TO  
THE LETTER, AND THAT NO LESS WILL BE TOLERATED.  
PROJECT MANAGEMENT IN OUR VIEW IS A WIDE RANGE OF  
ACTIVITIES, RANGING FROM STRUCTURED REPORTING  
MECHANISMS (E.G., REGULAR PROJECT REVIEWS, RECORDED  
SITE VISITS, EVALUATIONS). TO LESS STRUCTURED EVENTS  
(MEETINGS WITH COUNTERPARTS AND WITHIN THE MISSION,  
UNDOCUMENTED SITE VISITS, TELEPHONE CALLS, ETC.)

- WE BELIEVE THE HB 3 GUIDANCE IS A MODEL TO FOLLOW,  
BUT IT IS A MODEL. PROJECT MANAGEMENT AND MONITORING  
MUST TO A CERTAIN EXTENT BE DICTATED BY A RANGE OF  
FACTORS, THE LOCATION OF THE PROJECT, THE TYPE OF  
ACTIVITY, EXPERIENCE OF THE PROJECT OFFICER, HOST  
INSTITUTION AND CONTRACTOR CAPABILITY, AND ADEQUACY OF  
THE BASIC DESIGN DOCUMENT.

- CLEARLY, USAID IS DOING SOMETHING CORRECT, AS THE  
AUDIT DESCRIBED USAID'S CURRENT GRASP OF PROJECT  
PROBLEM STATUS AS QUOTE EXCELLENT UNQUOTE. YET THIS  
CONCLUSION IS GIVEN SHORT SHRIFT AS THE BULK OF THE  
REPORT FOCUSES ON DEVIATIONS FROM AN IDEAL MANAGEMENT  
SYSTEM APPLIED TO PROJECTS IDENTIFIED BY THE USAID  
(NOT THE AUDITORS) AS TROUBLED PROJECTS, TWO OF WHICH  
ENDED TWO YEARS AGO.

- B. PVO PROJECTS: THE RIGWA AUDITORS CHOSE FOUR PROJECTS TO EXAMINE IN DETAIL. TWO OF THE FOUR (AND THE ONLY TWO ACTIVE PROJECTS) WERE PVO PROJECTS. ASIDE FROM NOT EVEN MENTIONING THIS IN THE DRAFT AUDIT, THE AUDITORS APPARENTLY DO NOT BELIEVE THAT PVO PROJECTS ARE VIEWED SEPARATELY IN THE AID PROJECT DESIGN AND MONITORING SYSTEM. HB 3, CHAPTER 4, ON EXCEPTIONS TO THE AID PROJECT SYSTEM DOES NOT REQUIRE PVO PROJECTS TO SUBMIT LOGICAL FRAMEWORK MATRICES AS PART OF THEIR PROPOSALS. NOR DO PVO'S NECESSARILY HAVE TO FOLLOW AID'S FORMAL EVALUATION SYSTEM. INDEED, SOME PVO'S INSIST ON INDEPENDENCE FROM AID IN RESPECT TO EVALUATION, AND TRY TO REDUCE AID'S MONITORING TO THE MINIMUM. FORTUNATELY, THIS IS NOT THE CASE IN LIBERIA, BUT THE AUDIT SHOULD AT LEAST RECOGNIZE DIFFERING MODES OF ASSISTANCE AND CONSEQUENTLY, DIFFERING MONITORING STANDARDS IN AID'S REGULATIONS.

- C. RECOMMENDATIONS: ON THE PREMISE THAT THERE IS ALWAYS ROOM FOR IMPROVEMENT, WE ACCEPT THE THUST OF THE RECOMMENDATIONS, ALTHOUGH WE DO HAVE THE FOLLOWING SUGGESTIONS/OBSERVATIONS:

- --RECOMMENDATION 1A. THIS IS A DESIGN ISSUE, NOT A PROJECT MONITORING ISSUE. TO THE EXTENT POSSIBLE, A WELL-DESIGNED PROJECT SHOULD HAVE QUANTIFIABLE END OF PROJECT STATUS INDICATORS TO MEASURE ACHIEVEMENT OF PROJECT PURPOSE. A GOOD DESIGN SHOULD ALSO ENSURE THAT WAYS AND MEANS EXIST TO GATHER DATA TO REPORT ON SUCH INDICATORS. WE AT USAID ARE SENSITIVE TO THIS. AND HAVE, IN THE COURSE OF SEVERAL RECENT DESIGN EFFORTS, PAID CAREFUL ATTENTION TO EXAMINING THE LOGIC OF THE PROJECT TO ENSURE THAT EGOPS ARE VALID INDICATORS OF PROJECT PURPOSE AND THAT WE WILL BE ABLE TO MEASURE PROGRESS. BEYOND THIS, IT IS DIFFICULT TO ENVISION WHAT CAN BE DONE TO CARRY OUT (AND CLOSE) THE RECOMMENDATION AS NOW DRAFTED. THEREFORE, UNLESS YOU CAN RESTRUCTURE THE RECOMMENDATION TO MAKE IT ACTIONABLE WE SUGGEST YOU  
BT

UNCLASSIFIED

MONROVIA 025970/21

MAKE IT A FINDING RATHER THAN A RECOMMENDATION.

