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Regional Inspector General for Audit
Dakar

Audit of USAID/Cameroon's Technical Services

Report No. 7-631-92-01
October 4, 1991

INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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USAID/Cameroon followed A.I.D. policies and procedures in planning and procuring technical assistance services. However, the Mission did not properly monitor these services thereafter. For example: cash advances to a contractor were not adequately controlled; site visits were not always planned or documented; and contractors did not submit required progress reports on a timely basis. Therefore, USAID/Cameroon needs to strengthen its monitoring and oversight of its technical assistance services.

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OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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October 4, 1991

MEMORANDUM

TO: Jay P. Johnson, Director, USAID/Cameroon

FROM: Dev P. Sen, Acting RIG/A/Dakar

SUBJECT: Audit of USAID/Cameroon's Technical Services, Audit Report No. 7-631-92-01

Enclosed are five copies of the subject report. We have reviewed your comments cabled on August 23, 1991 (Yaounde 07307) in response to our draft audit report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix III herein.

The report makes three recommendations of which Recommendation Nos. 2 and 3 are resolved based on actions taken by USAID/Cameroon. Recommendation No. 1 remains unresolved because the Mission has not provided sufficient documentary evidence to support their assertion that no interest was earned by the technical services contractor, the International Institute for Tropical Agricultural (I.I.T.A.), on an excess cash advance they received from A.I.D. RIG/A/Dakar believes that examination of I.I.T.A. bank statements for the related period and an independent confirmation from the bank are necessary to assure no interest was earned on A.I.D. funds advanced to this contractor.

Please advise within 30 days of actions taken to implement Recommendation No. 1. I appreciate the cooperation and courtesies extended to the RIG/A/D staff during the audit.

Att.: A/S

EXECUTIVE SUMMARY

As of March 12, 1991 USAID/Cameroon listed 15 bilateral projects that included procurement of technical services, committing $84.6 million. These services were in support of activities ranging from long term development assistance in the agricultural sector, such as agricultural education and seeds multiplication, to short term consultants for project design or evaluation.

Our audit was made from February 21 through May 10, 1991 and covered USAID/Cameroon's systems and procedures relating to A.I.D.-financed technical services during Fiscal Years 1988 through 1991. The audit was conducted in accordance with generally accepted government auditing standards using the audit objectives defined on pages 1 and 2. The scope of the audit is defined on page 18 and the methodology on pages 18 and 19.

The audit revealed that USAID/Cameroon properly planned and procured technical services but did not adequately account for and monitor these services. Specifically USAID/Cameroon did not:

- properly control a cash advance to a contractor by determining cash requirements, monitor recovery of the excess cash advance, and ensure whether interest earned by the contractor on Federal funds was refunded to the Treasury (see page 5);

- plan for and document results of site visits (see page 7); and

- monitor contractor performance through the receipt and review of periodic contractor reports (see page 9).

The report contains three recommendations on pages 6, 8 and 9 to correct the above deficiencies. It also presents our assessment of internal controls (page 11 through 14) and compliance with applicable laws, regulations and contractual agreements (pages 15 and 16).

Office of the Inspector General

Office of the Inspector General
October 4, 1991

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INTRODUCTION

Background

The A.I.D. strategy in Cameroon as stated in its Fiscal Year 1990 budget submission, intends to focus project assistance on providing appropriate technical assistance and training in key institutional areas. As of March 12, 1991 USAID/Cameroon listed 15 bilateral projects that included technical services, committing $84.6 million. These services were in support of activities ranging from long term development assistance in the agricultural sector, such as agricultural education and seeds multiplication, to short term consultants for project design or evaluation. For fiscal years 1988 through 1990, USAID/Cameroon presented three new projects to Congress totalling $55 million. Of this amount, $15 million or 27 percent was budgeted for technical assistance services. Other projects have also relied heavily on U.S. technical assistance contractors.

The project officer is the key Mission official in implementing and monitoring these services. Through oversight and reports to senior management, adequacy and effectiveness of technical assistance are assessed and problems are identified and addressed. USAID/Cameroon has a regional contracting officer and an accounting station/controller. These offices are involved in the design and execution of the technical service requirements and play a major role in assuring that A.I.D. policies and procedures are followed.

