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**Audit of USAID/Zaire's Family
Planning Services Project
Project No. 660-0094**

Audit Report No. 7-660-91-09

April 26, 1991

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

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

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

April 26, 1991

MEMORANDUM

TO: Charles Johnson, USAID/Director, Zaire

FROM: 
Paul E. Armstrong, RIG/A/D

SUBJECT: Audit of USAID/Zaire's Family Planning Services Project 690-0094, Audit Report No. 7-660-91-09

Enclosed are 5 copies of our Audit Report on USAID/Zaire's Family Planning Services Project, Report No. 7-660-91-09.

All recommendations are resolved with the exception of No. 8. Based on reported actions taken, we are closing Recommendation Nos. 1.1, 1.2 and 1.3 with the issuance of this report. The remaining recommendations need some further action by your office before they can be closed. Please advise us within 30 days of additional actions taken to resolve Recommendation No. 8 and close the remaining resolved recommendations.

I appreciate the rapid response to our draft recommendations and the cooperation and courtesies extended to my staff during the audit.

Att: A/S

EXECUTIVE SUMMARY

A.I.D., through its population assistance program, seeks to strengthen and foster the direct involvement of local institutions to provide safe, effective and acceptable contraceptives with the ultimate goal of curbing excessive population growth. To achieve this goal in Zaire, A.I.D. started the Family Planning Services Project (FPSP) in 1982. Designed to increase contraceptive use by delivering family planning services through both the Government of Zaire (GOZ) and the private sector, the FPSP is a \$22.3 million effort with A.I.D. financing a \$15.3 million grant for commodities and services and the GOZ contributing \$7 million.

The Regional Inspector General for Dakar audited the project between September 30, 1990 and December 20, 1990 in accordance with generally accepted government auditing standards to determine whether USAID/Zaire planned, implemented and monitored the project's inputs as required by A.I.D. policy. (see pages 3 and 41-43)

The audit showed that the FPSP has achieved limited success in providing family planning services. This marginal performance was caused by planning and monitoring deficiencies on the part of USAID/Zaire, the most serious of which are highlighted below.

- Planning for contraceptive procurement was totally inadequate causing the destruction (due to expiration) of 26 percent of all contraceptives procured for public sector distribution--over \$300,000. Moreover, the project risks losing another \$440,000 in contraceptives if family planning services remain at their current dismal level. (see page 7)
- Five times more condoms and spermicide are in stock in the central warehouse than have been distributed to clients during the entire life of the project--eight years. (see page 7)
- Inadequate monitoring of technical assistance contractors and a lack of host country commitment to use technical services caused management advisory services to be ineffective in raising the level of family planning services. (see page 14)
- USAID/Zaire did not monitor the provision of the GOZ's budget contributions. Also, it grossly understated the GOZ's authorized contribution which would have resulted in a loss of \$3.6 million in operating funds to the project. (see page 26)

The report contains ten recommendations. It also presents our assessment of internal controls (see page 32) and reports on USAID/Zaire's compliance with applicable laws and regulations (see page 36).

Office of the Inspector General
Office of the Inspector General
April 29, 1991

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INTRODUCTION

Background

Started on September 30, 1982, the Family Planning Services Project (FPSP) was designed to curb population growth in Zaire by increasing contraceptive prevalence from 1-2 percent in 1982 to 6 percent by 1990. Implemented by the host country Department of Public Health's *Projet de Services Des Naissances Desirables* (PSND) and the *Projet de Marketing Social* (CSM), the project's purposes were to increase contraceptive use in selected urban areas by strengthening family planning services in government and private health care programs, expanding community-based distribution, and implementing a retail contraceptive social marketing program. To achieve these project purposes the following outputs were planned:

- delivering family planning services through 125 clinics and 12 community-based distribution centers;
- marketing contraceptives in 16 cities;
- promoting family planning through information campaigns;
- implementing national population policies;
- including family planning in nursing and medical school curricula; and
- creating a single coordinated family planning management system.

Planned project inputs total \$20.8 million--an A.I.D. grant of \$13.8 million and a Government of Zaire (GOZ) contribution of \$7.0 million.¹ As of September 30, 1990, A.I.D. had obligated \$11.8 million of which \$8 million had been committed for specific activities and \$5.2 million had been disbursed, while the GOZ had provided \$3.6 million. The project completion date is September 30, 1992.

While CSM has achieved considerable success in attaining and in some cases exceeding its goals, PSND has been largely ineffective in expanding family planning services in government and private employers' health care programs.

¹This \$7 million from the GOZ does not include an additional \$1.7 million in in-kind contributions reported by the GOZ.

CSM's private sector condom and spermicide sales, which began only in 1988, have been managed by expatriate contractors funded under an A.I.D. technical assistance contract to Population Services International (PSI). The highly experienced professional managers provided by PSI have been responsible for implementing a program whose *Prudence* brand condom accounts for 90 percent of all condoms distributed throughout Zaire.

By contrast, PSND's provision of family planning services through both public and private sector health care programs has been managed by a GOZ Department of Health team. To date, A.I.D. has financed \$1.5 million in management technical assistance to support and advise the GOZ management team. However, according to project officials, this advice has been largely ignored. This problem coupled with the other deficiencies identified in this report have led to PSND's relatively poor performance. As shown below in Figure 1, CSM continues to expand and is likely to exceed its end-of-project (1992) cumulative goal for Couple Years of Protection (CYP) of 326,000 CYPs.² PSND, on the other hand, has experienced a recent decline in annual CYPs and will most likely not meet its cumulative goal of 114,000 CYPs.³

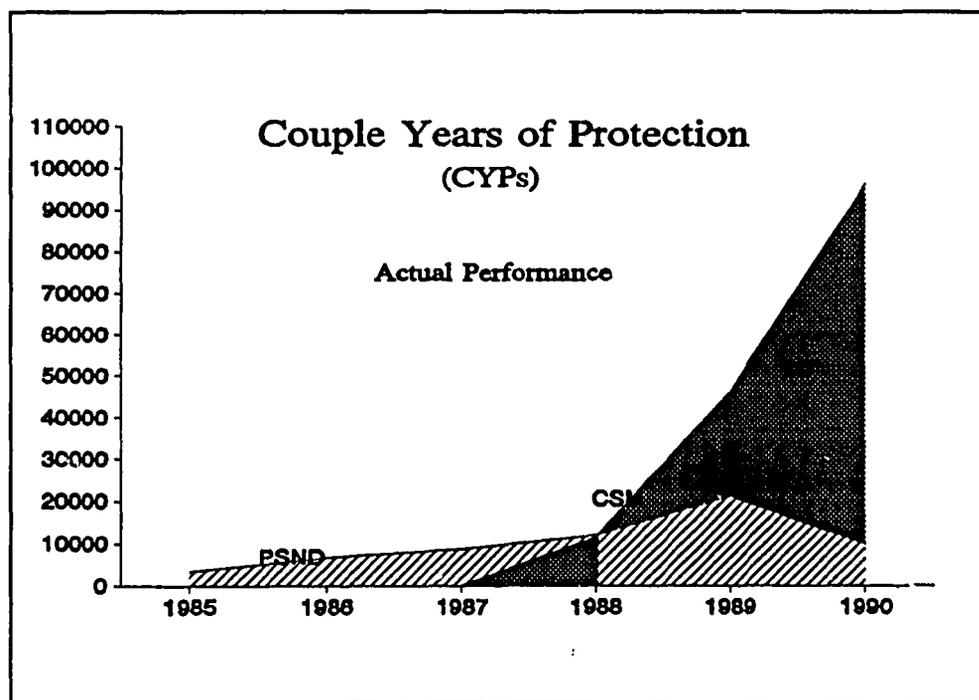


Figure 1

²CYP translates the volume of contraceptives distributed to end users into the number of person-years of protection that the quantity distributed would theoretically provide. CYP is considered to be the best indicator of choice for the purposes of tracking outputs for family planning programs in between contraceptive prevalence surveys.

³1990 CYPs are annualized from actual data through June 1990.

Audit Objectives

The Office of the Regional Inspector General For Audit, Dakar, performed an audit of Zaire's Family Planning Services Project to answer the following objectives:

1. Did USAID/Zaire account for A.I.D. funds in accordance with agency policies governing funds control and disbursement procedures?
2. Did USAID/Zaire properly plan for commodity needs and establish adequate procedures to ensure that commodities procured were received, inspected, stored, distributed and properly utilized?
3. Did USAID/Zaire follow A.I.D. policies and procedures in: (a) planning technical assistance needs and (b) obtaining satisfactory contractor performance through adequate monitoring?
4. Did USAID/Zaire properly plan, implement and monitor the project's participant training program?
5. Did USAID/Zaire monitor the GOZ's contribution required under the Project Grant Agreement to ensure that the project was carried out effectively and in a timely manner?

To answer these objectives, we tested whether USAID/Zaire: (a) followed A.I.D. internal control procedures and (b) complied with applicable provisions of laws, regulations and agreements.

Our tests were intended to provide reasonable--but not absolute--assurance of detecting abuse or illegal acts that could significantly affect the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, USAID/Zaire or the GOZ was following A.I.D. procedures and complying with legal requirements.

Therefore, we limited our conclusions concerning any such positive findings to the items tested. But when we found problem areas, we performed additional work to:

- conclusively determine whether USAID/Zaire and/or the GOZ were: (a) following appropriate procedures or (b) complying with legal requirements;
 - identify the cause and effect of the problems and make recommendations to correct the condition and cause of the problems.
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REPORT OF AUDIT FINDINGS

Did USAID/Zaire account for A.I.D. funds in accordance with agency policies governing funds control and disbursement procedures?

For the items tested, USAID/Zaire accounted for A.I.D. funds in accordance with Agency policies governing funds control and disbursement procedures except for accrual practices. Specifically, we found that:

- A.I.D. funds were obligated and used in accordance with the general purposes stipulated in the Project Agreement;
- USAID/Zaire established fund control ledgers and records as required by Agency policies;
- the Project Officer ensured the availability of funds before committing A.I.D. funds;
- vouchers were promptly and properly approved;
- payments were made in accordance with the Prompt Payment Act of 1982; and
- disbursements were properly recorded to commitment liquidation records.

However, USAID/Zaire did not properly accrue expenditures for two technical assistance contractors--The Population Council and Population Services International. Even though financial status reports were available from the contractors, accrual estimates were not based on these reports. Consequently, expenditures for The Population Council and Population Services International were understated by \$214,470 and \$103,747.

Also, USAID/Zaire did not have information to determine whether payments were made by A.I.D./W to The Population Council. Although The Population Council's two long-term technical assistants had been in Kinshasa incurring expenses for nearly a year, A.I.D./W had not yet notified the Mission by Advice of Charge (AOC) that payments (paid by A.I.D./W but funded by USAID/Zaire) had been made. As a result, USAID/Zaire's accounting office was not able to

record disbursements to the commitment liquidation record. Detailed discussions follow.

USAID/Zaire Did Not Accurately Report Accrued Expenditures

Since accruals represent constructive receipt of commodities and/or services not paid for, they represent a liability to A.I.D. To properly account for such liabilities, a circular issued by the Office of Management and Budget requires Federal agencies to develop reasonably reliable estimates for costs that have been incurred but not yet paid. A.I.D. implementing guidance states that accruals are to be developed for reporting purposes on a quarterly basis and that the responsibility for developing accrued expenditure data rests with the mission accounting office and the Project Officer.

In reviewing the commitment liquidation records for two technical assistance contractors--The Population Council and Population Services International (PSI)--we found that, while quarterly accruals were almost always made, they did not accurately reflect expenditures incurred (and not yet paid) as reported on Financial Status Reports (Standard Form 269) prepared by the contractors. Instead, the accruals were the same dollar amount each quarter regardless of disbursements recorded during the accounting period. To determine the amount of expenditures which should have been accrued, we reviewed the disbursements recorded in the commitment liquidation records and compared these figures to the cumulative expenditures reported by the contractors on the Financial Status Reports. From this comparison, we found that, for the period ending September 30, 1990, PSI's accruals were understated by \$103,747 and that The Population Council's accrued expenditures were understated by \$214,470.

Moreover, in The Population Council's case, we found that no disbursements had been recorded since the commitment start date of November 11, 1989. A review of the commitment liquidation record showed that the Mission had not yet received notification from A.I.D./W through AOCs that payments had been made to The Population Council. Even though one year had passed since The Population Council began incurring expenses and reporting its expenses in Financial Status Reports, the Mission was continually reporting the same accrued expenditure amount of \$131,000 each quarter. By September 30, 1990, The Population Council had incurred nearly \$350,000 in expenditures of its \$999,622 contract. Thus, because the Mission was not reporting reliable estimates of costs for services constructively received, project officials did not know whether the progress of the contractors' performance was in line with expenditures incurred.

Under A.I.D.'s various payment systems, there can be a substantial time lag from the date services are rendered until invoices are received, paid and recorded. The

A.I.D. accrual process is designed to bridge such time lags which are most frequently encountered when A.I.D./W makes payments on behalf of the missions and transmits the vouchers by AOCs. Keeping time lags to a minimum and compensating for time lags through the accrual process allows A.I.D./W to more accurately report its accounts payable and develop pipeline status reports--tasks that depend heavily on reporting reasonably reliable accrued disbursement data for each project's commitment documents. At the mission level, reliable accrual estimates are important as a source of data to compare planned versus actual expenditures during the implementation phase. Such comparisons allow project management to identify those project elements requiring special attention.

Responsibility for developing accrued disbursement data rests with the missions. The accounting office and the Project Officer are specifically responsible for securing the necessary source data and developing the accrued expenditures for each accounting period. While the accounting office is responsible for maintaining project accounting records and submitting the required financial reports to A.I.D./W, the development of reliable expenditures--one measure of project performance--is a management team responsibility shared by the accounting office and the Project Officer.

The Mission's accounting office told us that accrual estimates are developed by the FPSP Project Officer and recorded by the accounting office. Mission officials also stated that the inaccurate accrual estimates occurred because the Project Officer misinterpreted the accounting office's instructions on how to prepare accrual worksheets. Instead of reporting cumulative accruals, the Project Officer was only reporting expenditures for one accounting period. Also, the lack of quality control by the accounting office in the review of accrual estimates was cited as a contributing cause.

Recommendation No. 1: We recommend that the Director, USAID/Zaire, require the Mission's accounting office to:

- 1.1 instruct project personnel (with appropriate examples) on how to properly complete quarterly accrual worksheets;**
- 1.2 review the reasonableness of accrual worksheets prepared by project personnel and their supporting documents ; and**
- 1.3 follow up with A.I.D./W on the status of AOCs for The Population Council.**

Did USAID/Zaire properly plan for commodity needs and establish adequate procedures to ensure that commodities procured were received, inspected, stored, distributed and properly utilized?

USAID/Zaire generally did not properly plan for commodity needs and establish adequate records to ensure that commodities procured were received, inspected, stored, distributed and properly utilized.

To date USAID/Zaire has authorized \$8.3 million for purchasing commodities. Approximately 72 percent of this amount is for contraceptives while the remaining 28 percent is for the purchase of vehicles, medical equipment and supplies, and office equipment. As of September 30, 1990, A.I.D. obligated \$6.3 million for commodities of which approximately \$1 million was spent for contraceptives and \$1.3 million was spent for vehicles, equipment, and supplies.

We found that, although USAID/Zaire developed commodity procurement plans for some of the authorized \$8.3 million, the contraceptive procurement plans were inadequate and based on inaccurate beginning of the year stocks and unrealistic estimates of future product consumption. This inadequate planning resulted in substantial over procurement and the eventual destruction of expired contraceptives totaling 26 percent of the value of all contraceptives received by PSND. To make matters worse, A.I.D. risks losing another 37 percent of these contraceptives due to expiration unless it takes immediate action to resolve these problems.

We also found several instances of commodities not being utilized for their intended purposes. This situation occurred because A.I.D. internal control procedures such as inspections by the Project Officer during site visits and end-use monitoring were not implemented. Consequently, project funds were wasted on the personal use of project vehicles and supplies and equipment which were not being utilized at all.

Additionally, USAID/Zaire did not ensure that the GOZ followed A.I.D. policy in the disposition of eight A.I.D.-financed vehicles. In accordance with A.I.D. policy, the Project Officer had requested the GOZ to turn over the proceeds from the sale of eight project vehicles to USAID/Zaire for reprogramming. The GOZ did not comply with this request. Instead PSND kept the \$8,315 in local currency proceeds in petty cash and used the proceeds for whatever needs arose. Although USAID/Zaire project officials were fully aware that PSND did not comply with the request, they took no action to secure the receipt of the sales proceeds.