--RECOMMENDATIONS 1F AND 1G: THESE TWO ARE SO CLOSELY LINKED WE SUGGEST THEY BE MERGED. WE PLAN TO USE TWO VEHICLES AS MEANS TO SURFACE PROBLEMS AND ACT ON THEM MORE EXPEDITIOUSLY. RECENTLY ESTABLISHED PROJECT IMPLEMENTATION COMMITTEES OFFER ONE SUCH MEANS, ALTHOUGH THEIR EFFECTIVENESS NEEDS MORE TESTING. SECONDLY, WE HAVE RECENTLY INSISTED THAT PROJECT IMPLEMENTATION REPORTS DEVOTE GREATER ATTENTION TO ANALYZING THE APPROPRIATENESS OF BLOCK 1G - PROJECT CRITERIA. AGAIN ON PIRS, WE WILL INSTITUTE IN THE NEAR FUTURE A TRACKING SYSTEM TO MONITOR PROGRESS ON ACTIONS PROPOSED IN EACH PIR AGAINST ACTUAL PROGRESS. SUCH A FORMAL SYSTEM DOES NOT EXIST AT PRESENT, EXCEPT TO REVIEW EVERY SIX MONTHS THE PRIOR PERIOD'S REPORT.

RECOMMENDATION 2:

SINCE THE MISSION CURRENTLY PREPARES A QUARTERLY PIPELINE SUMMARY AND THE QUARTERLY PROJECT FINANCIAL STATEMENTS INCLUDE ACCRUALS DEVELOPED WITH THE COLLABORATION OF INDIVIDUAL PROJECT MANAGERS, THE MISSION BELIEVES THAT ADDING THE DATE OF LAST DISBURSEMENT ACTIVITY FOR EACH ACTION WOULD SATISFY 2A.

THIS INFORMATION WOULD BE USED DURING THE QUARTERLY PROJECT REVIEWS TO ANALYZE THE NEED FOR PIPELINE FUNDS AND A DETERMINATION MADE IF FUNDS CAN BE DEOBLIGATED. IN THE CASE OF ON-GOING PROJECTS, THE MISSION DOES NOT BELIEVE IT PRUDENT TO REFUSE FORWARD FUNDING BY DEOBLIGATION UNLESS THE PROJECT IS IN SUCH AN ADVANCED IMPLEMENTATION STATE THAT FUNDS CAN CLEARLY BE IDENTIFIED AS IN EXCESS OF ANY POSSIBLE NEEDS.

FUNDING UNCERTAINTIES DO NOT ALLOW MISSIONS THE LUXURY OF RELYING ON PRECISE DEFINITE FUTURE YEAR LEVELS OF FUNDING. PROJECTS WOULD BE SUBJECT TO PERCIPITOUS STOPS AND STARTS IF FUNDS WERE DEOBLIGATED AND FUTURE BUDGETARY ACTIONS DID NOT PROVIDE THE PLANNED ASSISTANCE. HOWEVER IF RECOMMENDATION 2F AND 2G RELATE TO COMPLETED AMOUNTS SHOULD BE DEOBLIGATED.

DETAILED COMMENTS ON THE ENTIRE REPORT FOLLOW:  
3. EXECUTIVE SUMMARY

A. PAGE I, PARA TWO: PROPOSED ASSISTANCE LEVELS NEED TO BE ADJUSTED. THE AUDIT'S FIGURE OF DOLS 54 MILLION FOR FY 88 COMES FROM THE FY 88 APPL IN THE FY 88 APS. IN THE FY 88 CP, THE LEVEL IS DOLS 30 MILLION, WHICH IS MUCH MORE LIKELY THAN THE HIGHER FIGURE. FURTHER, BROCKE SENSITIVE DEBT WAS MADE CURRENT ON MAY 29, SO THE PROSPECT OF PHASING OUT IS LESS IMMEDIATE.

B. PAGE II, PARA THREE: THE REFERENCE TO USAID AND AFRICA BUREAU REVIEWS SHOULD BE CLARIFIED. THE JOINT REVIEW WAS, IN FACT, A PROGRAM WEEK IN THE SPRING OF 1965. PROGRAM WEEK REVIEWED A RECENTLY COMPLETED USAID CONCEPTS PAPER, USAID'S THEN CURRENT STRATEGY, AND ADMINISTRATIVE ASPECTS OF THE PROGRAM. AS ONE RESULT OF PROGRAM WEEK, THE USAID UNDERTOOK A COMPREHENSIVE REVIEW OF THE PROJECT PORTFOLIO TO EXAMINE THE EXTENT IT REFLECTED LIBERIA'S ECONOMIC CRISIS AND MAKE APPROPRIATE ADJUSTMENT.