Audit Objectives

The Office of the Regional Inspector General for Audit/Dakar audited USAID/Cameroon's technical assistance services using a systems oriented approach to review this significant functional area and identify major problems in the procurement, management and oversight of technical assistance. Specific questions to be answered were:

1. Did USAID/Cameroon plan for the technical services in accordance with A.I.D. Handbook 3?

2. Did USAID/Cameroon procure the technical services at a fair price, in a timely manner, and from qualified contractors in accordance with A.I.D. Handbook 14?

3. Did USAID/Cameroon obligate, expend and account for technical services funds in compliance with A.I.D. Handbook 19 and the A.I.D. Controller's Guidebook?

4. Did USAID/Cameroon monitor contractor performance to ensure the technical services were provided as prescribed in A.I.D. Handbook 3 and the contractual instruments?

In answering these audit objectives, we tested whether USAID/Cameroon (**1**) followed applicable internal control procedures relating to planning, contracting, monitoring and accounting for technical services and (**2**) complied with certain provisions of laws, regulations, grants, and contracts. Our tests were sufficient 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/Cameroon followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work to:

- determine if USAID/Cameroon was following a policy and procedure or complying with a legal requirement,
- identify the cause and effect of the problems, and
- make recommendations to correct the condition and cause of the problems.

Our discussion of the scope and methodology for this audit is in Appendix I.

REPORT OF AUDIT FINDINGS

Did USAID/Cameroon plan for the technical services in accordance with A.I.D. Handbook 3?

For the items tested, USAID/Cameroon had planned for the technical services in accordance with policies and procedures in A.I.D. Handbook 3.

Handbook 3 requires the Mission to justify the technical services needs and funding, and determine the type of contractor to be used. Specifically, USAID/Cameroon was expected to: (1) develop technical services requirements and estimated costs, (2) develop a procurement plan, and (3) choose an appropriate type of contractor to provide the services. Additionally, the Mission was required to have a review committee whose purpose, in the planning stage, was to assure completeness of project planning activities in Project Papers, Project Authorizations and Project Agreements.

The auditors analyzed applicable Project Implementation Documents (PIDs), Project Assistance Approval Documents (PAADs), Project Papers, and interviewed contracting and other Mission officers. The review covered planning activities for five contracts, committing about $22.6 million and a sixth contract which had not been awarded, to determine if the Mission had followed Handbook 3 procedures and requirements in planning for technical services.

In planning for the $8.3 million technical assistance in the Maternal Child Health/Child Survival project, the Mission carefully documented that it had followed the required procedures during the design phase. The Mission framed out the project's concept in the PID and determined that a consortium of universities, a contracting approach deemed appropriate and encouraged by A.I.D./Washington, would be used to develop the technical services requirements and estimated project costs. The Project Paper provided a complete discussion of the approach, sector requirements and purpose of the proposed project, in which the host country participated. Also included in the Project Paper were provisions that the consortium would design the project and provide the technical assistance during project implementation. The Mission's plan to award the technical services in the implementation phase was clearly defined and documented during the planning phase.

In a second technical assistance requirement reviewed under the Agricultural Education Project II, a follow-on project was planned, again using the consortium approach to deliver the required technical assistance. A waiver for a single source procurement was approved based on a Mission determination that technical assistance, provided by a

University of Florida/Florida A & M University consortium in the initial project, provided the required project continuity and expertise to assure achievement of the project objectives. The Mission had appropriately defined the technical services requirements in the P.I.D. including specific technical services requirements, estimates of costs and a detailed procurement plan.

The auditors found, for all of the sample items tested, that the Mission had documented the technical services requirement, procurement plan and selection of contractor type. Therefore, the Handbook 3 requirements had been met in planning for technical services.

Did USAID/Cameroon procure the technical services at a fair price, in a timely manner, and from qualified contractors in accordance with A.I.D. Handbook 14?

For the contracts tested, USAID/Cameroon followed A.I.D. Handbook 14 requirements in procuring from qualified contractors technical assistance at a fair price and in a timely manner.

Handbook 14, Subchapter A, requires documentation to support all steps taken in the contracting process from development of the PIO/T to contract award. Specifically, USAID/Cameroon was to: (1) develop and process an approved PIO/T with a clear scope of work, time frames, inputs and outputs, (2) publicize and solicit competitive bids (where appropriate), (3) request and support waivers from required practices or procedures, (4) select a qualified and eligible contractor, (5) negotiate and/or award a contract at a fair and reasonable price, and (6) fully document all decisions/steps taken in the award process.