Detailed discussions of these commodity management problems follow.

Planning For Contraceptive Procurement Was Inadequate

A.I.D. policy requires project officials to prepare Contraceptive Procurement Tables (CPT) to estimate contraceptive needs. Guidance on the preparation of the CPT identifies the Beginning of Year Stock (BOYS) and the Estimated Product Consumption (EPC) as the two key elements of the CPT. BOYS is defined as the actual amount in inventory at all program levels or the best estimate of that amount. The guidance further states that BOYS should not simply consist of stock on hand at the central level since this corresponds to an assumption that no stocks are available farther down the distribution chain, and may result in overstocks and waste of A.I.D. funds. EPC should be based on the actual figures for product use in the past as well as realistic estimates of future program expansion.

Another important criteria in planning for contraceptive procurement is that not more than one-third of the shelf life shall have expired on the date of shipment of any pharmaceutical product. Upon inspection of goods at the time of delivery, the Mission should not accept any contraceptives whose shelf life is more than one-third expired.

The audit showed that USAID/Zaire did not follow the guidance for the preparation of CPTs for PSND. Specifically, USAID/Zaire calculated PSND's BOYS to be only those stocks as reported by PSND in the Kinshasa central warehouse. No verification or estimation of stocks at lower distribution levels was made. In fact, stocks held at regional distribution points are estimated in some cases to be equal to or greater than the quantity held in PSND's central warehouse (see Figure 2). To make matters worse, PSND's EPC was determined from products distributed to regional distribution points and not from actual end-use statistics.

This situation occurred because USAID/Zaire and PSND did not establish an adequate commodity accounting system and therefore did not have the appropriate information readily available to accurately prepare CPTs. In particular, PSND does not have complete records of the status of contraceptives once they leave the central warehouse. Since PSND is a highly centralized organization (See audit objective No. 3) with limited field capabilities, end-use statistics and records of stocks on hand at the regional levels are sketchy at best. Moreover, end-use monitoring is practically non-existent--a problem that renders adequate planning impossible. (See the next section of this audit objective for detailed information on end-use monitoring.)

The effects of this poor planning are shocking:

- Five times more condoms and spermicide are in stock in the central warehouse than have been distributed to clients during the entire life of the project (eight years).
- Over one-fourth of the value--\$308,000--of all contraceptives received by PSND have had to be destroyed due to expiration.
- Another 37 percent of the value of all contraceptives received to date will have to be destroyed in four years if the current usage trend continues. (See Exhibits I-V pp.28-32)
- 66 percent of IUD's received were destroyed due to expiration.
- 38 percent of the oral contraceptives received were destroyed due to expiration. These contraceptives were accepted by USAID/Zaire in August 1984 even though two-thirds of their shelf-life had already expired.

The graph below depicts the severity of this problem.

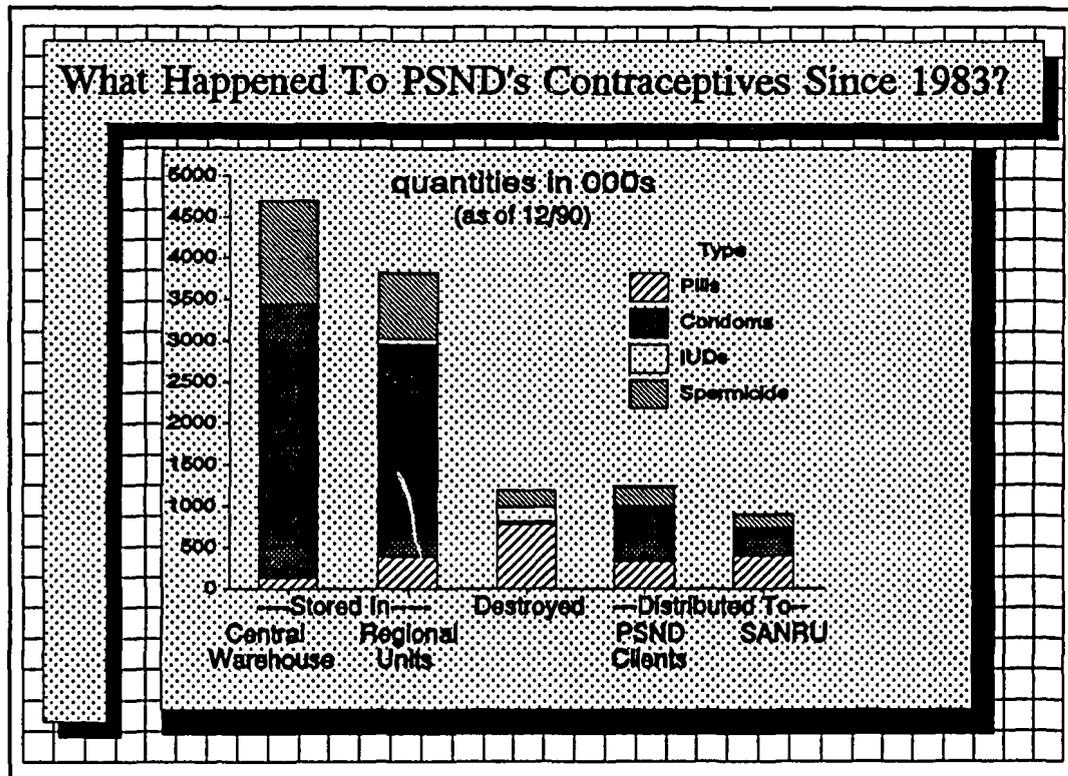


Figure 2

The data represented in Figure 2 was assembled from various source documents and represents the best estimates available for the various categories. However, according to project officials, the end-use statistics are known to be inaccurate since these figures are comprised of an incomplete set of reports sent to PSND headquarters from the field; that is, not all client distribution sites faithfully send in their reports. Despite this knowledge, PSND has not even begun to address the problem. It continues to neglect this priority in favor of activities that have little to do with the delivery of family planning services.

It is imperative that USAID/Zaire take a leadership role in procurement planning for contraceptives by implementing the actions herein recommended.

Recommendation No. 2: We recommend that the Director, USAID/Zaire:

- 2.1 engage the required technical assistance to assist in the implementation of an accounting system that will track commodities from ordering documents through the distribution phase and to the eventual end-use;**
- 2.2 recalculate the next cycle of contraceptive procurement tables taking into account stocks at regional distribution points and actual end-use statistics; and**
- 2.3 immediately cancel all pending PSND orders for condoms, IUDs and spermicides and make arrangements to transfer excess contraceptives to either the social marketing program, or other A.I.D. family planning programs.**

**A.I.D.-financed Vehicles,
Equipment and Supplies Were
Not Being Utilized As Intended**

A.I.D. Handbook No. 15, Chapter 10, which outlines A.I.D. policy concerning the appropriate use of commodities, states that the Grantee must ensure that commodities are used in accordance with project implementation plans. To verify that commodities financed by A.I.D. are being effectively used, USAID/Zaire must review progress reports and conduct end-use checks. These end-use checks may be based on a sampling or percentage review of commodity distributions with selective follow-up to the point of consumption.

USAID/Zaire Mission Order No. 309 further prescribes the methods and responsibilities for accomplishing end-use monitoring. This order states that the

Project Officer has basic responsibility for carrying out an annual end-use survey and that in the absence of available personnel in the mission, the Project Officer should fund a technical assistance contract for these services. With such an approach, the Project Officer is able to review the overall effectiveness of commodity management which can be used as a basis for initiation of any necessary corrective action.

The audit identified several instances of A.I.D.-financed commodities being used for activities totally unrelated to the project's purpose or whose use is mismanaged, both of which resulted in the waste of project funds. The following are examples of this finding:

- PSND has the use of twenty-two A.I.D.-financed vehicles (eighteen of which are brand new) but only has six chauffeurs to operate them. Ten of these vehicles are awaiting adequate funds for their shipment to regional locations where again PSND will not have chauffeurs to drive them.
- The Director of PSND has the use of two project vehicles after working hours and two project-funded guards (at her home) to safeguard the vehicles and at the same time is requesting USAID/Zaire to fund additional chauffeurs and guards. Moreover, this personal use of project vehicles is not being deducted from the Director's premium pay. USAID/Zaire was informed of this misuse by PSND management advisors.
- All spare parts (175 spare tires, 175 tire tubes, and others) ordered for 100 bicycles distributed in 1983 for community-based distribution of contraceptives remain idle in the central warehouse. USAID/Zaire receives regular inventory reports showing these idle supplies.
- Numerous spare parts for vehicles--such as 87 brake shoes ordered in 1983--are stored in the central warehouse even though PSND sold the vehicles in July 1990. USAID/Zaire receives regular inventory reports reflecting these unusable supplies.
- Medical equipment for voluntary surgical procedures at Kitembo Maternity Hospital is not being used due to insufficient electric power--a problem which had not yet been brought to the attention of the hospital maintenance management. PSND staff was aware of this problem.
- Some vehicles are assigned to people who have little to do with the implementation of this project: (a) two vehicles are assigned to the GOZ's population policy institutions (CONAPO and CECAP), and (b) one vehicle is assigned to the Natural Family Planning Center of the Catholic Church. USAID/Zaire did not participate in the assignment process of A.I.D.-financed vehicles--it simply accepted PSND's suggestion without question.

At this time the project's social marketing program is greatly in need of additional vehicles to keep up with the rapidly growing demand for its services.

These wasteful uses of project commodities were allowed to take place because USAID/Zaire did not effectively monitor their utilization. First of all, the Project Officer did not perform annual end-use surveys in accordance with Mission Order No. 309. Secondly, although a USAID/Zaire representative visits PSND headquarters weekly, there is no documented evidence of periodic commodity inspections. Still another example of poor monitoring is that vehicle logbooks are not reviewed by PSND or USAID/Zaire; in fact, these logbooks have not been kept at all in recent months. Finally, even for those cases of misuse that USAID/Zaire officials were aware of, they did not take any appropriate corrective actions. Consequently, commodities are not playing their intended role in the achievement of project objectives.

The monitoring system for commodities is highly vulnerable since it is heavily dependent upon the Project Officer's initiative and resources. Also, since the Project Officer has many duties and limited time, he may tend to rely on reports from contractors, rather than time-consuming site visits to track commodity utilization. Furthermore, the effort devoted to commodity oversight varies with the Project Officer's priorities and the support he receives from higher management as well as the importance which the Mission assigns to the commodity area. Therefore, it is imperative that the Project Officer is given the support to carry out the required monitoring responsibilities and the authority to take the sometimes painful yet necessary corrective actions.

Recommendation No. 3: We recommend that the Director, USAID/Zaire:

- 3.1 carry out an end-use survey of FPSP-financed commodities within calendar year 1991 and include in the project's implementation plan a schedule for conducting future annual surveys;**
- 3.2 perform semi-annual inspections of vehicles and equipment on a sample basis;**
- 3.3 require PSND to submit to USAID/Zaire monthly vehicle logbooks and review these records for the proper use of vehicles;**
- 3.4 include a specific section in project implementation reports that details the results of end-use surveys, semi-annual vehicle and equipment inspections and vehicle log reviews and actions taken and required to correct any noted deficiencies;**

- 3.5 review PSND's inventory reports of equipment and supplies on a semi-annual basis and make arrangements to sell or otherwise dispose of those commodities that can no longer be used for project purposes;
- 3.6 review PSND's vehicle inventory and reassign those vehicles according to the project's implementation priorities taking into consideration the needs of all areas of the project including CSM; and
- 3.7 put an immediate end to all unauthorized use of project vehicles.

**PSND Did Not Follow
A.I.D. Policy In Disposing
A.I.D.-financed Commodities**

On April 12, 1990, PSND informed USAID/Zaire of its intention to sell eight vehicles that were provided by the FPSP. USAID/Zaire responded in a letter dated May 8, 1990 that outlined the required procedures for sales of A.I.D.-financed commodities. Among these procedures was the requirement that sales proceeds be delivered to USAID/Zaire no later than one week after the public sale. The proceeds would then be reprogrammed for agreed upon purposes.

The audit showed that PSND did not give \$8,315 in local currency generated from the sales that took place on July 20, 1990 to USAID/Zaire. According to PSND's accountant, the proceeds were kept in petty cash and used for incidental expenses. This is another situation where USAID/Zaire took no corrective action although it was fully aware of PSND not following required procedures. As a result, USAID/Zaire's lax posture only serves to reinforce PSND's continued noncompliance with A.I.D. policies. Moreover, the specific objective of reprogramming sales proceeds for agreed upon project purposes was not achieved.

Recommendation No. 4: We recommend that the Director, USAID/Zaire require PSND to immediately turn over \$8,315 in local currency and reprogram this sum for authorized project activities.

Did USAID/Zaire follow A.I.D. policies and procedures in: (a) planning technical assistance needs and (b) obtaining satisfactory contractor performance through adequate monitoring?

For the technical services tested, USAID/Zaire and the GOZ followed A.I.D. policies and procedures in planning technical services needs and obtaining satisfactory contractor performance except for: (1) PSND's lack of commitment to support and use A.I.D.-financed technical services and (2) inadequate follow-up with implementation deficiencies reported by technical assistance contractors.

We found that USAID/Zaire adequately assessed technical services needs and that these needs were directly related to meeting the project's purpose. As a result of this needs assessment, A.I.D. funded several technical assistance contracts totaling \$4.3 million. Over 50 percent of these funds were for management support to the public and private sector implementing organizations. As shown in Figure 3, the remaining technical assistance was divided among policy support; information, education and communication (IEC); training; and other miscellaneous project-related areas.

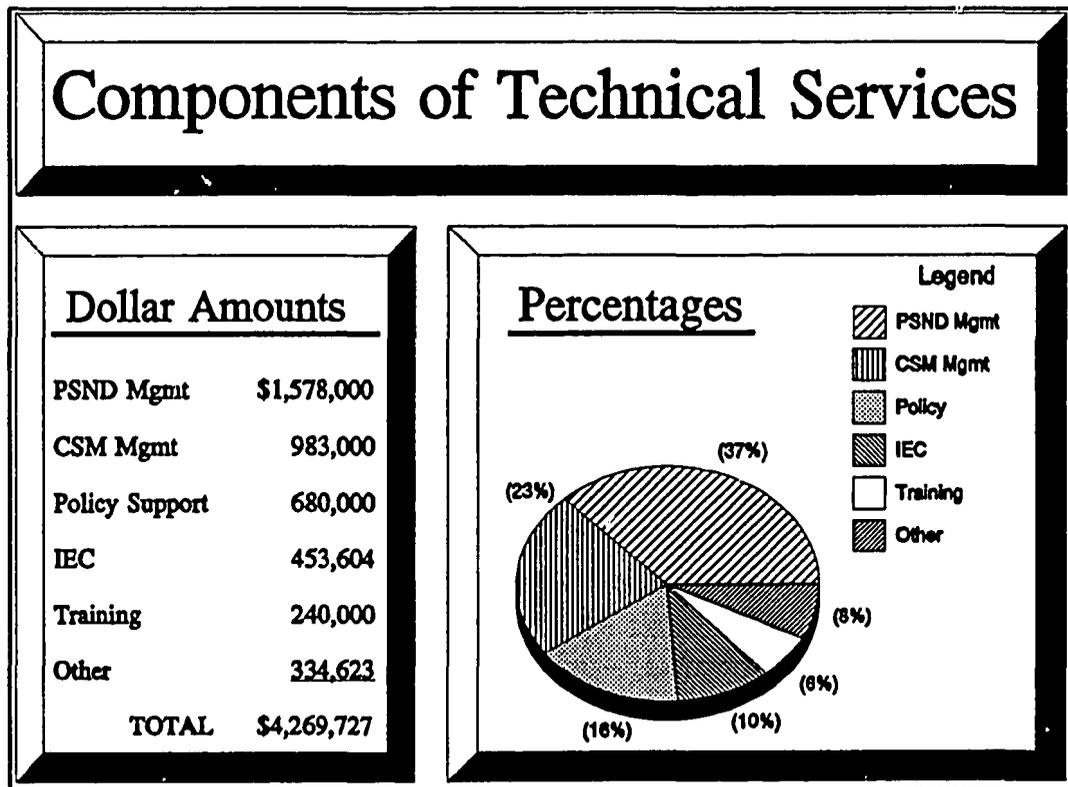


Figure 3

We audited the performance of \$3.5 million (83 percent) of these contractors and found that: (1) statements of work clearly defined the tasks to be performed; (2) work plans were developed to implement the statements of work; (3) contractors provided the required personnel in a timely manner to implement the work plan; and (4) contractors made satisfactory progress and adequately reported on the progress made toward the tasks as listed in workplans.