C. PAGE III, PARA TWO: IT IS STATED WHAT OUR PROJECT MANAGEMENT SYSTEM DOES NOT DO. NOWHERE DOES THE REPORT DESCRIBE THE SYSTEM THE AUDITORS FOUND, NOR DO THEY STATE WHAT THE SYSTEM DOES DO. IT MUST DO SOMETHING RIGHT, AS WE ARE TOLD ON THE PREVIOUS PAGE THAT WE QUOTE...HAI AN EXCELLENT GRASP OF PROBLEMS ENCOUNTERED...UNQUOTE AND QUOTE? USAID/LIBERIA HAD CONTROL OVER ITS PROJECT PORTFOLIO AND WAS AWARE OF MAJOR IMPLEMENTATION PROBLEMS UNQUOTE.

D. PAGE III, PARA THREE (CONTINUING TO PAGE IV): THE MISSION TAKES EXCEPTION TO THIS ENTIRE PARAGRAPH. OF THE DOLS 8.5 MILLION NOT EFFECTIVELY UTILIZED

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(THIS PHRASE IS NOWHERE DEFINED), DOLS 5.1 MILLION IS OBLIGATED BUT UNREARMARKED TO TWO ONGOING PROJECTS. THE FIRST, AGRICULTURAL RESEARCH AND EXTENSION II, HAS BEEN THE SUBJECT OF A PAINFULLY LONG EVALUATION AND REDESIGN PROCESS. IT IS CLEAR HOWEVER THAT THE FUNDS WILL BE USED AS A REVISED PROJECT IS DEFINED. THE AUDIT'S SUGGESTION, BOTH HERE AND LATER IN THE REPORT, THAT THE FUNDS SHOULD BE DEOBLIGATED NOW IS UNREASONABLE, AS THE FUNDS WOULD CERTAINLY BE OBLIGATED FOR THE SAME PURPOSE IN THE NEAR FUTURE. THE SECOND PROJECT, ECONOMIC AND FINANCIAL MANAGEMENT AND TRAINING (EFMT), DID HAVE PLANS FOR THE USE OF ALL FUNDS. THOSE PLANS WERE NOT CARRIED OUT BECAUSE OF THE DELIBERATE DECISION NOT TO ENTER INTO NEW LONG-TERM COMMITMENTS SINCE WE WERE THEN "BROOKED" AND (SUBSEQUENTLY) BECAUSE THE ECONOMIC REFORM PACKAGE NEGOTIATED BY A/AID IN FEBRUARY CAUSED THE PLANS TO CHANGE SUBSTANTIALLY.

THIS SAME PARAGRAPH SUGGESTS THAT THE ONLY OPTION AVAILABLE TO AN UNSUCCESSFUL PROJECT IS TO DEOBLIGATE THE PROJECT'S FUNDS. THIS IS AN EXTREMELY SIMPLISTIC VIEW, AND OMTS ANY CONSIDERATION OF EVALUATIONS TO MAKE MID-COURSE CORRECTION, REDESIGNS, AND OTHER REMEDIES TO SALVAGE PROJECTS.

4. PART I - INTRODUCTION:

A. PAGE 2, TABLE OF ASSISTANCE LEVELS: LEVELS FOR 1987 SHOULD BE NOTED AS "PLANNED". THE FY 87 LEVEL FOR DEVELOPMENT ASSISTANCE COULD BE UPDATED TO REFLECT THE CURRENT LEVEL OF DOLS 11,972,200. WE WOULD LIKE THE FY 88 ESF LEVEL FOOTNOTED TO SHOW THAT, OF THE LEVEL INDICATED, DOLS 5,223,222 IS BEING DEOBLIGATED. AGAIN, RE THE SENTENCE FOLLOWING THE TJ)3, THE TOTAL FY 88 PLANNED LEVEL IS NOW DOLS 32 MILLION.

B. PAGE 2, PARA ONE: AT THE TIME OF THE AUDIT, THE AID PROGRAM WAS MANAGED BY 19 U.S. DIRECT HIPE (AUTHORIZED CEILING OF 21), 3 U.S. PSC'S, AND 175 LOCAL EMPLOYEES (DIRECT HIRE AND CONTRACT). THE REPORT SHOULD DELETE REFERENCE TO QUOTE 9 U.S. GOVERNMENT AGENCY EMPLOYEES UNQUOTE SINCE THEY IMPLEMENT USAID PROJECTS AND DO NOT MANAGE THE PROGRAM.