Five of the six technical assistance contracts reviewed in the sample ($22.6 million of the $84.6 million universe or about 27 percent) had completed the contract award phase. In all five cases, the Mission had followed established procedures. Key Mission staff were included in the review and as a result developed a PIO/T with a clear scope of work with specific outputs. Where waivers were required, they had been obtained prior to issuing the solicitation. Competition had been sought for the two contracts issued under competitive award and the negotiation memoranda prepared by the contracting officer contained a synopsis of the negotiation procedures and the final results of the negotiations. Full justification had been documented when the Mission made noncompetitive awards.

One contract in the sample of six reviewed by the auditors had not been awarded. This impending technical assistance contract was selected because it contained on-going procurement activity and showed the Mission's current practices in the contract award process. Evidence in the files showed that the Mission had implemented an effective system to assure that procurement of technical services was in accordance with established procedures in Handbook 14. The requirement was well developed in the project

documents, the PIO/T was complete and included a detailed scope of work and the Contracting Officer had followed A.I.D. guidelines in soliciting competitive bids. It appeared that the Mission was better able to provide this support and oversight because the contracting officer was located at the Mission.

Did USAID/Cameroon obligate, expend and account for technical services funds in compliance with A.I.D. Handbook 19 and the A.I.D. Controller's Guidebook?

For the items tested, USAID/Cameroon obligated, expended and accounted for technical services funds in compliance with applicable Agency handbooks. We found that commitments, through PIO/Ts and contractual instruments, had been correctly entered into the accounting system. The Mission's Controller's office had developed an automated commitment liquidation monitoring system. Vouchers were accurately, promptly and properly recorded to appropriate commitment liquidation records and required reports were prepared on a timely basis. The audit, however, showed one breakdown in internal controls because the Mission did not properly determine contractor cash advance needs, ascertain if interest had been earned on the advance, and make recoveries as necessary.

The Mission did not monitor an advance made to a contractor

Handbook 19, Appendix 1B requires A.I.D. to monitor the cash management practices of the recipient organizations to ensure that federal cash is not maintained by them in excess of immediate disbursing needs, excess cash balances are promptly returned to the Treasury, and, except where contrary to law, interest earned on federal funds by recipient organizations is promptly paid over to the Treasury. USAID/Cameroon did not effectively monitor the cash management practices of the International Institute for Tropical Agriculture (I.I.T.A.) with respect to an advance provided to the contractor in November 1985 or to determine if the contractor was earning interest on this advance. This occurred because the Mission failed to develop and include in the contract, procedures for computing the cash needs, reporting on and monitoring of cash management practices of the contractor, and recovery of any excess advance or interest earned thereon. Therefore, the contractor maintained an excess cash advance and may have earned interest on federal funds which should be turned over to the Treasury. Additionally, the Mission has no provision for advances in the most recent I.I.T.A. contract but is considering a modification to allow for advances.

Recommendation No. 1: We recommend that the Director, USAID/Cameroon:

1.1 determine if interest has been earned on the excess balance of the $708,400 cash advance to International Institute for Tropical Agriculture (I.I.T.A.) and issue a Bill for Collection if warranted, and

1.2 include detailed provisions in a follow-on I.I.T.A. contract, if applicable, for the computation and recovery of interest on advances, as well as provisions for reporting and monitoring of future advances.

A.I.D. Handbook 19, Chapter 1, Appendix 1B-7, Section (d), states that A.I.D. has the responsibility to monitor the cash management practices of the recipient organizations to ensure that federal cash is not maintained by them in excess of immediate disbursing needs. Additionally, except where contrary to law, interest earned on federal funds by recipient organizations must be promptly paid in dollars to the U.S. Treasury.

We reviewed the Mission's execution of cash advances for the International Institute for Tropical Agriculture (I.I.T.A.), contract No. CO-631-0052-C-00-5099. This was the only contract at USAID/Cameroon that included provisions for a contractor to receive cash advances. Under this contract, I.I.T.A. received an excess cash advance and may have benefitted by earning interest on this excess amount. To comply with Handbook 19 the contractor should have returned any advances in excess of cash requirements for 30 days and must return any interest it earned on the advances to the Treasury.

On November 18, 1985 the Mission issued a check for $708,400 in advance payment to the contractor for services to be rendered under the contract. Costs were incurred by the contractor during the first quarter of 1986 in the amount of $247,718. This left an idle balance (for 4 months) of $460,682. During the second quarter of 1986 costs were incurred by tne contractor in the amount of $361,091 leaving an idle balance (for 3 months) of $99,591. The advance was liquidated in the third quarter of 1986.