However, because (a) the director of PSND did not always commit to support and use the technical services provided by A.I.D. and (b) the Project Officer did not follow up with implementation deficiencies noted by contractors, PSND did not implement the advice of its management advisors, and implementation problems, although identified, have not been resolved. Consequently, the project's success in meeting public sector service delivery objectives through improved management, technical and logistical support systems has been limited.

**Management Advisory Services
To PSND Have Not Been Effective
In Achieving Their Intended Purpose**

The experience of the first six years of the FPSP demonstrated that a complex variety of technical inputs and different implementing and assisting agencies were necessary to achieve family planning successes in Zaire. This requirement resulted in the need to institute a management support unit that would effectively coordinate, manage, and support the various inputs. It was in this spirit that the institutional contractor, The Population Council, was engaged under an A.I.D. direct contract to head up such a management unit.

The overall objective of the technical assistance to PSND provided by The Population Council (a \$999,622 contract, nearly 50% expended) is to provide assistance in developing and implementing improved management operations and evaluation procedures. A specific objective of the management technical advisor/chief of party is to assist PSND's management with the analysis of the structure and organization of family planning programs and make appropriate recommendations for reforms in several areas including financial management. The November 1990 Evaluation of the FPSP noted that The Population Council has done an excellent job in fulfilling its contract objectives but that the skills of the management advisor have been unappreciated and his advice has not been utilized by the director of PSND. In addition, the evaluation team reported on several implementation deficiencies plaguing the project that had already been brought to the attention of USAID/Zaire project officials by The Population Council management advisor.

The obvious result of such poor collaboration and incomplete monitoring and follow-up is that A.I.D.-financed technical services did not meet their intended

purpose of strengthening PSND's management system so that the ultimate project goal of increasing contraceptive prevalence could be achieved. The two causes of this ineffective management technical assistance are discussed below.

PSND's Director Was Not Committed To Support And Use A.I.D.-Financed Technical Services: To avoid misunderstandings concerning specific technical services objectives between A.I.D., the host country, and a technical services contractor, A.I.D. policy calls for a well-coordinated effort in determining the type and amount of technical services. The host country should make a commitment to support and use the A.I.D.-financed technical services offered. According to several project officials, PSND did not always agree to the type and amount of technical services and in certain cases the Project Director reluctantly signed project implementation orders for technical services.

A project advisor stated that this lack of commitment to support and use technical services funded by A.I.D. was due in part to conflicting goals of PSND and those of the FPSP. That is, PSND gave priority to strengthening political and institutional relationships instead of the FPSP's priority of emphasizing the need to provide quality services and ensure strong support to service providers in the field. Evidence of this can be seen in PSND's overwhelmingly centralized management structure, excessive administrative and office expenses, and generally poor performance in the provision of family planning services.

A specific example of the effects of disregarding management technical assistance advice can be seen in the financial management arena. Although several gains have been made in the area of financial management, one of the project's key resources in this area--PSND's finance manager trained by The Population Council--was suddenly and without explanation transferred to the training department by the PSND Project Director. This situation has severely impaired PSND's ability to manage its limited financial resources and contributed to PSND's failure to meet USAID/Zaire's strict counterpart fund certification--a failure which has resulted in the blockage of counterpart funds to the project. The director of PSND has not provided any explanation for this mismanagement of A.I.D.-funded technical services activities and disregarded The Population Council's advice against this change in personnel.

In our opinion, the implementation of management systems and procedures developed by the management advisory assistants is vital to the achievement of the project's purpose as authorized by A.I.D. and should be linked to any future A.I.D. financing of PSND activities.

USAID/Zaire Project Personnel Did Not Adequately Monitor Technical Assistance Services: A.I.D. implementation policy (as contained in Handbook No.

3, Chapter 8) states that, although A.I.D. must assume responsibility for substantive implementation actions, it does not act as "Project Manager". The Implementing Agency designated by the Grantee is considered to be the "Project Manager", but the interaction between A.I.D. and the Grantee is affected by the capabilities of the Implementing Agency including the experience of its staff in carrying out tasks similar to those required to effectively implement the project.

Furthermore, it is through monitoring that the Project Officer is able to influence the successful accomplishment of specific project implementation activities. Monitoring methods such as the review of project reports, site visits, and consultation with project personnel and contractors allow the Project Officer to

identify problems and take actions to correct such problems. A.I.D.'s first step is normally to communicate with the Grantee about the deficiency and to review options for resolving the problem. When the Grantee fails to satisfactorily rectify the situation, A.I.D. should take specific enforcement actions and/or sanctions which range from informally holding up disbursements until the situation is corrected to the canceling of further assistance in extreme cases.

During the course of our audit, we found several instances where USAID/Zaire did not carry out the monitoring of technical assistance contractors to the point required to rectify problems identified by these contractors. Although the Project Officer sent numerous letters to the Project Director of PSND requesting corrective action be taken concerning such matters, he did not follow-up when the Project Director failed to respond or resolve the problems.

In addition to other implementation problems discussed throughout this audit report, we have identified the following management-related implementation deficiencies that continue to plague the achievement of the project's objectives:

- Management decisions made by PSND's Project Management Unit, UACP, are often ignored or overruled by the PSND Project Director.
- PSND headquarters staff is excessive resulting in an overly centralized organization not capable of providing an effective delivery of family planning services.
- The PSND Project Operations Manual (a required output of The Population Council) has not been formally approved and adopted for use in PSND's daily operations leaving room for inconsistent operating procedures and management practices.
- PSND's Project Director does not delegate management responsibilities to secondary and tertiary management levels rendering the contribution of these management levels ineffective and creating a system where even the

simplest of project implementation activities must first be approved by the Director.

- PSND's Project Director frequently changes the organization chart and shuffles the roles of management personnel throughout the organization without regard to their experience and backgrounds.

The USAID/Zaire Project Officer and Assistant Project Officer believed that they had done everything possible, short of implementing the project themselves, to rectify implementation problems brought to their attention by the management technical services contractor. However, we believe that the management capabilities of PSND are such that USAID/Zaire must become more actively involved in project implementation decisions in order to achieve the project's purpose as authorized by A.I.D.

Recommendation No. 5: We recommend that the Director, USAID/Zaire:

- 5.1 require The Population Council to evaluate the organizational structure and personnel requirements of PSND and make specific recommendations on implementing an efficient decentralized structure that will emphasize the need to increase the provision of family planning services;**
- 5.2 request through a Project Implementation Letter that PSND submit the final draft of the Project Operations Manual (including a section outlining the authority to enforce such a manual) within 30 days for review and approval; and**
- 5.3 inform PSND through a Project Implementation Letter of the role the UACP plays in project decision making and that continued A.I.D. financing of PSND activities depends on the proper functioning of this Project Management Unit.**

Did USAID/Zaire properly plan, implement and monitor the project's participant training program?

The audit showed that USAID/Zaire did not properly plan, implement or maintain update records to monitor the project's participant training program. As a result, USAID/Zaire could not: (a) estimate whether carrying out the training activities was cost-effective, (b) ascertain whether the trained personnel

would be available for the project at the time they are needed, and (c) evaluate the effectiveness of the training in meeting desired objectives.

In order to upgrade the skills and knowledge of family planning service providers so that Zaire's long-term capacity to plan and manage its own program is strengthened, USAID/Zaire authorized \$725,000 for training. As of September 30, 1990, the Mission had spent \$440,000 to train 849 people in Zaire and 148 people overseas in areas ranging from basic family planning services to Masters degrees in Public Health.

**USAID/Zaire Did Not Properly
Plan And Implement The Project's
Participant Training Program**

Due to the high costs of training, all participant training programs should be thoroughly planned so that the overall goal of eliminating human resource constraints to development is achieved. A.I.D.'s training policy is designed to discourage the use of participant training programs as general scholarship funds and to encourage the provision of training to meet specific needs.

USAID/Zaire Mission Order No. 402 provides that, each year, the Project Officer will submit to the Mission's training office a copy of their annual training plan to help arrange training programs and process participants in a timely manner. Training plans should be based on an assessment of human resource needs of the project and should indicate the number of persons to be trained, the content area of training, the type of training, the training location, the beginning and ending dates of training, the training costs, the language requirement, and the responsible agent.

A thorough plan is required for a successful training program since: (a) the number of trainees, the type and length of training, and the training location all have important cost implications; (b) the beginning and ending dates of training have implications for whether trained host country personnel will be available for the project at the time they are needed; and (c) the provision of appropriate language training will influence both the timing and effectiveness of the training activities. Once a training plan is prepared, the Project Officer should develop specific selection criteria in collaboration with the host country and incorporate the criteria into the Project Grant Agreement.

We found that USAID/Zaire did not institute a systematic program to identify both basic and recurrent training needs. Also, annual training plans were not prepared prior to 1988. Finally, project officials did not develop criteria on which to base the selection of candidates for training courses.

Due to the lack of assessment of human resource needs, the Mission cannot ascertain whether A.I.D. resources are being spent to train the right people in the right field to achieve project objectives. Furthermore, the absence of training plans did not allow project officials to estimate the training costs, the date of availability of the trainees to the project and the effectiveness of the training program. Without documented selection criteria, the Project Officer has no basis for collaborative efforts with the GOZ in evaluating and selecting training nominees. For example, the 1990 evaluation team reported that, in some cases, participants selected for training by PSND did not have the appropriate backgrounds to attend certain courses.

Recommendation No. 6: We recommend that, for all future training activities, the Director, USAID/Zaire ensure that the Project Officer in coordination with the Mission's training office and the GOZ:

- 6.1 prepare annual training plans that meet the requirements contained in Mission Order No. 402; and
- 6.2 develop criteria for the selection of participants which meet the specific conditions of Zaire and incorporate this criteria into a Project Grant Agreement Amendment.

Records On Former Participants Were Inadequate To Monitor and Maintain Contact With Returned Participants

USAID/Zaire's training office has primary responsibility for maintaining accurate and complete records and statistics on participants; providing statistical data and periodic reports to project officers for the purpose of monitoring training programs; and ensuring that contacts are maintained with returned participants. However, it is the responsibility of the project officers to provide the data required to maintain such records.

Although the Mission's training office is in the process of implementing an automated data management system, the audit showed that this system was incomplete. For example: (a) only 54 returnees out of 148 overseas-trained participants are recorded; (b) only 18 of those 54 returnees have their training facilities listed; and (c) the training status report does not at all indicate current location and function of the returnees. Consequently, USAID/Zaire's training office cannot provide complete statistical data and periodic reports on participants or evaluate the effectiveness of the training in meeting the desired objectives.

The audit found that USAID/Zaire's Office of Health and Population (HPN) kept annual status reports since 1984. However, these status reports are not comprehensive and therefore do not include all of the information required to implement the new automated data management system. For example, they do not indicate the Project Implementation Order (PIO/P) number, nor do they record contact addresses of returned participants. Moreover, it was not until 1987 that they started indicating the funding sources and segregating participants by project. While the 1990 status report has improved over previous years, the "update status" indicates only whether or not the participant has returned from the training and does not provide information on his/her current location and activities.

According to a USAID/Zaire project official, this situation occurred due to the limited experience of HPN personnel in keeping such records and the absence of any guidance from the Mission's understaffed training office between 1983 and 1988. Since 1988, USAID/Zaire's training office has been fully staffed and has initiated efforts to collaborate with project officials and obtain the necessary information on the participants. This collaboration must continue in order to provide useful data for the purposes of monitoring A.I.D. participant training activities.

Recommendation No. 7: We recommend that the Director, USAID/Zaire require the Mission's training office to continue to work closely with project officials to design and implement a comprehensive recordkeeping system on participants.

Did USAID/Zaire monitor the GOZ's contribution required under the Project Grant Agreement to ensure that the project was carried out effectively and in a timely manner?

USAID/Zaire did not adequately monitor the GOZ's contribution of funds to the FPSP. We found that USAID/Zaire did not coordinate with PSND to ensure that GOZ contributions were included in the GOZ's budget and timely released in sufficient amounts. Additionally, although USAID/Zaire thoroughly controlled the release of Counterpart Funds (CPF), it did not monitor the GOZ's adherence to CPF budgetary controls as required by Mission policy.⁴ Consequently, the

⁴CPF represent local currency funds generated through A.I.D.'s Commodity Import Program and Public Law 480 Program in Zaire.

GOZ did not have enough operating funds to implement planned activities crucial to the project's success.

Under the Project Grant Agreement, the GOZ was to have provided \$5.5 million in local currency as of December 1990 and a total of \$7.042 million by December 1991 from the sources identified below:

	<u>Total To Be Provided by 12/91</u>	<u>Planned Through 12/90</u>
Counterpart Funds	\$4,838,000	\$3,871,000
GOZ's Ordinary Budget	1,332,000	999,000
GOZ's Investment Budget	<u>872,000</u>	<u>672,000</u>
TOTAL	\$7,042,000	\$5,542,000

However, as of November 1990, not a penny had been provided from the GOZ's Ordinary Budget and, Investment Budget contributions were behind schedule by \$170,000. Moreover, reduced levels of local currency from A.I.D.'s Commodity Import Program and Public Law 480 Programs in Zaire have caused CPF contributions to be short by \$785,180. This situation is shown in the following graph.

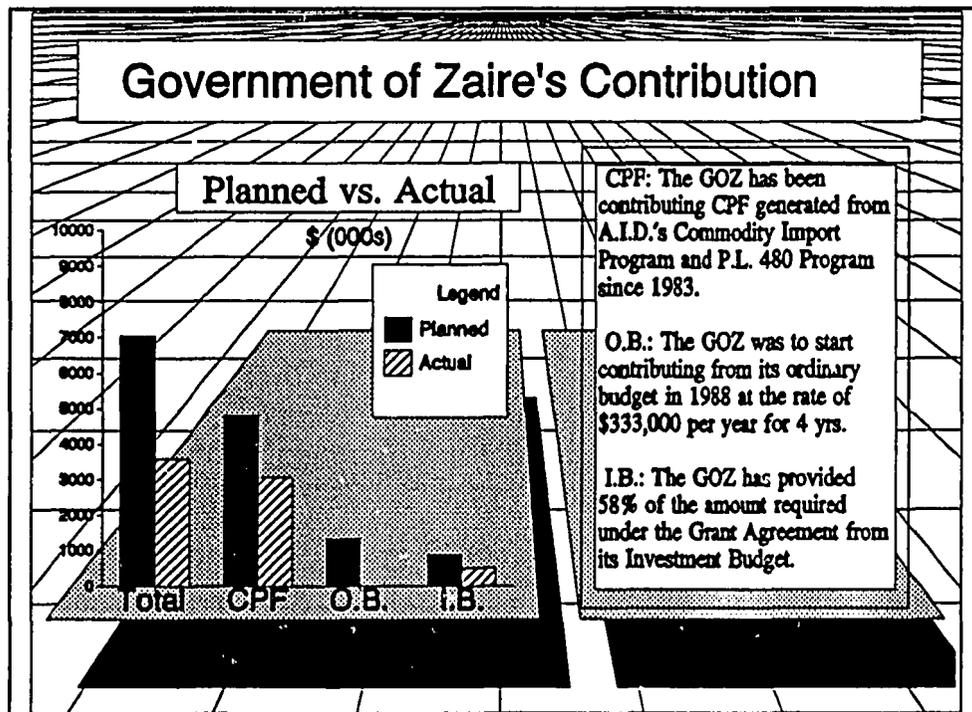


Figure 4

We also found that USAID/Zaire inadvertently understated the amount of the GOZ's contribution by \$3.6 million in the sixth amendment to the Project Grant Agreement. These problems are discussed in detail below.

**USAID/Zaire Did Not Monitor
The GOZ's Budget Contributions**

A.I.D. monitoring systems are established by individual missions so that they can be tailored to specific programs and known problems in a given country. A.I.D. Policy (outlined in A.I.D. Handbook No. 3) does, however, give minimum standards for a mission's monitoring system. One of these standards is the requirement to establish monitoring procedures to ensure the timely and coordinated provision of both A.I.D. and host country financing. Specifically, responsibility should be assigned to project personnel to work with other A.I.D. staff and the host country to assure that the host country contributions are actually budgeted for and that funds are timely released in amounts sufficient to meet planned activities.

The audit showed that USAID/Zaire project personnel were not working with GOZ officials to assure that the GOZ had indeed included the agreed to contributions in the GOZ's budget. In fact, even though the GOZ has not provided any of the \$1.33 million in Ordinary Budget funds, USAID/Zaire has not made one official request to the GOZ to deliver this contribution that it had agreed to provide in the Project Grant Agreement.