5. PART II - RESULTS OF AUDIT:

A. PAGE 4, PARA TWO: SEE OUR EARLIER COMMENTS ON PROGRAM WEEK, WHICH THIS PARAGRAPH EVIDENTLY REFERS TO. PROGRAM WEEK CONFIRMED THE MISSION'S PROPOSAL, CONTAINED IN OUR CONCEPT PAPER, TO START A CHAIN OF EVALUATIONS, REDESIGNS, MORE INTENSIVE PROJECT IMPLEMENTATION REVIEW SESSIONS, AND SPECIAL STUDIES. WE HAVE ALSO HAD A SERIES OF SPECIAL PROJECT REVIEWS AS PART OF THE PREPARATIONS FOR BROOKE AMENDMENT-RELATED CONTINGENCY PHASE OUT PLANNING. ALL THIS IS TO SAY THAT OUR CONCEPTS PAPER AND THE

AGREEMENTS REACHED DURING PROGRAM WEEK STARTED A PROCESS WHICH CONTINUES TO THIS DAY.

IMPROVEMENTS NEEDED IN MISSION PROJECT MANAGEMENT SYSTEM

B. PAGE 6, RECOMMENDATION NO. 1: SEE OUR EARLIER COMMENTS. RECOMMENDATION 1A SHOULD MORE PROPERLY BE A FINDING.

C. PAGE 8, PARA ONE: QUARTERLY - AS OPPOSED TO THE BUREAU'S SEMI-ANNUAL REQUIREMENT - PROJECT IMPLEMENTATION REVIEWS ONLY STARTED WITH THE JANUARY 1987 ROUND. THE PRESENTATION IN THE AUDIT COULD LEAD ONE TO BELIEVE QUARTERLY REVIEWS STARTED EARLIER. ON THE ESTABLISHMENT OF PROJECT IMPLEMENTATION COMMITTEES, THEY HAVE ONLY RECENTLY BEEN FORMALLY ESTABLISHED BY MISSION ORDER AND ARE NOT YET FUNCTIONING SMOOTHLY. UNTIL WE ARE FULLY STAFFED IN OUR DESIGN OFFICE, THE COMMITTEE SYSTEM WILL NOT BE FULLY OPERATIONAL.

D. PAGE 8, PARA TWO: RE PROJECT DESIGN COMMITTEES, THEY HAVE ALWAYS EXISTED IN A NON-FORMAL SENSE. AS WITH THE PROJECT IMPLEMENTATION COMMITTEES, THOUGH, THEY HAVE ONLY RECENTLY BEEN FORMALLY CONSTITUTED. IT IS PREMATURE TO JUDGE THEIR EFFECTIVENESS. THE DESCRIPTION OF THE DESIGN COMMITTEE'S FUNCTIONS IN

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THE LAST SENTENCE OF THIS PARAGRAPH IS INACCURATE. THE TASKS DESCRIBED ARE THOSE OF AN IMPLEMENTATION COMMITTEE.

E. PAGE 9: THIS PAGE MARKS THE START OF SEVERAL REPORT REFERENCES TO PROJECT "OBJECTIVES". ARE OBJECTIVES TO BE EQUATED TO PURPOSE AS USED IN THE AGENCY'S LOGICAL FRAMEWORK PROJECT DESIGN FORMAT, OR SOMETHING ELSE?

F. PAGE 9, PARA TWO ET SEQ.: THE AUDIT CITES THE PROBLEM OF NOT USING QUANTIFIABLE INDICATORS TO MEASURE PROJECT PROGRESS TO ACHIEVE OBJECTIVES. (WE ASSUME THIS MEANS PURPOSE). IN SUPPORT OF THIS, THE AUDIT USES TWO PROJECTS AS ILLUSTRATIVE OF A "CONDITION" WHICH EXISTED FOR SEVERAL YEARS AND STILL EXISTED AT THE TIME OF THE AUDIT. IT IS HARD TO ACCEPT THAT THE CONDITION STILL EXISTS FOR THESE TWO PROJECTS SINCE THEY BOTH ENDED ALMOST TWO YEARS AGO.

WE DO ACCEPT THE GENERAL POINT THAT OUR DESIGN DOCUMENTS AND THE WORLD WE WORK IN ARE LESS THAN PERFECT AND HAVE, AS NOTED IN PARA 2.C ABOVE TRIED TO ADDRESS THIS PROBLEM ON A CASE BY CASE BASIS AS DESIGN OR REDESIGN DOCUMENTS ARE DEVELOPED.