To date, the project should have received a total of \$1.67 million from the GOZ's Investment and Ordinary Budgets (\$672,000 and \$999,000 respectively). However, only \$501,690 has been provided--a shortfall of \$1.2 million which has severely limited PSND's ability to implement planned activities. For example, an A.I.D.-financed long range radio communication system costing approximately \$30,000 has been stored in the warehouse for the past year due to a lack of funds for its installation. This system is absolutely essential to improve the dismal performance of family planning services in a country--over three times the size of the state of Texas--where telecommunications are practically non-existent.

According to a Ministry of Planning official, because of the GOZ's limited budget resources, it is a long and tedious process to obtain Ordinary Budget funds and project directors who can count on a regular flow of A.I.D.-generated CPF tend to neglect the Ordinary Budget. He also stated that PSND had not yet taken the necessary steps to register with the Ministry of Plan as a priority project which would guarantee a flow of Ordinary Budget resources.

This is not the first time that the GOZ has failed to provide its agreed to contributions to projects financed by A.I.D. In fact, Zaire was singled out in the Inspector General's statement on host country contributions before the U.S. Senate Subcommittee on Foreign Operations as an example of a country that was not contributing its share. An A.I.D.-supported refugee assistance project in Zaire in the mid-1980s suffered work stoppages because the GOZ was not providing its \$13 million contribution in a timely manner. A recent RIG/A/Dakar audit of USAID/Zaire's Central Shaba Agricultural Development Project found that the GOZ had only committed \$8.2 million of its agreed to \$24.4 million contribution which caused severe implementation problems.

It is about time that USAID/Zaire leadership take the necessary steps to ensure that the GOZ is committed to the sustainability of development projects initiated by A.I.D. by linking the provision of A.I.D. assistance to the GOZ's ability and willingness to contribute. At the very least, USAID/Zaire should not continue to design projects whose success is highly dependent on operational funds provided from GOZ contributions which never seem to materialize at their intended levels.

Recommendation No. 8: We recommend that the Director, USAID/Zaire:

- 8.1 determine the feasibility of the GOZ's remaining ordinary and investment contributions of \$1,702,310 and ensure that the GOZ actually budgets for such contributions before the PACD of September 30, 1992; and**
- 8.2 in the event that the GOZ's contribution is determined to be not feasible, obtain the appropriate authorization to decrease the GOZ's contribution, amend the Project Grant Agreement, and prioritize project implementation actions.**

USAID/Zaire Did Not Monitor The GOZ's Adherence to CPF Budgetary Controls

In addition to ensuring the timely provision of project financing, another monitoring standard is to oversee the host country's compliance with A.I.D. policies and procedures. PSND's operating manual and USAID/Zaire Mission order No. 1204 on Counterpart Fund Accounting state that the accounting system must ensure that an annual budget is prepared in accordance with the project's financial objectives to allow the comparison of actual results with budgeted costs. Furthermore, procedures must be implemented to ensure that funds are committed only for the amounts in each budget category. Moreover, budget line items can only be changed if authorized by USAID/Zaire.

The audit showed that PSND's 1990 expenditures for office operating expenses exceeded the approved budget line item by nearly 90 percent. Also, the rehabilitation of a building--not originally budgeted for--contributed to PSND's inability to fully fund activities essential to the project's success. For example, the budgeted amount for transportation is 51 percent greater than what has actually

been disbursed and consequently, equipment and supplies have not been delivered to field offices. Furthermore, with the provision of only 30% of the special projects budget item, the regional offices could not develop an adequate structure to deliver family planning services. The following graph illustrates this problem.

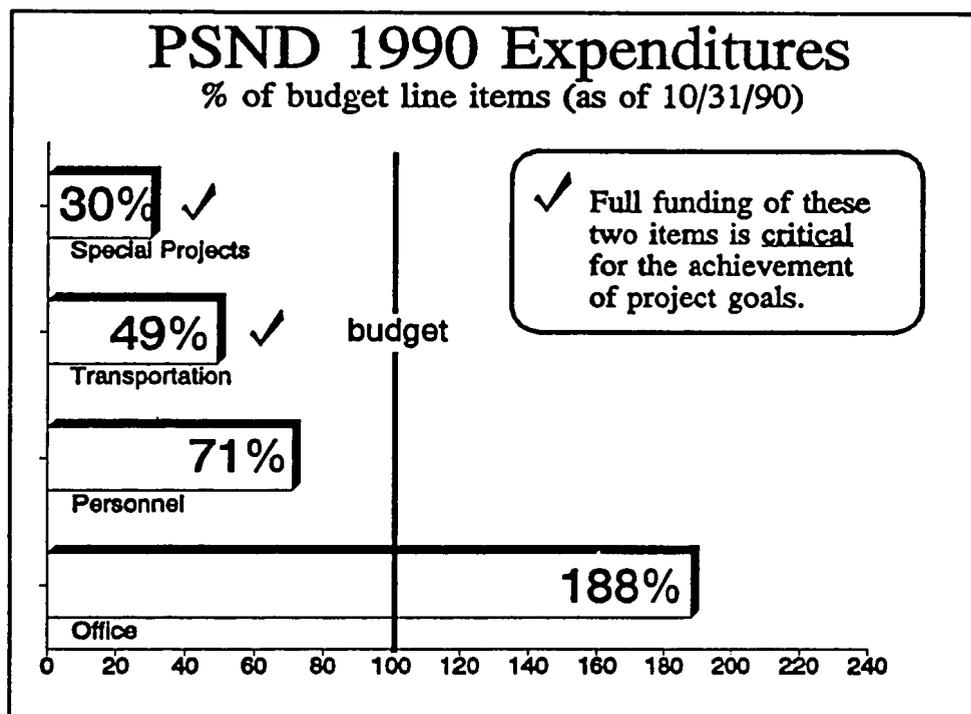


Figure 5

This schedule displays the cost categories as presented by PSND in its report submitted to USAID/Zaire. The Project Officer stated that he was aware of the line item excess expenditures, but we found no evidence that he had taken any action to constrain PSND's spending to be within the approved budget line items.

Recommendation No. 9: We recommend that the Director, USAID/Zaire, establish a system for ensuring that PSND does not exceed its counterpart fund budget line items by more than 15 percent and tie all future releases of counterpart funds to the meeting of this requirement.

**USAID/Zaire Inadvertently Understated
The GOZ's Contribution By \$3.6 million**

USAID/Zaire revised the Project Grant Agreement on August 29, 1988, to incorporate both the A.I.D. and GOZ financial contributions as authorized in the Second Project Paper Amendment. The GOZ budget contribution in this Grant Agreement amounted to \$7.042 million.

However, in March 1990, another Project Grant Agreement Amendment was signed wherein USAID/Zaire inadvertently deleted all previous financial plans and substituted the sum of \$3.408 million for the GOZ's total contribution. There was no documentation indicating that this reduction was authorized. As a result, the project stood to lose \$3.6 million.

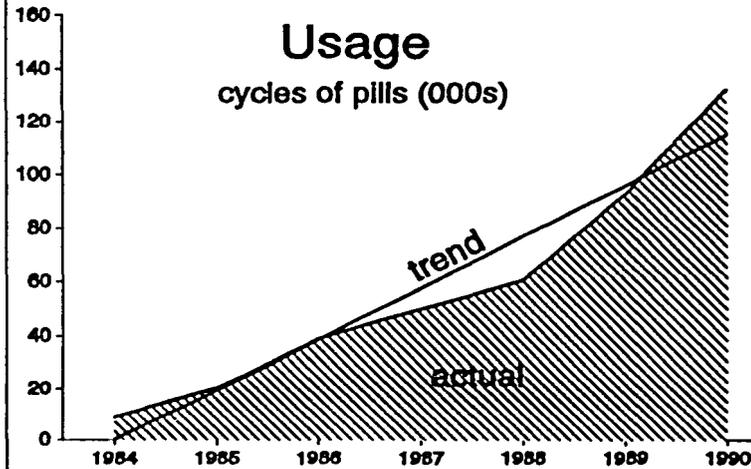
When asked why the two Project Grant Agreement Amendments presented contradictory information regarding the GOZ's contribution, the Project Officer explained that although he was previously unaware of this inconsistency, the GOZ's budget as stated in the sixth amendment to the Project Grant Agreement was an error. If undetected, this error would have caused a loss of \$3.6 million in operating funds that are essential to project implementation. It is imperative that an accurate agreement be prepared so that USAID/Zaire can proceed with its request to the GOZ to provide all contributions required.

Recommendation No. 10 : We recommend that the Director, USAID/Zaire, expeditiously amend the Project Grant Agreement to include the \$3.6 million in required GOZ contribution omitted in the Project Grant Agreement Amendment No. 6.

ORAL CONTRACEPTIVES USAGE TREND & FORECAST FOR PSND

FORECAST USAGE

1991	134,175
1992	153,371
1993	172,567
1994	191,763
Total	651,876

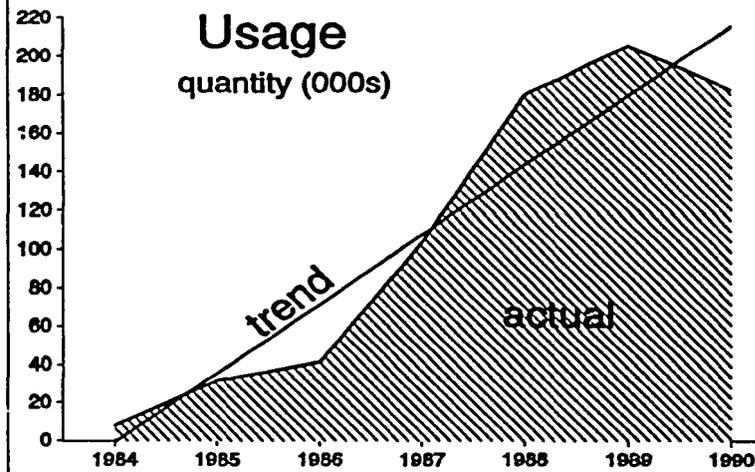


Note: The trend line is based on a linear regression of actual end-use statistics for the years 1984-89. Since actual data was not available for dates after June 1990, end-use statistics for 1990 are comprised of actual data through June 1990 multiplied by two.

CONDOM USAGE AND FORECAST FOR PSND

FORECAST USAGE

1991	251,995
1992	288,139
1993	324,283
1994	<u>360,427</u>
Total	1,224,844

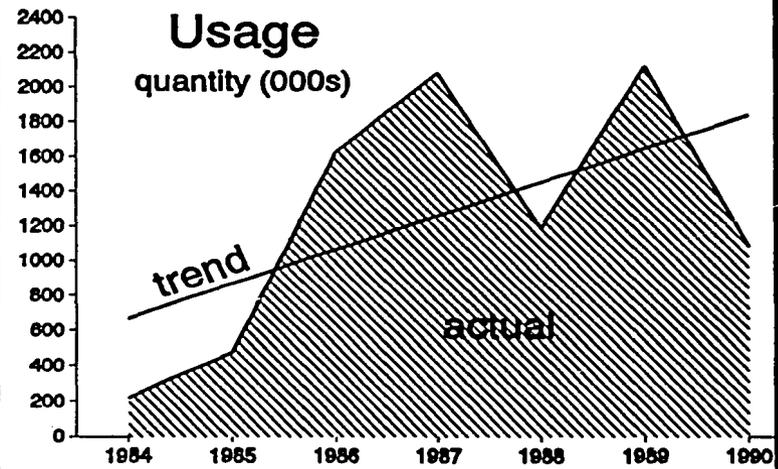


Note: The trend line is based on a linear regression of actual end-use statistics for the years 1984-89. Since actual data was not available for dates after June 1990, end-use statistics for 1990 are comprised of actual data through June 1990 multiplied by two.

IUD USAGE AND FORECAST FOR PSND

FORECAST USAGE

1991	2,034
1992	2,229
1993	2,424
1994	2,618
Total	9,305

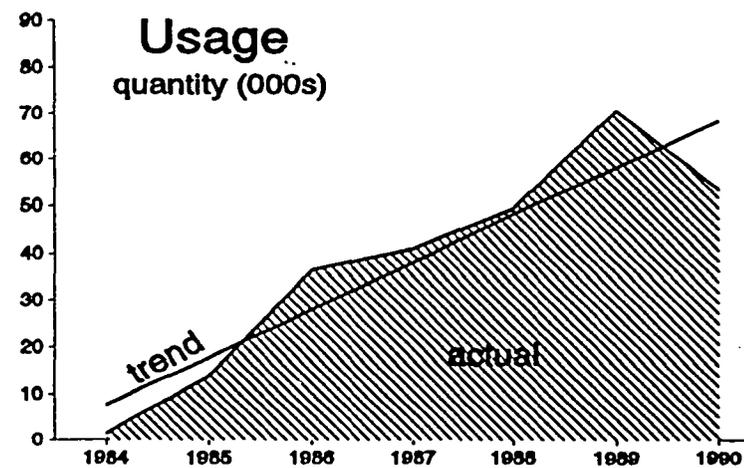


Note: The trend line is based on a linear regression of actual end-use statistics for the years 1984-89. Since actual data was not available for dates after June 1990, end-use statistics for 1990 are comprised of actual data through June 1990 multiplied by two.

SPERMICIDE USAGE AND FORECAST FOR PSND

FORECAST USAGE

1991	78,283
1992	88,377
1993	98,471
1994	<u>108,565</u>
Total	373,696



Note: The trend line is based on a linear regression of actual end-use statistics for the years 1984-89. Since actual data was not available for dates after June 1990, end-use statistics for 1990 are comprised of actual data through June 1990 multiplied by two.

PSND'S ACTUAL AND FORECAST EXPIRED STOCKS

EXHIBIT V

<u>ACTUAL</u> COMMODITIES DESTROYED:				
<u>DATE</u>	<u>TYPE</u>	<u>QUANTITY</u>	<u>\$ VALUE</u>	
5/86	PILLS	775,993	139,679	
6/89	PILLS	4,680	842	
6/89	CONDOMS	30,000	1,350	
6/89	IUDS	17,380	14,425	
6/89	SPERM	199,800	21,978	
6/89	DELFE	2,304	3,272	
8/90	PILLS	3,535	636	
8/90	CONDOMS	5,172	233	
8/90	IUDS	150,014	124,512	
8/90	SPERM	11,600	1,276	
8/90	DELFE	472	<u>670</u>	
TOTAL VALUE			<u>\$308,873</u>	
<u>FORECAST</u>				
<u>TYPE</u>	<u>12/90 STOCKS⁵</u>	<u>91-94 USAGE⁶</u>	<u>PROJECTED EXPIRED STOCKS</u>	<u>VALUE</u>
PILLS	526,074	651,876	-0-	-0-
CONDOM	5,867,832	1,224,844	4,642,988	\$208,934
IUDS	69,553	9,305	60,248	50,006
SPERM	2,054,606	373,696	1,680,910	<u>184,900</u>
TOTAL VALUE			<u>\$443,840</u>	

⁵12/90 stocks include stocks in PSND central warehouse as well as the stocks estimated to be in regional distribution points.

⁶1991-1994 usage is based on a linear trend of actual reported usage. (See EXHIBITS I-IV).

REPORT ON INTERNAL CONTROLS

We audited the Family Planning Services Project in Zaire for the period September 30, 1982 through September 30, 1990, and have issued our report thereon dated March XX, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively and reliably answer the objectives of the audit. Those standards also require that we:

- assess the applicable internal controls when necessary to satisfy the audit objectives; and
- report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

In planning and performing the audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer each of the five audit objectives and not to provide assurance on the internal control structure.

The management of A.I.D., including USAID/Zaire, is responsible for maintaining adequate internal controls. Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (The Integrity Act) in September 1982. This Act, which amends the Accounting and Auditing Act of 1950, makes heads of executive agencies and other managers as delegated legally responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls.

In response to the Integrity Act, the Office of Management and Budget has issued guidelines for the "Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government." According to these guidelines, management is required to assess the expected benefits versus related costs of internal control policies and procedures. The objectives of internal control policies and procedures for federal

foreign assistance programs are to provide management with reasonable--but not absolute--assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in condition may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified significant internal control policies and procedures applicable to each of the audit objectives by categories. For each category, we obtained an understanding of the relevant policies and procedures and determined whether they have been placed in operation--and we assessed the control risk. In doing this work, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. Reportable conditions are those relating to significant deficiencies in the design or operation of the internal control structure which we become aware of and which, in our judgment, could adversely affect USAID/Zaire's ability to assure that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Audit Objective One

This objective relates to the Mission's accounting for A.I.D.-provided funding. In planning and performing our audit of Mission accounting, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook Nos. 3 and 19 and the Controller's Handbook. For the purposes of this report, we have classified the relevant policies and procedures into funds control and disbursement procedures.

We noted two reportable conditions:

- the Mission's accounting office did not adequately review accrual worksheets to ensure that estimates were reasonably reliable; and
- the Mission was not recording disbursements to the Population Council's liquidation record in a timely manner because A.I.D./W was not providing Advices of Charge to the Mission.

Audit Objective Two

This objective relates to the procurement of project commodities. In planning and performing our audit of the commodities, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook Nos. 3 and 15 and the Project Officer's

Guidebook. For the purposes of this report we have classified the relevant policies and procedures into the following categories: the procurement planning process, and the commodity arrival, storage, distribution and utilization accounting processes.

We noted two reportable conditions:

- the Mission did not adequately plan for contraceptive procurement because the contraceptive procurement tables were based on inaccurate beginning of year stocks and unrealistic estimates of future consumption; and
- the Mission failed to monitor the use and disposition of A.I.D.-financed commodities by not performing commodity inspections, conducting end-use surveys, and taking appropriate actions to correct deficiencies identified.

Audit Objective Three

This objective relates to the planning of technical assistance and monitoring technical assistance contractor's performance. In planning and performing our audit of the technical assistance, we considered the applicable internal control policies and procedures contained in A.I.D. Handbook No. 3. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: the planning for technical assistance needs and the monitoring of contractor performance.

We noted that the Mission did not follow up with the implementation deficiencies identified in the course of monitoring contractor performance.

Audit Objective Four

This audit objective concerns planning, implementing and monitoring the project's participant training program. In planning and performing our audit of the project's participant training program, we considered the relevant internal control policies and procedures cited in A.I.D. Handbook 15 and Mission Order No. 402. For the purposes of this report, we have classified the relevant policies and procedures into the following categories: planning, implementing and monitoring processes.

We noted four reportable conditions:

- the Mission did not adequately plan for Participant Training because it did not base training plans on an assessment of human resource needs;

- the Project Officer did not develop criteria on which to base the selection of candidates chosen for training programs;
- the Project Officer did not keep the required data in order to maintain complete and accurate records on Participants trained; and
- the Mission's training office did not establish a complete participant training management information system.

Audit Objective Five

This objective relates to the GOZ's local currency contributions to the project. In planning and performing an audit of this area, we considered A.I.D. policies and procedures contained in A.I.D. Handbook No. 3.

We noted two reportable conditions:

- the Mission did not establish monitoring procedures to ensure that GOZ contributions were included in GOZ's budget and timely released in sufficient amounts to effectively implement the project; and
- the Mission signed the sixth amendment to the Project Grant Agreement without making a thorough review of the changes therein.

A material weakness is a reportable condition in which the design or operation of the specified internal control elements does not reduce to a relatively low level the risk that errors or irregularities--in amounts that would be material in relation to the financial reports on project funds being audited--may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described under audit objectives numbered two, three, and five are material weaknesses.

REPORT ON COMPLIANCE

We audited the Family Planning Services Project in Zaire for the period September 30, 1982 through September 30, 1990 and have issued our report thereon dated March XX, 1991.

We conducted our audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to fairly, objectively and reliably answer the audit objectives. Those standards also require that we:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives); and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when the source of the requirement is not followed or prohibition violated is a statute or implementing regulation. Noncompliance with internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is furnishing excessive services to beneficiaries or performing what may be considered improper practices, which do not involve compliance with laws and regulations.

Compliance with laws, regulations, contracts and grants applicable to the Project is the overall responsibility of USAID/Zaire's management. As part of fairly, objectively and reliably answering the audit objectives, we performed tests of USAID/Zaire, grantee and contractor compliance with certain provisions of Federal laws and regulations, grants and

contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests of compliance disclosed the following significant instance of noncompliance:

- Audit Objective No. 5 - The GOZ did not fulfill its contribution commitment as specified in the Project Grant Agreement.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, USAID/Zaire, the grantee and the contractors complied, in all significant respects, with the provisions referred to in the fourth paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that USAID/Zaire, the grantee and the contractors had not complied, in all significant respects, with those provisions.

**MANAGEMENT COMMENTS
AND OUR EVALUATION**

Audit Objective One

USAID/Zaire agreed that accruals were inaccurately reported and gave additional insight into the cause of this problem. Mission officials have reviewed the accruals for its entire portfolio and the FPSP was the only one where the misunderstanding occurred. The Controller has already instructed project personnel on how to complete accrual worksheets and has strengthened its quality assurance procedures by requiring a U.S. direct-hire employee to review such worksheets prior to posting. Evidence of follow-up action on the status of AOCs for The Population Council has also been provided by USAID/Zaire. Based on the actions taken, Recommendation Nos. 1.1, 1.2 and 1.3 are closed.

Audit Objective Two

USAID/Zaire agreed to the recommendations with certain modifications to facilitate their implementation. (See detailed Mission comments at the end of this report.) Therefore, Recommendation Nos. 2.1-2.3, 3.1-3.7 and 4 are resolved. They will be closed when evidence of the following actions is provided to RIG/A/Dakar:

<u>Recommendation No.</u>	<u>Closed</u>
2.1	Contract for technical assistance completed
2.2	Completion of Contraceptive Procurement Tables
2.3	Cancellation of contraceptives ordered for PSND
3.1-3.7	Issuance of memorandum from Mission Director to Project Personnel requiring the recommendations to be implemented
4.0	Issuance of bill of collection from USAID/Zaire to PSND for \$8,315 in local currency

Audit Objective Three

USAID/Zaire stated that PSND's Project Director was fired specifically because of adverse evaluation and audit findings and that a redefinition of priorities and a new spirit of collaboration has been established. Based on this and other Mission comments, (see detailed comments at the end of this report), Recommendations 5.1, 5.2 and 5.3 are resolved and will be considered closed when evidence of the following actions is provided to RIG/A/Dakar:

<u>Recommendation No.</u>	<u>Closed</u>
5.1	USAID/Zaire requests The Population Council to undertake the evaluation of the organization structure of PSND
5.2	Project Implementation Letter is issued to PSND requesting final draft of Project Operations Manual
5.3	Memorandum issued from USAID/Zaire Mission Director requiring the U.S. direct-hire Project Officer to attend weekly UACP meetings.

Audit Objective Four

USAID/Zaire agreed that the FPSP training plan and other important aspects of participant training have not been followed. Based on these comments, Recommendation Nos. 6.1, 6.2 and 7 are resolved and will be closed when evidence of the required actions is provided to RIG/A/Dakar.

Audit Objective Five

USAID/Zaire stated that it will hold the GOG to its commitment over the life of project but that the GOZ's contribution by source (i.e., Ordinary Budget and Investment Budget) is now dated and unrealistic given the current hyper-inflation and the general lack of commitment on the part of the GOZ. The Mission does not agree with Recommendation No. 8 because it believes that it is unrealistic to expect the GOZ to shift sufficient funding to meet this obligation within a 60 day period. However, the Mission did agree with Recommendation Nos. 9 and 10.

RIG/A/Dakar is fully aware of the current hyper-inflation in Zaire and the lack of GOZ commitment to contribute to A.I.D. projects. However, to take no action and just hope that the GOZ will one day comply with the Project Grant Agreement is not in

compliance with the intent of A.I.D. monitoring policies. As discussed earlier, this policy states that responsibility should be assigned to project personnel to work with other A.I.D. staff and the host country to assure that the host country contributions are actually budgeted for and that funds are timely released in amounts sufficient to meet planned activities.

The Mission can no longer afford to ignore its responsibilities. We believe that USAID/Zaire must take an active role in determining whether the GOZ is indeed capable of fulfilling its commitment. Without a high level dialogue on this particular issue, the public sector portion of the FPSP is sure to continue in its current downward spiral. If it is determined that the GOZ will not be able to contribute its entire commitment in a timely manner before the end of the project, USAID/Zaire should seek appropriate authorization to amend the grant agreement to reflect the expected level of contribution and then, prioritize project implementation actions that were to be funded with GOZ budget contributions.

Recommendation No. 8 remains open. It will be considered resolved when the Mission agrees to provide evidence (such as a Project Implementation Letter) that either (a) supports its active role in obtaining the GOZ's contribution to the FPSP or (b) confirms that the GOZ contribution is not feasible and that project implementation priorities will be established. Recommendation No. 8 will be considered closed when the GOZ either starts providing the back contributions or USAID/Zaire obtains the appropriate authorization to amend the Project Grant Agreement and begins prioritizing implementation actions.

Recommendation Nos. 9 and 10 are considered resolved and will be closed when USAID/Zaire provides RIG/A/Dakar with evidence that the actions included therein have been taken.

<p style="text-align: center;">SCOPE AND METHODOLOGY</p>

Scope

We audited the Family Planning Services Project in Zaire in accordance with generally accepted government auditing standards. We conducted the audit from September 30 to December 20, 1990 and covered the systems and procedures relating to project inputs financed by A.I.D. from September 30, 1982 (project inception) through September 30, 1990. We conducted our field work in the offices of USAID/Zaire, the GOZ's family planning organization--Project de Services des Naissances Desirables, the Contraceptive Social Marketing headquarters in Kinshasa, and numerous family planning clinics and service delivery points throughout Kinshasa.

The audit did not cover the accounting for all expenditures incurred under the four long-term technical assistance contractors--Futures Group/OPTIONS, John Hopkins University/Population Communications Services, The Population Council and Population Services International. Each of these contracts is managed by A.I.D./Washington and the accounting records are located in the United States. These four contracts represent nearly three-fourths of the total budgeted technical assistance.

Methodology

The methodology for each audit objective follows.

Audit Objective One

To accomplish the first audit objective we reviewed the Mission's funds control procedures to determine whether the Mission was prevalidating, earmarking and committing funds in accordance with prescribed procedures by sampling transactions to verify that the Project Officer requested earmark and commitment reservations and

verified that entries were properly recorded in individual earmark control records and commitment liquidation records. Element fund control ledgers were also reviewed to see if earmarking action against project element budget amounts were properly controlled. We reviewed Mission disbursement procedures to determine whether the Mission was following A.I.D. payment procedures by sampling transactions and testing whether (a) the Project Officer was effectively reviewing and approving invoices for payment, (b) the accounting office established a logbook to track receipt and scheduling of invoices, and (c) invoices were properly certified. For those project funds paid directly by A.I.D./W, we tested whether (a) AOCs were received on a timely basis and whether the Mission was following up with A.I.D./W when AOCs were not timely issued, (b) the Controller's office was promptly recording AOCs to proper commitment records, and (c) the Mission was properly reporting acceptance of AOCs on monthly U-101 reports.

Audit Objective Two

To accomplish the second audit objective we determined whether USAID/Zaire had developed an adequate procurement plan which assessed and identified contraceptive needs by reviewing and comparing procurement plans with contraceptive end-use statistics. We also tested the utilization of A.I.D.-financed commodities to determine whether (a) commodities were being used as intended by physically inspecting a sample of automobiles and other equipment, (b) monitoring of the utilization of commodities was performed by USAID/Zaire, (c) USAID/Zaire took appropriate action to correct any problems identified during the monitoring process, and (d) property records indicating current location of commodities were established. We determined whether the Project Officer assured that PSND and CSM established an adequate system to record the arrival, receipt, storage and distribution of commodities by testing whether commodities could be traced from A.I.D. ordering documents to their end-use. Finally, we determined whether the disposition of PSND vehicles was carried out in accordance with Mission policies concerning the disposition of A.I.D.-financed commodities.

Audit Objective Three

We determined if the Mission followed A.I.D. policies and procedures in establishing technical services needs by (a) reviewing how the technical services needs were determined and justified, (b) assessing the adequacy of the Mission's process for determining the technical services needs and the reasonableness of those needs to meet the project goal, purpose, and outputs, and (c) determined if the type and amount of technical services were coordinated with the GOZ. We also verified whether the Mission followed A.I.D. policies in awarding technical services contracts by reviewing the award process of a major contractor. We determined whether USAID/Zaire established and implemented an effective monitoring system to ensure that technical services contractors fulfilled the provisions of the contract by (a) verifying that work plans were developed

to implement the scopes of work, (b) evaluating whether the contractor made satisfactory progress and adequately reported on the progress made toward the workplan, and (c) determining whether project personnel performed site visits and took actions to correct any problems identified during the visits.

Audit Objective Four

We assessed whether USAID/Zaire had properly planned and implemented the participant training component by reviewing the training plan to determine whether it was based on a needs assessment and included such attributes as the number of persons to be trained, the content area of training, the type of training, the training location, the dates of training, and the training costs. We also ascertained how candidates were selected and if and how the selection process was coordinated with the GOZ. We determined whether USAID/Zaire maintained records on former participants for the purpose of tracking and follow-up contact by reviewing update records on former participants and ascertaining whether they are maintained on a timely and complete basis.

Audit Objective Five

We determined whether USAID/Zaire monitored the level of counterpart funds provided by the GOZ by comparing the planned budgets of CPF to the total actual disbursements as of November 30, 1990. We also determined whether the GOZ has provided its budget contributions by comparing the planned level of contributions and the actual disbursements as of November 30, 1990 from both the Ordinary and the Investment Budget. To determine whether USAID/Zaire monitored these GOZ budget contributions and took action to secure the release of such funds to the project, we interviewed GOZ and USAID officials to discuss the discrepancies between planned and actual disbursements and reviewed correspondence and project implementation files.

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ACTION: RIG INFO: EXEC

APPENDIX II

VZCZCDK0781
PP RUEFDK
DF RUEHKI #5337/01 1010748
ZNR UUUUU ZZH
P 110748Z APR 91
FM AMEMBASSY KINSHASA
TO RUEFDK/AMEMBASSY DAKAR PRIORITY 3559
INFO RUEHC/SECSTATE WASHDC 2212
BT
UNCLAS SECTION 01 OF 09 KINSHASA 05337

LOC: 188 236
11 APR 91 0841
CN: 32990
CHRG: RIG
DIST: RIG

AIDAC

DAKAR FOR RIG/A, ARMSTRONG FROM DIRECTOR JOHNSON
INFO AID/W FOR AFR/CCWA, M. GOLDEN

F.O. 12356: N/A
SUBJECT: DRAFT AUDIT REPORT OF USAID ZAIRE'S FAMILY
PLANNING SERVICES PROJECT, PROJECT NO. 660-0094

1. INTRODUCTION AND SUMMARY.

DRAFT AUDIT MAKES SEVERAL ACCURATE CRITICISMS OF THE
PROJECT WHICH WILL ASSIST IN BRINGING ABOUT POSITIVE
REFORMS. HOWEVER, HERE FOLLOWING IS A LIST OF POINTS
WHICH SHOULD BE CORRECTED OR UPDATED IN THE FINAL
REPORT:

-- THE DRAFT NOTES PROBLEMS WHICH OCCURRED EARLY ON IN
THE PROJECT AND WHICH HAVE LONG SINCE BEEN CORRECTED,
E.G., EXPIRATION OF CERTAIN CONTRACEPTIVES ORDERED IN
1983 AND DESTROYED BETWEEN 1986 AND 1990.

-- DRAFT DOES NOT ACKNOWLEDGE THAT SOME PROBLEMS HAVE
ALREADY BEEN ADDRESSED BY USAID.

-- DRAFT ADOPTS THE PERSPECTIVE THAT THE FAMILY
PLANNING (FP) PROJECT IS BEING CARRIED OUT IN A
LOW-RISK ENVIRONMENT WHERE THERE HAS ALWAYS BEEN
EFFECTIVE DEMAND FOR FP SERVICES. NOT THE CASE IN
ZAIRE.

-- DRAFT STATES THAT 26 PCT OF ALL CONTRACEPTIVES
PROCURED WERE DESTROYED. IN FACT, LESS THAN 8 PCT OF
THE NEARLY DOLS 3.8 MILLION PROCURED AND RECEIVED BY
THE PROJECT HAVE BEEN DESTROYED.