#### IMPROVED EFFICIENCY OF LEARNING PROJECT

G. PAGE 10-11: WITH REFERENCE TO INAPPROPRIATE ACHIEVEMENT INDICATORS, WE HAVE A DESIGN PROBLEM HERE, NOT ONE OF IMPLEMENTATION MANAGEMENT. THE PROJECT DESIGNERS TRIED TO MEASURE AN INCREASE IN TEACHING ABILITY, WHICH IS A QUALITATIVE JUDGMENT NOT READILY QUANTIFIABLE. A MORE QUANTIFIABLE MEASURE SHOULD HAVE BEEN STUDENT ACHIEVEMENT. THIS WAS RECOGNIZED BY THE PROJECT'S EXTERNAL EVALUATOR IN 1984 IN A COMPARISON OF ACHIEVEMENT OF STUDENTS IN THE IEL SCHOOLS AND TRADITIONAL SCHOOLS. THE REPORT CONCLUDED THAT:

- "BASED ON THE EVIDENCE AVAILABLE, WHEN THE IEL SYSTEM IS APPROPRIATELY IMPLEMENTED AND ASSESSED AGAINST MEASURES THAT ARE VALID, IT DEMONSTRATES ACHIEVEMENT OUTCOMES THAT ARE SUPERIOR TO THOSE ACHIEVED IN TRADITIONAL ELEMENTARY SCHOOLS IN LIBERIA. THIS FINDING, WHEN COMBINED WITH OTHER EVIDENCE DESCRIPTIVE OF IEL'S INCREASED STUDENT ENROLLMENT AS WELL AS ITS COSTS SAVINGS, CLEARLY SUPPORTS THE CONTINUATION AND EXPANSION OF THE PROGRAM IN LIBERIA."

THE EVALUATION REPORT, FULLY CITED AS "E.F. KELLY, EXTERNAL EVALUATION OF THE IMPROVED EFFICIENCY OF LEARNING PROJECT, 1983-84: OVERALL TEST RESULTS" AND DATED 4/15/84 WAS AVAILABLE IN MISSION FILES DURING THE VISIT OF THE RIG AUDITORS.

H. PAGE 11, PARA TWO: THE MISSIONS'S DECISION TO

ALL TO BE \$2.0 MILLION TO THE PROJECT AND EXTEND IT WAS BASED ON A NUMBER OF FACTORS.

- FIRST, IT MUST BE REMEMBERED THAT LIBERIA EXPERIENCED A MAJOR AND DISRUPTIVE COUP D'ETAT IN 1980. THIS EVENT AND THE UNSETTLED CONDITIONS IN THE COUNTRY IN THE SUBSEQUENT ONE-TWO YEARS HAD A PROFOUND EFFECT ON ALL OF OUR PROJECTS, INCLUDING IEL. THE APPROACH TAKEN BY THE AUDITORS UNWISPLY OVERLOOKS THIS; AND DRAWS ERRONEOUS CONCLUSIONS AS A RESULT.

- MORE SPECIFIC TO THE PROJECT, IEL WAS CHARTING UNKNOWN TERRITORY IN CREATING A NEW PEDAGOGY FOR PRIMARY SCHOOL INSTRUCTION. DEVELOPING THE MATERIALS TOOK FAR LONGER THAN EXPECTED. THERE WERE ALSO PROBLEMS DUE TO FREQUENT POWER OUTAGES, LACK OF PRINTING FACILITIES, AND STAFF TURNOVER. ONCE THE MATERIALS WERE DEVELOPED, THE PROJECT TURNED TO DELIVERING THE MATERIAL, TRAINING TEACHERS, AND IMPLEMENTING TEACHER SUPERVISION PROGRAMS

AGRICULTURAL RESEARCH AND EXTENSION I

1. PAGE 13, PARA TWO: FOR THE AGRICULTURAL RESEARCH AND EXTENSION PROJECT, WE MAKE THE SAME POINT AS IN

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"H" ABOVE RE COUP-RELATED DELAYS. THIS LARGELY ACCOUNTS FOR THE FIRST PROJECT EXTENSION. THE SECOND PROJECT EXTENSION WAS TO KEEP A TECHNICAL ASSISTANCE PRESENCE ON SITE AT CARI TO MAINTAIN WHAT HAD ALREADY BEEN ACCOMPLISHED, PENDING THE ARRIVAL OF A TA TEAM UNDER PHASE II OF THE PROJECT. ADDITIONAL FUNDING WAS DUE TO HIGHER THAN ANTICIPATED PRICES AND THE COSTS OF EXTENDING THE PROJECT.