- DRAFT STATES THAT THERE ARE FIVE TIMES MORE CONOMS
AND SPERMICIDE IN THE CENTRAL WAREHOUSE OF THE PUBLIC
SECTOR COMPONENT OF THE PROJECT THAN HD BEEN
DISTRIBUTED DURING THE LIFE OF THE PROJCT. DRAFT
SHOULD ADD: (1) THE BULK OF THE RODUCT HAD JUST BEEN
RECEIVED, AND (2) THER WAS DEMONSTRATED, UNPRECEDENTED
DEMAND FROM THE ZAIRIAN POPULATION FOR BOTH PRODUCTS
DURING TE PRIOR TWO YEARS--ESPECIALLY FOR CONDOMS--IN
THE FIGHT AGAINST HIV/AIDS TRANSMISSION.

-- LACK OF HOST COUNTRY COMMITMENT, A PROBLEM WHICH PLAGUES EVERY PROJECT IN ZAIRE, HAS BEEN ADDRESSED BY USAID AND THE GOZ SINCE THE DEPARTURE OF THE AUDIT TEAM.

-- THE LONG-SERVING GOZ DIRECTOR WAS FIRED, SPECIFICALLY BECAUSE OF ADVERSE EVALUATION AND AUDIT FINDINGS.

-- EXECUTIVE SUMMARY STATEMENT THAT USAID DID NOT MONITOR HOST COUNTRY CONTRIBUTIONS IS FALSE. THIS WAS LATER CORRECTLY REPORTED (PAGE 23) AS AN INADVERTENT ADMINISTRATIVE ERROR. THIS UNDERSTATEMENT OF GOZ CONTRIBUTION HAS BEEN ADDRESSED AND IS NO LONGER AN ISSUE: THE GOZ CONTRIBUTION WILL BE MAINTAINED AT DOLS 7.042 MILLION WHICH IS OVER 50 PCT OF THE USAID GRANT LEVEL FAR EXCEEDING AID MINIMUMS.

-- THE DRAFT DOES NOT SAY THERE HAS BEEN PROGRESS SINCE THE PROJECT BEGAN IN 1982. FP SERVICES IN ZAIRE DID NOT EXIST TO ANY APPRECIABLE EXTENT PRIOR TO PROJECT START DATE IN 1982. THEY ARE PROVIDED ON A NATIONAL SCALE IN 1991, ALBEIT NOT AS EFFECTIVELY AS WE WOULD LIKE, DUE TO THE SUCCESSES OF THE FAMILY PLANNING SERVICES PROJECT. FINAL AUDIT REPORT SHOULD MENTION THE ACCOMPLISHMENTS THAT WERE ACKNOWLEDGED BY THE PROJECT MIDTERM EVALUATION TEAM WHICH WAS PRESENT IN ZAIRE AT THE SAME TIME AS THE AUDIT TEAM.

-- THE DRAFT IMPLIES A SEPARATION OF THE HIGHLY SUCCESSFUL CONTRACEPTIVE SOCIAL MARKETING SUBPROJECT FROM THE MORE GLOBAL FAMILY PLANNING SERVICES PROJECT (FPSP). USAID REDESIGNED THE PROJECT IN 1988 TO INCLUDE A PRIVATE SECTOR COMPONENT, THE CONTRACEPTIVE SOCIAL MARKETING (CSM) PROJECT. THE PROJET DES SERVICES DES NAISSANCES DESIRABLES (PSND), THE PUBLIC SECTOR COMPONENT, IS GOING SLOWLY BUT CSM IS GOING VERY WELL.

-- OVER EIGHT MILLION CONDOMS SOLD REPEAT SOLD IN 1990--IS A FAR CRY FROM THE STARTING POINT OF 1982 WHICH WAS NEAR ZERO.

-- FOR USAID TO HAVE A RELATIVELY FREE-HAND IN OUR

PRIVATE SECTOR-LIKE ACTIVITY, WE MUST CONTINUE TO SUPPORT TO SOME EXTENT THE PUBLIC SECTOR COMPONENT. TO DO OTHERWISE IS NOT POLITICALLY FEASIBLE IN ZAIRE.

-- FAMILY PLANNING SERVICES ARE OF GREAT IMPORTANCE TO ZAIRE'S FUTURE. IN ZAIRE, LIKE THE REST OF SUB-SAHARAN AFRICA, FP IS A HIGH-RISK ENDEAVOR JUSTIFIED BY HIGH PAYOFFS IN THE FUTURE. (NOTE THAT IT HAS TAKEN KENYA OVER TWENTY YEARS OF SUSTAINED ASSISTANCE TO ACHIEVE EVEN A SMALL DECREASE IN ITS FERTILITY RATE.) END SUMMARY.

2. FACTUAL CORRECTIONS.

- A. INTRODUCTION (PAGES 1-2): THERE HAS BEEN AN OBLIGATION OF DOLS 2.0 MILLION IN FY91 WHICH WILL MAKE THE TOTAL LOP CONTRIBUTION BY AID DOLS 13.8 MILLION, NOT DOLS 15.3 MILLION AS MENTIONED IN THE EXECUTIVE SUMMARY AND P.L.

- B. REPORT OF AUDIT FINDINGS (PAGE 4): THIRD FINDING SHOULD BE CORRECTED TO READ QUOTE THE PROJECT OFFICER PROPERLY OBTAINED PREVALIDATION OF FUNDS AVAILABILITY BEFORE COMMITTING AID FUNDS. END QUOTE.

3. DETAILED RESPONSES TO RECOMMENDATIONS FOLLOW GENERAL COMMENTS.

- A. ACCRUALS: (PAGES 5-6)

RECOMMENDATION NO. 1: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE, REQUIRE THE MISSION'S ACCOUNTING OFFICE TO:

1.1 INSTRUCT PROJECT PERSONNEL (WITH APPROPRIATE EXAMPLES) ON HOW TO DEVELOP REASONABLY RELIABLE ACCRUAL ESTIMATES;

1.2 REVIEW THE REASONABLENESS OF ACCRUAL WORKSHEETS PREPARED BY PROJECT PERSONNEL AND THEIR SUPPORTING DOCUMENTS; AND

1.3 FOLLOW UP WITH AID/W ON THE STATUS OF AOC'S FOR THE POPULATION COUNCIL. END QUOTE.

GENERAL COMMENT: WE AGREE WITH THE FINDING; HOWEVER WE DO NOT AGREE WITH THE CONCLUSION THAT QUOTE INACCURATE ACCRUAL ESTIMATES OCCURRED BECAUSE PROJECT PERSONNEL DID NOT UNDERSTAND THE CONCEPT OF ACCRUED EXPENDITURES UNQUOTE. THE CAUSE FOR THE INACCURATE ACCRUALS CITED IN THE DRAFT WAS DUE TO ADMINISTRATIVE ERROR BY THE PROJECT OFFICER AND LACK OF QUALITY CONTROL BY THE CONTROLLER'S OFFICE. THE CONTROLLER'S OFFICE INSTRUCTIONS TO PROJECT OFFICERS REQUIRE THAT THE MACS (P09) ACCRUAL WORKSHEET BE USED TO ESTIMATE THE ACCRUALS AT THE END OF THE QUARTER. IN THIS INSTANCE, THE PROJECT OFFICER MISTAKENLY INTERPRETED THIS TO MEAN THAT THE ACCRUAL WAS TO BE ESTIMATED FOR THAT QUARTER ONLY AND THAT THE CONTROLLER'S OFFICE WOULD ADD THIS AMOUNT TO PRIOR CUMULATIVE ACCRUALS.

THE CONTROLLER'S OFFICE, WITHOUT ADEQUATE REVIEW, ACCEPTED THE WORKSHEET AMOUNT AS BEING CUMULATIVE AND ENTERED IT INTO THE SYSTEM.

ALL PROJECT ACCRUALS FOR THE LAST AND THE CURRENT QUARTER HAVE BEEN REVIEWED AND IT HAS BEEN DETERMINED THAT THE FAMILY PLANNING PROJECT WAS THE ONLY ONE WHERE THE MISUNDERSTANDING EXISTED. ALSO IN CONNECTION WITH THE REVIEW, IT BECAME CLEAR THAT THE PROJECT OFFICER, HIS STAFF, AND OTHER PROJECT PERSONNEL DO UNDERSTAND ACCRUAL CONCEPTS AND DO KNOW HOW TO COMPUTE REASONABLE ESTIMATES.

TO PRECLUDE RECURRENCE OF THIS TYPE OF ERROR THE CONTROLLER'S OFFICE HAS CHANGED ITS INTERNAL OPERATIONS TO REQUIRE THAT ALL QUARTERLY ACCRUAL WORKSHEETS BE SPECIFICALLY REVIEWED BY A U.S. DIRECT-HIRE PRIOR TO POSTING. THE CONTROLLER'S OFFICE WILL ALSO CHANGE ITS INSTRUCTIONS TO PROJECT OFFICERS EMPHASIZING THAT ACCRUAL AMOUNT IS CUMULATIVE.

BASED ON THE ABOVE, WE SUGGEST THAT THE CAPTION QUOTE USAID ZAIRE DID NOT BASE ACCRUALS ON REASONABLE ESTIMATES UNQUOTE BE CHANGED TO QUOTE USAID ZAIRE'S ACCRUALS WERE INACCURATE UNQUOTE.

RECOMMENDATION NO. 1.1: QUOTE INSTRUCT PROJECT PERSONNEL (WITH APPROPRIATE EXAMPLES) ON HOW TO DEVELOP REASONABLY RELIABLE ACCRUAL ESTIMATES. END QUOTE.

COMMENT: THIS SHOULD BE DROPPED.

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RECOMMENDATION 1.2: QUOTE REVIEW THE REASONABLENESS OF ACCRUAL WORKSHEETS PREPARED BY PROJECT PERSONNEL AND THEIR SUPPORTING DOCUMENTS. END QUOTE.

COMMENT: USAID RECOMMENDS THAT THIS BE RETAINED BUT CLOSED UPON REPORT ISSUANCE AS ACTION HAS BEEN COMPLETED.

RECOMMENDATION NO. 1.3: QUOTE FOLLOW UP WITH AID/W ON THE STATUS OF AOC'S FOR THE POPULATION COUNCIL. END QUOTE.

COMMENT: THIS FINDING IS NOT NEW. WE BELIEVE THERE WAS, WITHIN THE PAST FEW YEARS, AN IG/W AUDIT REPORT WHICH ADDRESSED THIS PROBLEM. USAID RECOMMENDS THAT THIS BE RETAINED IF INTENT IS THAT ACTION IS ONLY FOLLOW-UP. IF EXPECTATIONS ARE THAT WE RECEIVE AOC'S ON A TIMELY BASIS, THE RECOMMENDATION SHOULD BE DIRECTED TO AID/W.

- B. COMMODITIES: (PAGES 7-10)

RECOMMENDATION NO. 2: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE:

2.1 REQUIRE THE POPULATION COUNCIL MANAGEMENT ADVISOR TO DESIGN AND IMPLEMENT AN ACCOUNTING SYSTEM THAT WILL TRACK COMMODITIES FROM ORDERING DOCUMENTS THROUGH THE DISTRIBUTION PHASE AND TO THE EVENTUAL END-USE;

2.2 REVISE ALL CURRENT CONTRACEPTIVE PROCUREMENT TABLES TAKING INTO ACCOUNT STOCKS AT REGIONAL DISTRIBUTION POINTS AND ACTUAL END-USE STATISTICS;

2.3 IMMEDIATELY CANCEL ALL PENDING PSND ORDERS FOR CONDOMS, IUD'S AND SPERMICIDES AND MAKE ARRANGEMENTS TO TRANSFER EXCESS CONTRACEPTIVES TO EITHER THE SOCIAL MARKETING PROGRAM, OR OTHER AID FAMILY PLANNING PROGRAMS; AND

2.4 DEVELOP PROCEDURES FOR VERIFYING THAT NO MORE THAN ONE-THIRD OF THE SHELF LIFE OF CONTRACEPTIVES HAS EXPIRED AT THE TIME OF RECEIPT AND REJECT THOSE THAT HAVE EXCEEDED ONE-THIRD OF THEIR HELF-LIFE. END QUOTE.

GENERAL COMMENTS: WE DO NOT KNOW HOW THE CALCULATIONS WERE DONE BY THE AUDIT TEAM FOR PERCENTAGES OF CONTRACEPTIVES DESTROYED. WHILE WE AGREE WITH THE DOLLAR FIGURE OF CONTRACEPTIVES WHICH WERE DESTROYED, WE DO NOT KNOW HOW DENOMINATOR WAS DETERMINED. THE AUDIT SAYS (P. 7) THAT DOLS ONE MILLION WAS SPENT FOR CONTRACEPTIVES. IF THIS IS THE DEMOMINATOR USED BY THE AUDIT TEAM, THEN THIS FIGURE IS LOW. TO DATE, THE FAMILY PLANNING SERVICES PROJECT (PSND AND GSM) HAS RECEIVED OVER DOLS 3.8 MILLION IN CONTRACEPTIVE PRODUCTS. THEREFORE THE PERCENTAGE OF PRODUCT DESTROYED IS LESS THAN 8 PCT.

THE AUDIT TOOK PLACE AT A TIME WHEN LARGE ORDERS OF CONTRACEPTIVES HAD ONLY JUST ARRIVED AT PSND. RECENT IMPORTANT MANAGEMENT DECISIONS HAD BEEN MADE

(SEPTEMBER, 1990) BETWEEN USAID AND THE THEN DIRECTOR OF PSND THAT THE NUMBER ONE PRIORITY OVER THE COMING MONTHS IS THE DISTRIBUTION OF CONTRACEPTIVES TO THE INTERIOR REGIONS AND A GREATLY INCREASED EFFORT ON SERVICE DELIVERY. THE FINAL REPORT SHOULD PROVIDE THIS PERSPECTIVE AND ACKNOWLEDGE THAT ACTIONS HAD BEEN TAKEN TO CORRECT PAST FAILURES.

CONTRACEPTIVE PRODUCT DEMAND ESTIMATION IS NOT AN EXACT SCIENCE IN NATIONS WITH FLEDGLING FAMILY PLANNING PROGRAMS. THAT IS WHY USAID HAS PRUDENTLY REQUESTED THE TDY TECHNICAL ASSISTANCE OF CONTRACEPTIVES LOGISTICS TEAMS FROM THE CENTERS FOR DISEASE CONTROL (CDC) FOR THE PAST TWO YEARS. CONTRACEPTIVE PROCUREMENT TABLES AND PRODUCT ORDERING CABLES WERE AFFECTED BASED ON THE BEST PROFESSIONAL ADVICE AVAILABLE TO USAID. USAID ESTIMATES WERE CLEARLY OUT OF LINE IN THE EARLY YEARS OF THE PROJECT, I.E., BEFORE CDC ASSISTANCE. MORE RECENT ESTIMATES WERE DERIVED WITH EXCELLENT TECHNICAL ASSISTANCE. USAID RELIES ON THE EXPERTISE OF OUR COLLEAGUES AT CDC AND OUR

IMPLEMENTATION ACTIONS IN THIS DOMAIN ARE ONLY AS GOOD AS OUR TECHNICAL ASSISTANCE. IF THERE ARE VALID CRITICISMS THEY SHOULD BE DIRECTED TO THE CENTRALLY-FUNDED FAMILY PLANNING LOGISTICS MANAGEMENT PROJECT (PROJECT NO. 936-3038).

THE FACT THAT THERE ARE FIVE TIMES MORE CONDOMS AND SPERMICIDES IN THE CENTRAL WAREHOUSE THAN HAVE BEEN

DISTRIBUTED DURING THE LIFE OF THE PROJECT REQUIRES CLARIFICATION. FIRST, THERE HAS BEEN A STRONG INCREASE IN DEMAND FOR THESE PRODUCTS IN ZAIRE OVER THE PAST TWO YEARS. ONE OF THE GOALS OF ANY FAMILY PLANNING PROJECT IS TO PROTECT AGAINST UNWANTED BIRTHS AND AGAINST SEXUALLY TRANSMITTED DISEASES (STD'S). THE CONTRACEPTIVE SOCIAL MARKETING COMPONENT OF THE FPSP HAS HAD UNPRECEDENTED SUCCESS IN MARKETING BOTH OF THESE PRODUCTS (OVER 9.5 MILLION UNITS SOLD IN 1990 ALONE) FOR BOTH FAMILY PLANNING AND STD'S PREVENTION. IT IS LOGICAL TO ALSO PROGRAM FOR SUCCESS IN THE PUBLIC SECTOR WHEN POPULAR DEMAND IS SO HIGH FOR THESE PRODUCTS. USAID IS REASONABLY CONFIDENT THAT THESE PRODUCTS WILL ALL BE DISTRIBUTED OR SOLD FOR THEIR INTENDED PURPOSE, INCLUDING PROTECTION AGAINST HIV/AIDS TRANSMISSION.

NOTE THAT PSND WAS CERTIFIED BY PRICE WATERHOUSE AND THE USAID CONTROLLER'S OFFICE IN FEBRUARY, 1991 AS HAVING SATISFIED A REQUIREMENT TO HAVE AN INVENTORY TRACKING AND CONTROL SYSTEM IN PLACE. PROGRESS IS BEING MADE IN THIS AREA.

FYI. THE CASE OF THE MISSING STENCIL DUPLICATION MACHINES WORTH DOLS 18,000 (PAGE 8) HAS BEEN RESOLVED. THE PRODUCTS HAVE BEEN FOUND AT THE AIRPORT AND ARE AWAITING CUSTOMS CLEARANCE. END FYI.

RECOMMENDATION NO. 2.1: QUOTE REQUIRE THE POPULATION COUNCIL MANAGEMENT ADVISOR TO DESIGN AND IMPLEMENT AN ACCOUNTING SYSTEM THAT WILL TRACK COMMODITIES FROM ORDERING DOCUMENTS THROUGH THE DISTRIBUTION PHASE AND TO THE EVENTUAL END-USE. END QUOTE.

COMMENT: USAID DISAGREES. THE POPULATION COUNCIL ADVISOR SHOULD ASSIST IN THE DESIGN AND IMPLEMENTATION OF A RELEVANT MANAGEMENT INFORMATION SYSTEM RATHER THAN IMPLEMENT IT HIMSELF. IMPLEMENTATION IS COMPLETELY OUTSIDE OF HIS SCOPE OF WORK. ALSO NOTE THAT POPULATION COUNCIL BUY-IN ENDS 30 SEPTEMBER 1991. IN ADDITION, A NEW PRICE WATERHOUSE-APPROVED INVENTORY TRACKING SYSTEM IS IN PLACE. CDC EXPERTS ARE MORE APPROPRIATE TO TAKE THE LEAD ON THIS TECHNICAL ASSISTANCE ACTIVITY WHICH BEGAN LAST YEAR. OVER THE PAST YEAR CDC HAS MADE THREE TDY'S TO INSTALL A COMPUTERIZED CONTRACEPTIVE MANAGEMENT INFORMATION SYSTEM AT PSND AND CSM WHICH SHOULD BE ADJUSTABLE TO TRACK ALL COMMODITIES. COMPUTER EQUIPMENT HAS BEEN ORDERED AND RECEIVED, COMPUTER TRAINING IS TAKING PLACE AND A CDC-DESIGNED MANUAL SYSTEM ALREADY IN THE PROCESS OF BEING INSTALLED SHOULD EVENTUALLY BE REPLACED BY THE NEW COMPUTERIZED SYSTEM AS TECHNICAL CAPACITY IMPROVES WITH TECHNICAL ASSISTANCE. THUS, WE SUGGEST THAT THE FINAL RECOMMENDATION BE CHANGED TO READ QUOTE REQUIRE USAID TO ENGAGE THE TECHNICAL ASSISTANCE REQUIRED TO ASSIST THE FPSP TO DESIGN AND IMPLEMENT A COMMODITIES TRACKING AND MANAGEMENT INFORMATION SYSTEM UNQUOTE.

RECOMMENDATION NO. 2.2: QUOTE REVISE ALL CURRENT CONTRACEPTIVE PROCUREMENT TABLES TAKING INTO ACCOUNT STOCKS AT REGIONAL DISTRIBUTION POINTS AND ACTUAL END-USE STATISTICS. END QUOTE.

COMMENT: USAID AGREES, WITH THE FOLLOWING MODIFICATION. ANNUAL CONTRACEPTIVE PROCUREMENT TABLES WILL BE RECALCULATED DURING THE NEXT CYCLE WITH THE CENTERS FOR DISEASE CONTROL (CDC) TECHNICAL ASSISTANCE, AS HAS BEEN THE PRACTICE FOR TWO YEARS RUNNING. USAID AND CDC WILL CONTINUE TO WORK WITH PSND AND CSM TO REFINE THE CONTRACEPTIVE COMMODITY MANAGEMENT INFORMATION SYSTEM UTILIZING THE BEST AVAILABLE END-USE AND REGIONAL INVENTORY STATISTICS. IN THE MEANTIME, THE NEW PSND DIRECTOR HAS AGREED THAT THE INSTALLATION OF THE REGIONAL RADIO NETWORK IS A PRIORITY. THIS SHOULD GREATLY ENHANCE THE EFFICIENCY WITH WHICH PSND RECEIVES REPORTS FROM THE REGIONS.

RECOMMENDATION NO. 2.3: QUOTE IMMEDIATELY CANCEL ALL PENDING PSND ORDERS FOR CONDOMS, IUD'S AND SPERMICIDALS AND MAKE ARRANGEMENTS TO TRANSFER EXCESS CONTRACEPTIVES TO EITHER THE SOCIAL MARKETING PROGRAM, OR OTHER AID FAMILY PLANNING PROGRAMS. END QUOTE.

COMMENT: THIS RECOMMENDATION SHOULD BE CLOSED WHEN THE FINAL AUDIT IS ISSUED. USAID HAS ALREADY ORDERED A HOLD ON ALL CONDOMS, IUD'S AND SPERMICIDES ORDERED FOR PSND THROUGH AID/W AND WILL ENSURE, TO THE BEST OF OUR ABILITY THAT THESE CONTRACEPTIVES GET DISTRIBUTED EITHER WITH THE ASSISTANCE OF PSI OR THROUGH OTHER

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AID-ASSISTED FAMILY PLANNING ACTIVITIES.

RECOMMENDATION NO. 2.4: QUOTE DEVELOP PROCEDURES FOR VERIFYING THAT NO MORE THAN ONE-THIRD OF THE SHELF LIFE OF CONTRACEPTIVES HAS EXPIRED AT THE TIME OF RECEIPT AND REJECTING THOSE THAT HAVE EXCEEDED ONE-THIRD OF THEIR SHELF-LIFE. END QUOTE.

COMMENT: THIS RECOMMENDATION IS MISDIRECTED TO USAID ZAIRE SINCE WE HAVE NO CONTROL OVER AGE OF PRODUCT RECEIVED. NOTE THAT THE ORDERING, SHIPPING, RECEIVING AND DISTRIBUTION PROCESS FOR CONTRACEPTIVE PRODUCTS IS AN EXTREMELY COMPLICATED PROCESS THAT USAIDS DO NOT HAVE COMPLETE CONTROL OVER. (THIS, TOO HAS BEEN THE SUBJECT OF AN IG AUDIT IN THE PAST TWO YEARS.) WE DO NOT ORDER AGED PRODUCT, WE MERELY UTILIZE WHAT THE CENTRAL PROCUREMENT ORGANIZATION SUPPLIES US. WE WILL, INDEED, COMMUNICATE WITH ST/POP HENCEFORTH WHEN AGED PRODUCT ARRIVES.

- C. VEHICLES: RECOMMENDATION NO. 3 (PAGES 11-13)

RECOMMENDATION NO. 3: QUOTE WE RECOMMEND THAT USAID ZAIRE'S HEALTH AND POPULATION OFFICE:

3.1 CARRY OUT AN END-USE SURVEY OF FPSP-FINANCED COMMODITIES WITHIN 90 DAYS AND INCLUDE IN THE PROJECT'S IMPLEMENTATION PLAN A SCHEDULE FOR CONDUCTING FUTURE ANNUAL SURVEYS;

3.2 PERFORM QUARTERLY INSPECTIONS OF VEHICLES AND EQUIPMENT ON A SAMPLE BASIS;

3.3 REQUIRE PSND TO SUBMIT TO USAID ZAIRE MONTHLY VEHICLE LOGBOOKS AND REVIEW THESE RECORDS FOR THE PROPER USE OF VEHICLES;

3.4 INCLUDE A SPECIFIC SECTION IN PROJECT IMPLEMENTATION REPORTS THAT DETAILS THE RESULTS OF END-USE SURVEYS, QUARTERLY INSPECTIONS AND VEHICLE LOG REVIEWS AND ACTIONS TAKEN AND REQUIRED TO CORRECT ANY NOTED DEFICIENCIES;

3.5 REVIEW PSND'S INVENTORY REPORTS OF EQUIPMENT AND SUPPLIES ON A QUARTERLY BASIS AND MAKE ARRANGEMENTS TO SELL OR OTHERWISE DISPOSE OF THOSE COMMODITIES THAT CAN NO LONGER BE USED FOR PROJECT PURPOSES;

3.6 REVIEW PSND'S VEHICLE INVENTORY AND REASSIGN THOSE VEHICLES ACCORDING TO THE PROJECT'S IMPLEMENTATION PRIORITIES TAKING INTO CONSIDERATION THE NEEDS OF ALL AREAS OF THE PROJECT INCLUDING CSM; AND

3.7 PUT AN IMMEDIATE END TO ALL UNAUTHORIZED USE OF PROJECT VEHICLES. END QUOTE.

GENERAL COMMENTS: THE NINETEEN NEW A.I.D.-FINANCED VEHICLES MENTIONED ON PAGE 11 WERE NEWLY ARRIVED TO THE PROJECT AT THE TIME OF THE AUDIT. THE FACT THAT THERE WAS A SHORTAGE OF LOCAL CURRENCY AVAILABLE TO FORWARD THEM TO THE REGIONS OR TO HIRE THE SERVICES OF CHAUFFERS AT THE TIME OF THE AUDIT IS UNFORTUNATE. UNDER THE NEW MANAGEMENT TEAM AT PSND, DECENTRALIZATION IS NOW A PRIORITY AND FUNDS WILL BE PROVIDED IN 1991 TO

IMPLEMENT THIS ASPECT OF THE PROJECT ONCE USAID, PSND AND CSM REACH AGREEMENT ON THE VEHICLE DISTRIBUTION PLAN.

PAGE 12 STATES THAT THERE ARE TWO VEHICLES ASSIGNED TO THE GOZ'S POPULATION POLICY INSTITUTIONS AND ONE TO THE NATURAL FAMILY PLANNING PROJECT OF THE CATHOLIC CHURCH THAT HAVE LITTLE TO DO WITH THE PROJECT AND THAT USAID ZAIRE DID NOT PARTICIPATE IN THE ASSIGNMENT PROCESS. NEITHER STATEMENT IS VALID. THE PROJECT HAS A DOLS 422,000 BUY-IN TO THE CENTRALLY-FUNDED OPTIONS FOR POPULATION POLICY PROJECT (REFER TO POLICY SUPPORT COMPONENT OF FIGURE 3 OF DRAFT AUDIT). THE NATURAL FAMILY PLANNING PROJECT IS A COLLABORATIVE FAMILY PLANNING EFFORT BETWEEN PSND AND THE CATHOLIC CHURCH WHICH, WHILE NOT A SPECIFIC COMPONENT OF THE FPSP, IS SUPPORTED BY USAID. USAID WAS FULLY AWARE OF THE VEHICLE TRANSFERS THOUGH MISSION ORDER PROCEDURES WERE NOT STRICTLY FOLLOWED IN MONITORING THEIR USE. THIS WILL BE CORRECTED.

USAID BELIEVES NO RECOMMENDATION SHOULD BE DIRECTED TO A PARTICULAR OFFICE OR PERSON. WE SUGGEST THAT THE FIRST PHRASE OF RECOMMENDATION NO. 3 BE CHANGED TO READ QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE: END QUOTE.

RECOMMENDATION NO. 3.1: QUOTE CARRY OUT AN END-USE SURVEY OF FPSP-FINANCED COMMODITIES WITHIN 90 DAYS AND INCLUDE IN THE PROJECT'S IMPLEMENTATION PLAN A SCHEDULE FOR CONDUCTING FUTURE ANNUAL SURVEYS. END QUOTE.

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COMMENT: USAID AGREES, WITH THE FOLLOWING MODIFICATION. PSND WAS CERTIFIED IN FEBRUARY OF THIS YEAR BY PRICE WATERHOUSE AND THE USAID CONTROLLER'S OFFICE AS HAVING RECENTLY INSTALLED AN EFFICIENT INVENTORY TRACKING SYSTEM FOR PROJECT-FUNDED COMMODITIES. IN ADDITION, THERE ARE NEW VEHICLE-USE POLICIES IN EFFECT WHICH USAID IS MONITORING. THESE CHANGES, COMBINED WITH THE RECENT MANAGEMENT CHANGE HAVE EASED OUR IMMEDIATE CONCERNS ABOUT COMMODITY MISUSE. NEVERTHELESS, WE SEE THE NEED FOR A COMMODITY END-USE CHECK AND INTEND TO IMPLEMENT THIS ACTIVITY AS SOON AS THE PROJECT IS FURTHER ALONG IN THE DECENTRALIZATION PROCESS AND USAID STAFFING IS ADJUSTED TO HANDLE THE BURDEN. A NATIONWIDE END-USE SURVEY IN A VAST COUNTRY WITH POOR TRANSPORTATION AND COMMUNICATION INFRASTRUCTURE IS VERY DIFFICULT. USAID THEREFORE PROPOSES THAT THIS RECOMMENDATION, IF RETAINED, BE CHANGED TO ALLOW USAID TO MORE REALISTICALLY PROGRAM THIS ACTIVITY TO COMMENCE BEFORE THE END OF CALENDAR YEAR 1991.

RECOMMENDATION NO. 3.2: QUOTE PERFORM QUARTERLY INSPECTIONS OF VEHICLES AND EQUIPMENT ON A SAMPLE BASIS. END QUOTE.

COMMENT: USAID AGREES WITH THE INTENT, IF CHANGED TO READ QUOTE PERFORM SEMI-ANNUAL VEHICLE AND EQUIPMENT INSPECTIONS ON A SAMPLE BASIS UNQUOTE. USAID DOES NOT HAVE THE STAFF TO CARRY OUT THE RECOMMENDATION AS CURRENTLY DRAFTED.

RECOMMENDATION NO. 3.3: QUOTE REQUIRE PSND TO SUBMIT TO USAID ZAIRE MONTHLY VEHICLE LOGBOOKS AND REVIEW THESE RECORDS FOR THE PROPER USE OF VEHICLES. END QUOTE.

COMMENT: USAID AGREES.

RECOMMENDATION NO. 3.4: QUOTE INCLUDE A SPECIFIC SECTION IN PROJECT IMPLEMENTATION REPORTS THAT DETAILS THE RESULTS OF END-USE SURVEYS, QUARTERLY INSPECTIONS AND VEHICLE LOG REVIEWS AND ACTIONS TAKEN AND REQUIRED TO CORRECT ANY NOTED DEFICIENCIES. END QUOTE.

COMMENT: USAID AGREES IF CHANGED TO READ QUOTE INCLUDE A SPECIFIC SECTION IN PIR'S THAT DETAILS THE RESULTS OF END-USE SURVEYS, VEHICLE AND EQUIPMENT INSPECTIONS AND VEHICLE LOG REVIEWS AND ACTIONS TAKEN OR REQUIRED TO CORRECT NOTED DEFICIENCIES UNQUOTE.

RECOMMENDATION NO. 3.5: QUOTE REVIEW PSND'S INVENTORY REPORTS OF EQUIPMENT AND SUPPLIES ON A QUARTERLY BASIS AND MAKE ARRANGEMENTS TO SELL OR OTHERWISE DISPOSE OF THOSE COMMODITIES THAT CAN NO LONGER BE USED FOR PROJECT PURPOSES. END QUOTE.

COMMENT: USAID AGREES IF CHANGED TO READ ON A SEMI-ANNUAL BASIS RATHER THAN A QUARTERLY BASIS.

RECOMMENDATION NO. 3.6: QUOTE REVIEW PSND'S VEHICLE INVENTORY AND REASSIGN THOSE VEHICLES ACCORDING TO THE PROJECT'S IMPLEMENTATION PRIORITIES TAKING INTO CONSIDERATION THE NEEDS OF ALL AREAS OF THE PROJECT INCLUDING CSM. END QUOTE.

COMMENT: USAID AGREES.

RECOMMENDATION NO. 3.7: QUOTE PUT AN IMMEDIATE END TO ALL UNAUTHORIZED USE OF PROJECT VEHICLES. END QUOTE.

COMMENT: WE HAVE PUT AN END TO ALL UNAUTHORIZED USE OF VEHICLES CITED IN REPORT AND A VEHICLE POLICY IS IN PLACE WHICH IS BEING MONITORED BY USAID. THIS RECOMMENDATION SHOULD BE CLOSED UPON ISSUANCE OF REPORT.