J. PAGE 15, LINES ONE AND TWO: THE ASSERTION THAT THE PROJECT LACKED INFORMATION IS COMPLETELY REFUTED BY THE REST OF THE PAGE, WHICH IS REplete WITH INFORMATION GARNERED FROM PROJECT EVALUATIONS AND THE PROJECT COMPLETION REPORT. IT IS AT THIS POINT THAT THE AUDIT SEEMS TO FORGET ITS PURPOSE, THAT IS, AN AUDIT OF USAID'S PROJECT MANAGEMENT SYSTEM, AND NOT AN AUDIT OF THE PROJECT. THE POINT THE AUDIT SHOULD TRY TO MAKE IS WHAT INFORMATION WAS AVAILABLE TO THE MISSION, AND WHEN, AND WAS IT OR WAS IT NOT USED IN A TIMELY MANNER? IN THE CASE OF THIS PROJECT, TO THE EXTENT EVALUATION FINDINGS (AS CITED BY THE AUDIT) WERE AVAILABLE, THE MISSION HAD THE INFORMATION. ADMITTEDLY THE PROJECT HAD PROBLEMS, BUT THE MISSION, IN APPRECIATION OF THE LONG-TERM NATURE OF AGRICULTURAL RESEARCH EFFORTS AND INSTITUTION-BUILDING PROJECTS, CHOSE TO STAY THE COURSE, AND GO FOR A PHASE II PROJECT RATHER THAN ABANDON THIS IMPORTANT FIELD.

K. PAGE 16, FIRST BULLETIZED INSERT: YOUR FACTS ARE INCORRECT. THE FINANCIAL PLAN IN THE PROJECT AGREEMENT SHOWS THAT GOL CONTRIBUTION (EXCLUDING REGULAR PERSONNEL COSTS) WAS TO BE ABOUT DOLS 1.6 MILLION (DOLS 7.8 MILLION WITH PERSONNEL COSTS). PROJECT RECORDS SHOW THAT THE GOL PROVIDED CARI WITH TOTAL ALLOTMENTS OF DOLS 6.5 MILLION FROM OCTOBER 1980 TO JUNE 1985, OR ONLY 7 PERCENT LESS THAN PLANNED.

#### SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

L. PAGE 18, PARA ONE: THE MISSION AGREES THAT PRIOR PROJECT IMPLEMENTATION REPORTS COULD HAVE DONE A BETTER JOB OF IDENTIFYING PROBLEMS, PROPOSING SOLUTIONS, AND DESIGNATING ACTION AGENTS. THE MORE RECENT REPORTS (NOW PREPARED QUARTERLY) ARE MORE TIGHTLY FOCUSED ON ISSUES AND ACTIONS. THIS BRINGS US BACK TO THE POINT MADE IN OUR OVERVIEW COMMENT ON RECOMMENDATION ONE; THE DRAFT AUDIT REPORT SPENDS MOST OF ITS TIME DISCUSSING PAST PROBLEMS THAT NO LONGER EXIST, AT LEAST IN THE SAME MAGNITUDE AND THESE IMPROVEMENTS PRECEDED THIS AUDIT.

#### NIMBA COUNTY RURAL TECHNOLOGY

M. PAGE 22, SECOND FULL PARAGRAPH: THE AUDIT INCORRECTLY STATES THAT THE PROJECT'S FEBRUARY 1985 REQUEST FOR AN EXTENSION HAD STILL NOT BEEN ACTED

UPON AT THE TIME OF THE AUDIT. MISSION RECORDS AND RECOLLECTION OF EMPLOYEES STILL PRESENT REVEAL THAT A SERIES OF EXTENSION PROPOSALS WAS RECEIVED FROM THE FALL OF 1984 INTO 1985. MOST REQUESTS WERE REJECTED AS BEING TOO AMBITIOUS, TOO COSTLY AND OVERLY DEPENDENT ON AID FUNDING. IN CONSIDERATION OF ONE OF THE FINAL REQUESTS, MISSION REFS MADE SITE VISITS IN JANUARY AND FEBRUARY 1985 TO REVIEW PROJECT OPERATIONS AND TO PROVIDE GUIDANCE TO THE GRANTEE FOR A REVISED SUBMISSION. THE RESULTS OF THIS SERIES OF EVENTS WAS A LETTER DATED MARCH 5, 1985 TO THE GRANTEE (COPIED TO ITS LOCAL AFFILIATE). THIS LETTER EXPLAINED THE CONCLUSIONS THE MISSION HAD DRAWN FROM THE SITE VISITS AND A SUBSEQUENT REVIEW OF THE PROPOSAL. THE GRANTEE THEN SUBMITTED A FINAL PROPOSAL, WHICH SERVED AS THE BASIS FOR A TWO YEAR EXTENSION (JUNE 1985 TO JUNE 1987), FUNDED AT A LEVEL OF DOLS 749,200.

ALL THIS INFORMATION WAS AVAILABLE IN NUMEROUS FILES AND FROM INTERVIEWS. WE DO NOT UNDERSTAND WHY THE DRAFT REPORT OMITTS THIS INFORMATION IN FAVOR OF THE MISLEADING CRITICAL STATEMENT AT THE END OF THE PARAGRAPH IN QUESTION. SOMEONE ON THE AUDIT TEAM APPARENTLY KNEW THE PROJECT HAD BEEN EXTENDED. AS THE PAGE IN EXHIBIT 1 OF THE DRAFT AUDIT IS SHOWN AS 5/26/87 (STILL INCORRECT, BUT CLOSE TO THE ACTUAL DATE)

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PAGE OF 5/27/97).

N. PAGE 20, LAST PARAGRAPH: THE AUDIT NOTES NEITHER THE EVALUATION TRACKING SYSTEM NOR THE AUDIT FOLLOW-UP SYSTEM INCLUDES FOLLOW-UP ON PROBLEMS IDENTIFIED THROUGH OTHER MANAGEMENT ACTIONS. THIS IS CORRECT: THE EVALUATION AND AUDIT SYSTEMS WERE NOT INTENDED TO; THIS IS MORE PROPERLY A FUNCTION OF THE FIR'S.

UNEXPENDED PROJECT FUNDS MUST BE BETTER MONITORED

O. PAGE 22, PARA ONE: THE FINDING IN THIS PARAGRAPH HINGES ON ONE'S DEFINITION OF WHETHER FUNDS ARE EFFECTIVELY USED OR NOT. A LARGE PART OF THE DOLS 5.5 MILLION IS IDENTIFIED BY THE AUDITORS AS NOT EFFECTIVELY UTILIZED. AS WILL BE SEEN IN OUR DETAILED COMMENTS ("Q-T" BELOW) THESE AMOUNTS REPRESENT FORWARD FUNDING. THE AUDITORS SEEM TO BE SUGGESTING FORWARD FUNDING GUIDELINES WITHOUT SAYING WHAT THEY SHOULD BE. THE AUDITORS WOULD ALSO SAY THE PROJECTS ARE UNSUCCESSFUL. IN THE CASE OF AGRICULTURAL RESEARCH AN EXTENSION II, A REDESIGN IS IN PROCESS. FOR EFMT, THERE WERE PLANS AT THE TIME OF THE AUDIT FOR THE USE OF ALL PIPELINE FUNDS.

P. PAGE 22, RECOMMENDATION NO. 2: THE MISSION DOES NOT UNDERSTAND THE RATIONALE FOR THIS RECOMMENDATION. A QUARTERLY DETAILED FINANCIAL STATUS REPORT, TOGETHER WITH A PIPELINE SUMMARY IS PREPARED AND ISSUED. THESE REPORTS SHOW ALL UNEXPENDED PROJECT FUNDS. WHILE THE MISSION RECOGNIZES THAT MORE DETAILED INFORMATION ON A MORE FREQUENT BASIS WOULD BE BENEFICIAL, THIS WOULD REQUIRE ACQUISITION OF A WANG VS ANT INSTALLATION OF MACS. AT PRESENT, MISSION ACTIVITY UNDER AGENCY GUIDELINES DOES NOT JUSTIFY ACQUISITION OF THE WANG VS 45 SYSTEM. IF A SMALLER, LESS COSTLY VS CAPABLE OF ACCOMMODATING MACS BECOMES AVAILABLE (THIS POSSIBILITY IS BEING EXPLORED BY M/PM AND M/IRM), THE MISSION COULD CONVERT TO AN AUTOMATED ACCOUNTING AND MANAGEMENT SYSTEM.

Q. PAGE 24, TABLE: BASED ON THE COMMENTS WHICH FOLLOW IN PARAGRAPHS R THROUGH V; WE BELIEVE THE TABLE SHOULD BE CORRECTED.

R. PAGE 24, LAST PARA ET SEQ: WE ACKNOWLEDGE THAT AGRICULTURAL RESEARCH AND EXTENSION II, LIKE ITS PREDECESSOR, HAS HAD PROBLEMS. WE HAVE BEEN DOING FOR ALMOST A YEAR EXACTLY WHAT THE AUDIT SUGGESTS WE DO ON PAGE 25, I.E., REDESIGN THE PROJECT. THIS SEEMS INCONSISTENT WITH EARLIER STATEMENTS THAT UP TO DOLS 3,477,000 COULD BE DEOBLIGATED. UNTIL THE DESIGN EFFORT IS COMPLETE, DEOBLIGATION IS PREMATURE.

S. PAGE 25, SECOND FULL PARA: SINCE THE DEPARTURE OF THE AUDIT TEAM, THE EFMT PROJECT AUTHORIZATION HAS

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AGAIN BEEN AMENDED. DOWNWARD TO DOLS 8,889,700 FROM  
DOLS 7,889,200.