- D. COMMODITIES DISPOSAL: (PAGE 14)

RECOMMENDATION NO. 4: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRRE REQUIRE PSND TO IMMEDIATELY TURN OVER DOLS 8,315 IN LOCAL CURRENCY AND REPROGRAM THIS SUM FOR AUTHORIZED PROJECT ACTIVITIES. END QUOTE.

COMMENT: USAID AGREES. USAID HAS OFFICIALLY REQUESTED THAT THIS SUM BE TURNED OVER TO USAID FOR REPROGRAMMING.

- E. MONITORING: (PAGES 14-19)

RECOMMENDATION NO. 5: QUOTE WE RECOMMEND THAT THE

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DIRECTOR, USAID ZAIRE;

5.1: REQUIRE THE POPULATION COUNCIL TO EVALUATE THE ORGANIZATIONAL STRUCTURE AND PERSONNEL REQUIREMENTS OF PSND AND MAKE SPECIFIC RECOMMENDATIONS ON IMPLEMENTING AN EFFICIENT DECENTRALIZED STRUCTURE THAT WILL EMPHASIZE THE NEED TO INCREASE THE PROVISION OF FAMILY PLANNING SERVICES;

5.2: REQUEST THROUGH A PROJECT IMPLEMENTATION LETTER THAT PSND MANAGEMENT IMPLEMENT THE ABOVE SYSTEM WITHIN 90 DAYS;

5.3: REQUEST THROUGH A PROJECT IMPLEMENTATION LETTER THAT PSND SUBMIT THE FINAL DRAFT OF THE PROJECT OPERATIONS MANUAL (INCLUDING A SECTION OUTLINING THE AUTHORITY TO ENFORCE SUCH A MANUAL) WITHIN 30 DAYS FOR REVIEW AND APPROVAL;

5.4: REQUIRE THE U.S. DIRECT HIRE PROJECT OFFICER TO BECOME A PART OF PSND'S PROJECT MANAGEMENT UNIT (UACP) AND ATTEND WEEKLY MEETINGS; AND

5.5: INFORM PSND THROUGH A PROJECT IMPLEMENTATION LETTER OF THE ROLE THE UACP PLAYS IN PROJECT DECISION MAKING AND THAT CONTINUED AID FINANCING OF PSND ACTIVITIES DEPENDS ON THE PROPER FUNCTIONING OF THIS PROJECT MANAGEMENT UNIT. END QUOTE.

GENERAL COMMENT: AUDIT REPORT IMPLIES THAT USAID IS OBLIGED TO IMPLEMENT THE PROJECT ACCORDING TO INSTRUCTIONS FROM POPULATION COUNCIL CONTRACTORS. WE DISAGREE AND BELIEVE THAT SOME OF THE INFORMATION OBTAINED FROM THE CONTRACTORS WAS NEITHER 100 PCT VALID NOR POLITICALLY FEASIBLE. WE ENJOY A STRONG WORKING RELATIONSHIP WITH THE POPULATION COUNCIL MANAGEMENT

SUPPORT UNIT, IN GENERAL, AND VALUE THE ADVICE AND TECHNICAL ASSISTANCE RECEIVED. HOWEVER, NOT ALL ADVICE IS WISE, CORRECT OR POLITICALLY FEASIBLE.

RECOMMENDATION NO. 5.1: QUOTE REQUIRE THE POPULATION COUNCIL TO EVALUATE THE ORGANIZATIONAL STRUCTURE AND PERSONNEL REQUIREMENTS OF PSND AND MAKE SPECIFIC RECOMMENDATIONS ON IMPLEMENTING AN EFFICIENT DECENTRALIZED STRUCTURE THAT WILL EMPHASIZE THE NEED TO INCREASE THE PROVISION OF FAMILY PLANNING SERVICES. END QUOTE.

COMMENT: USAID AGREES, IN GENERAL, BUT USAID MAKES FINAL DECISIONS, AFTER HAVING DELIBERATED WITH THE PSND MANAGEMENT TEAM, ON WHETHER THE RECOMMENDATIONS ARE FEASIBLE, PRACTICAL AND MAKE ECONOMIC AND POLITICAL SENSE.

RECOMMENDATION NO. 5.2: QUOTE REQUEST THROUGH A PROJECT IMPLEMENTATION LETTER THAT PSND MANAGEMENT IMPLEMENT THE ABOVE SYSTEM WITHIN 90 DAYS. END QUOTE.

COMMENT: USAID BELIEVES THAT GIVEN RECENT MANAGEMENT CHANGES, A REDEFINITION OF PRIORITIES AND A NEW SPIRIT OF COLLABORATION, THIS IS NO LONGER REQUIRED AND SHOULD BE DROPPED AS A RECOMMENDATION.

RECOMMENDATION NO. 5.3: QUOTE REQUEST THROUGH A PROJECT IMPLEMENTATION LETTER THAT PSND SUBMIT THE FINAL DRAFT OF THE PROJECT OPERATIONS MANUAL (INCLUDING A SECTION OUTLINING THE AUTHORITY TO ENFORCE SUCH A MANUAL) WITHIN 30 DAYS FOR REVIEW AND APPROVAL. END QUOTE.

COMMENT: USAID AGREES.

RECOMMENDATION NO. 5.4: QUOTE REQUIRE THE U.S. DIRECT HIRE PROJECT OFFICER TO BECOME A PART OF PSND'S PROJECT MANAGEMENT UNIT (JACP) AND ATTEND WEEKLY MEETINGS. END QUOTE.

COMMENT: THE U.S. DIRECT HIRE PROJECT OFFICER IS NOW EITHER ATTENDING WEEKLY MANAGEMENT MEETINGS OR HOLDING AT LEAST WEEKLY MEETINGS DIRECTLY WITH THE PSND DIRECTOR IN ORDER TO REVIEW PROJECT IMPLEMENTATION PROBLEMS, PROGRESS AND OTHER AREAS OF PROJECT CONCERN. WE SUGGEST THAT THIS RECOMMENDATION BE DROPPED OR CLOSED UPON ISSUANCE OF REPORT.

RECOMMENDATION NO. 5.5: QUOTE INFORM PSND THROUGH A PROJECT IMPLEMENTATION LETTER OF THE ROLE THE JACP PLAYS IN PROJECT DECISION MAKING AND THAT CONTINUED A.I.D. FINANCING OF PSND ACTIVITIES DEPENDS ON THE PROPER FUNCTIONING OF THIS PROJECT MANAGEMENT UNIT. END QUOTE.

COMMENT: THE NEW PSND DIRECTOR IS FULLY AWARE OF THE

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ROLE OF THE UACP AND IS CURRENTLY USING THIS MANAGEMENT TOOL VERY EFFECTIVELY IN MAKING MANAGEMENT DECISIONS AND IN DELEGATING AUTHORITY AND RESPONSIBILITY TO DIVISION CHIEFS. USAID SUGGESTS THAT THIS RECOMMENDATION BE DROPPED.

- F. TRAINING: (PAGES 19-21)

RECOMMENDATION NO. 6: QUOTE WE RECOMMEND THAT, FOR ALL FUTURE TRAINING ACTIVITIES, THE DIRECTOR, USAID ZAIRE ENSURE THAT THE PROJECT OFFICER IN COORDINATION WITH THE MISSION'S TRAINING OFFICE AND THE GOZ:

6.1: CONDUCT A THOROUGH ASSESSMENT OF HUMAN RESOURCE NEEDS AND UPDATE THESE ASSESSMENTS BASED ON RESULTS FROM TRAINING EVALUATIONS PERFORMED UNDER TECHNICAL ASSISTANCE GRANTS;

6.2: PREPARE ANNUAL TRAINING PLANS THAT MEET THE REQUIREMENTS CONTAINED IN MISSION ORDER NO. 402; AND

6.3: DEVELOP CRITERIA FOR THE SELECTION OF PARTICIPANTS WHICH MEET THE SPECIFIC CONDITIONS OF ZAIRE AND INCORPORATE THIS CRITERIA INTO A PROJECT GRANT AGREEMENT AMENDMENT. END QUOTE.

GENERAL COMMENT: USAID AGREES WITH THE SPIRIT OF THIS RECOMMENDATION BUT DOES NOT AGREE WITH THE SUGGESTED MEANS OF COMPLIANCE. IT IS NOT PRACTICAL TO CONTRACT HUMAN RESOURCE NEEDS ASSESSMENTS FOR ALL FUTURE TRAINING. OTHER AGENCIES WITH SPECIALIZED EXPERTISE (ILO, UNFPA, WORLD BANK, UNDP, ETC.) CARRY OUT HUMAN RESOURCE ASSESSMENTS AND USAID ROUTINELY CONSULTS THESE IN PLANNING TRAINING ACTIVITIES. SINCE 1990, EACH PROJECT IS REQUIRED TO PREPARE AN ANNUAL TRAINING PLAN PER MISSION ORDER NO. 402. THE TRAINING PLAN AND OTHER IMPORTANT ASPECTS OF PARTICIPANT TRAINING HAVE NOT BEEN FOLLOWED IN THE CASE OF THIS PROJECT. THE BACKGROUND REQUIRED TO COMPLETE THE ANNUAL TRAINING PLAN--IF DONE CORRECTLY--WILL ADEQUATELY ADDRESS THE CONCERNS OF THE DRAFT AUDIT REPORT. USAID REQUESTS THAT THIS RECOMMENDATION BE DROPPED IN LIGHT OF USAID'S MORE COMPREHENSIVE TRAINING PLAN REQUIREMENTS.

RECOMMENDATION NO. 6.2: QUOTE PREPARE ANNUAL TRAINING PLANS THAT MEET THE REQUIREMENTS CONTAINED IN MISSION ORDER NO. 402. END QUOTE.

COMMENT: USAID AGREES.

RECOMMENDATION NO. 6.3: QUOTE DEVELOP CRITERIA FOR THE SELECTION OF PARTICIPANTS WHICH MEET THE SPECIFIC CONDITIONS OF ZAIRE AND INCORPORATE THIS CRITERIA INTO A PROJECT GRANT AGREEMENT AMENDMENT. END QUOTE.

COMMENT: USAID AGREES.

- G. PARTICIPANT TRAINING RECORDS: (PAGES 21-22)

RECOMMENDATION NO. 7: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE REQUIRE THE MISSION'S TRAINING

OFFICE TO CONTINUE TO WORK CLOSELY WITH PROJECT OFFICIALS TO DESIGN AND IMPLEMENT A COMPREHENSIVE RECORD KEEPING SYSTEM ON PARTICIPANTS. END QUOTE.

COMMENT: USAID AGREES.

- H. GOVERNMENT OF ZAIRE CONTRIBUTION: (PAGES 22-25)

RECOMMENDATION NO. 8: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE REQUEST THROUGH A PROJECT IMPLEMENTATION LETTER:

8.1 THAT THE GOZ PROVIDE, WITHIN 60 DAYS, DOLS 999,002 REPRESENTING ITS 1988, 1989, AND 1990 PLANNED ORDINARY BUDGET CONTRIBUTIONS;

8.2 THAT THE GOZ BEGIN PROVIDING ITS 1991 ORDINARY BUDGET CONTRIBUTION NO LATER THAN JUNE 30, 1991; AND

8.3 SUSPEND ALL A.I.D. ASSISTANCE TO THE PROJECT UNLESS THE ABOVE RECOMMENDATIONS ARE IMPLEMENTED BY JUNE 30, 1991. FINE QUOTE.

GENERAL COMMENT: IT IS ESSENTIAL THAT USAID ZAIRE DEMAND THAT THE GOZ PROVIDE ITS PROMISED CONTRIBUTIONS TO THE PROJECTS. HOWEVER, THE REALITY IN ZAIRE IS THAT ON A PROJECT-BY-BY PROJECT BASIS THE GOZ HAS FAILED TO MEET ITS COMMITMENTS TO USAID PROJECT ACTIVITIES. RECOGNIZING THIS WEAKNESS, IN DECEMBER, 1990 THE USAID DIRECTOR, IN DISCUSSIONS WITH THE MINISTER OF PLAN AND IN A LETTER TO THE PRIME MINISTER, DEMANDED THAT THE GOVERNMENT OF ZAIRE CONTRIBUTE THE EQUIVALENT OF DOLS SIX MILLION TO THE COUNTERPART FUND IN ORDER TO MAKE UP FOR SHORTFALLS IN LOCAL CURRENCY IN THE PROJECT

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ACCOUNTS. THE MINISTER OF PLAN AGREED ON JANUARY 24, 1991 TO DEPOSIT 15 BILLION ZAIRES DURING CY 91 TO THE COUNTERPART FUND.

IT IS ALSO CLEAR THAT THE GOZ CONTRIBUTION, BY SOURCE, AS STATED IN EARLY PROJECT DOCUMENTS, IS NOW DATED AND UNREALISTIC. WHILE WE AGREE THAT DOCUMENTATION SHOULD HAVE BEEN UPDATED EARLIER TO BETTER REFLECT REALITY. THE IG SHOULD RECOGNIZE THAT DENOMINATING A HOST COUNTRY'S CONTRIBUTION IN U.S. DOLLARS WHILE THAT COUNTRY'S BUDGETS ARE IN LOCAL CURRENCY IS A VERY MISLEADING EXERCISE. FOR EXAMPLE, THE MINISTER OF PLAN'S COMMITMENT OF 15 BILLION ZAIRES ON JANUARY 24 WAS WORTH DOLS 6.9 MILLION AND TODAY, GIVEN THE RAVAGES OF HYPER-INFLATION, IS WORTH DOLS 4.0 MILLION. THE PRACTICE OF NOT ADJUSTING FOR INFLATION DURING THE COURSE OF A FISCAL YEAR IS VERY WELL KNOWN, INCLUDING MOST NOTABLY IN THE USA.

USAID WILL HOLD THE GOVERNMENT TO ITS COMMITMENT OVER THE LIFE OF THE PROJECT BUT SHALL NOT DISTINGUISH BETWEEN FUNDING SOURCE, I.E., INVESTMENT BUDGET (PI), ORDINARY BUDGET (BO) OR COUNTERPART FUNDS (CPF). THE REGIONAL LEGAL ADVISOR HAS AGREED THAT ALL FY91 GRANT AGREEMENTS AND AMENDMENTS SHOW ILLUSTRATIVE BUDGETS WHICH LUMP ALL GOVERNMENT CONTRIBUTIONS TOGETHER RATHER THAN DISTINGUISHING BY BUDGET SOURCE. THIS HAS BEEN AFFECTED PER PROJECT GRANT AMENDMENT NO. 6, DATED MARCH 30, 1991.

USAID DOES NOT AGREE WITH THE RECOMMENDATION. IT IS UNREALISTIC TO EXPECT THE GOZ TO SHIFT SUFFICIENT FUNDING TO MEET THIS OBLIGATION WITHIN 60 DAYS. USAID HAS JUST SIGNED A PROJECT AGREEMENT AMENDMENT WHICH CLEARLY STATES THE TOTAL LEVEL OF OZ COMMITMENT BETWEEN NOW AND PACT BUT DOES NOT DISTINGUISH BY BUDGET LINE ITEM SOURCE. WE HAVE MAINTAINED THE GOZ CONTRIBUTION LEVEL AT DOLS 7.042 MILLION WHICH IS OVER 50 PCT OF THE USAID GRANT LEVEL AND WE BELIEVE THIS LEVEL IS ACHIEVABLE. BASED ON THE ABOVE DISCUSSION, RECOMMENDATION NO. 8 SHOULD BE DROPPED.

- I. COUNTERPART FUND MONITORING: (PAGES 25-26)

RECOMMENDATION NO. 9: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE, ESTABLISH A SYSTEM FOR ENSURING THAT PSND DOES NOT EXCEED ITS COUNTERPART FUND BUDGET LINE ITEMS BY MORE THAN 15 PERCENT AND TIE ALL FUTURE RELEASES OF COUNTERPART FUNDS TO THE MEETING OF THIS REQUIREMENT. END QUOTE.

COMMENT: USAID AGREES.

- J. CORRECTION OF ADMINISTRATIVE ERROR: (PAGE 27)

RECOMMENDATION NO. 10: QUOTE WE RECOMMEND THAT THE DIRECTOR, USAID ZAIRE, EXPEDITIOUSLY AMEND THE PROJECT GRANT AGREEMENT TO INCLUDE THE DOLS 3.6 MILLION IN

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REQUIRED GOZ CONTRIBUTION OMITTED IN THE PROJECT GRANT
AGREEMENT AMENDMENT NO. 6. END QUOTE.

COMMENT: USAID RECOMMENDS THAT THIS BE CLOSED UPON
REPORT ISSUANCE AS ACTION HAS BEEN COMPLETED.

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