T. PAGE 25, FINAL PARA: FURTHER TO PARA 3D ABOVE,  
THE EFMT PROJECT WAS UP IN THE AIR AT THE TIME OF THE  
AUDITORS' VISIT. THE MISSION'S PLANS TO USE THE FULL  
(THEN) AUTHORIZED AMOUNT OF DOLS 7,889,000 WERE IN  
ABEYANCE: THE PROGRAM WAS "BROOKED", AND THE JANUARY  
1987 PROJECT IMPLEMENTATION REVIEW HAD RECOMMENDED  
THAT THE PROJECT NOT ENTER INTO NEW LONG-TERM  
CONTRACT COMMITMENTS. THE AUDITORS SHOULD HAVE BEEN  
AWARE OF THIS. SUBSEQUENTLY, AND AS A RESULT OF  
A/ID'S FEBRUARY 1987 ECONOMIC MISSION VISIT, USAID  
HAS AGAIN REVISED THE PROJECT. AS NOTED IMMEDIATELY  
ABOVE, DOLS 1.2 MILLION HAS BEEN DEAUTHORIZED, AND  
FIRM PLANS EXIST FOR USING THE REMAINING AVAILABLE  
FUNDS.

U. PAGE 26, FINAL PARA: IT WOULD BE HELPFUL IF THE  
FOUR DIFFERENT FIGURES GIVEN IN THIS PARAGRAPH COULD  
BE ATTRIBUTED TO THE TWO PROJECTS IN QUESTION. NO  
COMBINATION OF THE FOUR FIGURES ADDS TO THE  
RECOMMENDED DEOBLIGATION AMOUNTS GIVEN IN THE TABLE  
ON PAGE 24.

V. PAGE 27, PARA ONE, DISCUSSION OF DEOBLIGATION  
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## RECOMMENDATIONS (ALSO REFER TO TABLE ON PAGE 24):

- --FOR AGRICULTURAL RESEARCH AND EXTENSION I, IT IS A QUESTION OF ASSURING THAT ALL BILLS HAVE BEEN RECEIVED FOR THIS ACTIVITY (PACD OF 9/85).
- CERTAINLY, EXCESS FUNDS FROM THE TECHNICAL ASSISTANCE CONTRACT CAN BE DEOBLIGATED. THE MISSION IS IN THE PROCESS OF FOLLOWING UP WITH THE PROCUREMENT SERVICES AGENT TO DETERMINE HOW MUCH OF THAT CONTRACT CAN BE DEOBLIGATED.
- --FOR RURAL DEVELOPMENT TRAINING I, THE DOLS 152,322 OBLIGATED IN JANUARY 1985 FOR THE EXTENSION WAS TO FUND RDI UNTIL THE AGREEMENT FOR THE FOLLOW-ON PROJECT COULD BE NEGOTIATED AND SIGNED. AN ADVANCE OF DOLS 82,222 WAS CHARGED AGAINST THIS ADDITIONAL AMOUNT. SUBSEQUENTLY, THE PROJECT MANAGER DETECTED CERTAIN DISCREPANCIES IN RDI'S VOUCHER SUBMISSION TO LIQUIDATE THE OUTSTANDING ADVANCE AND IIS/DAKAR WAS CONTACTED FOR ASSISTANCE. IIS RECOMMENDED THAT A COMPLETE DETAILED AUDIT BE PERFORMED. RIG/DAKAR ARRANGED FOR A LOCAL AUDIT FIRM TO PERFORM THE AUDIT. HOWEVER, AS THE PRUDENT COURSE OF ACTION THE MISSION DECIDED TO WAIT FOR THE AUDIT RESULTS BEFORE TAKING ANY ACTION SINCE IT WAS POSSIBLE THAT A SUBSTANTIAL PORTION OF THE PIPELINE MIGHT BE NEEDED FOR DOCUMENTED EXPENSES.

THE AUDIT WAS COMPLETED IN JULY 1986. THE REPORT, ISSUED IN SEPTEMBER, RECOMMENDED AMONG OTHER THINGS THAT BILLS FOR COLLECTION BE ISSUED. AS A RESULT OF ISSUING THE

/CS, THE DOLS 82,222 SHOWN AS AN ADVANCE TO RDI HAS BEEN LIQUIDATED AND SUBSUMED IN THE B/CS. THEREFORE ONLY DOLS 127,322 IS AVAILABLE FOR DEOBLIGATION WHICH THE MISSION WILL DO.

FYI - IN ORDER TO ADVANCE FUNDS TO THE PROJECT, THERE MUST BE OBLIGATED AND AVAILABLE IN THE PROJECT AN AMOUNT EQUAL TO THE ADVANCE AMOUNT THEREFORE IN RDI'S CASE, ONLY DOLS 127,222 WAS AVAILABLE FOR DEOBLIGATION SINCE JANUARY 1985 DUE TO THE DOLS 82,222 OUTSTANDING ADVANCE TO RDI. END FYI.

6. WE HOPE THE ABOVE COMMENTS WILL PROVE USEFUL IN FINALIZING THE AUDIT REPORT. IF RIG/WA HAS QUESTIONS ON ANY OF THE POINTS RAISED IN THIS MESSAGE, OR WISHES COPIES OF ANY OF THE DOCUMENTS REFERRED TO, WE WILL TRY TO BE AS RESPONSIVE AS POSSIBLE.

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