The auditors could not determine if interest was earned on this advance because the financial and banking records of I.I.T.A. are not maintained in Cameroon. However, if the advance was placed in an interest-bearing account by the contractor, iinterest would have been earned, and based on the cited criteria, this interest must be turned over to the Treasury. At a conservative annual interest rate of 6 percent the auditors estimated that the contractor may have earned, at a minimum, the following:

$460,682 for 4 months @ 6%	$ 9,213.64
$ 99,591 for 3 months @ 6%	1,493.86
Potential interest income	$10,707.50

This occurred because the Mission did not develop and include in the contract, procedures for computing the cash needs, reporting on and monitoring of cash management practices of the contractor, and recovery of any excess advances or interest earned thereon.

Also, the auditors were informed that the Mission intends to amend the existing follow-on contract with I.I.T.A. (which does not now have provisions for cash advances as did our sample contract) to include a provision for cash advances. We believe that the amendment should clearly specify the procedures for determining the amount of the advance and include provisions for the contractor's reporting on the status of advances and repayment of interest earned on any advances.

The Mission responded to the draft report (see Appendix III) pointing out that Handbook 1, Supplement B, Chapter 15 states that no interest is to be charged on advances to non-profit organizations. The auditors acknowledge this policy, but would point out that the finding and recommendation do not deal with A.I.D. charging interest on advances. The finding and recommendation deal with the recovery of interest earned on advances held by contractors. This is clearly required by Handbook 19, Appendix 1B.

Did USAID/Cameroon monitor contractor performance to ensure the technical services were provided as prescribed in A.I.D. Handbook 3 and the contractual instruments?

USAID/Cameroon had established internal control procedures to monitor contractor performance and ensure technical services were provided as prescribed in A.I.D. Handbook 3 and the contractual instruments. Contractor progress reporting was required in contracts, site visits were performed by Mission personnel and project review committees reviewed technical assistance activities.

However, we were unable to determine whether Mission personnel could adequately monitor contractor performance because they were not effectively planning for and documenting the results of field visits nor were they assuring that contractors prepared and submitted progress reports in accordance with contractual agreements.

Site visits were not always planned or documented

Handbook 3 states that a site visit report should be prepared by the A.I.D. staff conducting the site visit. Additionally, prudent management procedures would require thorough planning of site visits in order to maximize their effectiveness. Project officers were not routinely preparing site visit reports nor was the purpose of the site visit being effectively planned and documented. This resulted because Mission management had not emphasized the importance of the reports as a monitoring tool. As a result the Mission could not

adequately monitor projects' progress nor determine if problem areas have been corrected within a reasonable period.

<u>Recommendation No. 2</u>: We recommend that the Director, USAID/Cameroon promulgate guidance on planning and reporting of site visits.

Handbook 3, Chapter 11, Section 11Eb states that "The purpose and coverage of site inspection is best illustrated by the report which should be prepared and filed by A.I.D. staff conducting the site visit". Supplement A, Chapter 2, Part C to this handbook goes on to say that "As soon as possible after each visit the project officer should prepare a brief report highlighting his/her observations and findings..." These reports should document the purpose and accomplishments of the visit and discuss progress made relative to planned results.

The audit found that the Mission had not established procedures for the planning of site visits nor did it require that site visit reports be prepared at the end of each trip. Additionally, the auditors found that by not requiring systematic planning for site visits, trips may not have been as effective as possible and areas requiring review may not have been covered.

For example, on the Maternal/Child Health Care project, the project officer had made numerous visits to project locations, but had prepared only one site visit report since his arrival in October 1990. Regarding planning of site visits, when the auditors reviewed trip requests to determine purpose, they found that generally the trip purposes were stated in one or two sentences, and the requests did not include plans to measure progress or include a comprehensive review of the contractors' activities and project status.

A more formal planning and documenting procedure such as suggested in Appendix E, to Handbook 3, Supplement A, would have identified specific indicators that could have been measured--indicators outlined in the contract or annual workplans that portray the progress of the contractor and the project. A trip report that was tied to and reported on a preplanned agenda would have allowed for a cohesive summation of the trip, provided for confirmation of contractor reports, and documented problem areas that needed to be emphasized.

The auditors found similar conditions for most of the five awarded contracts reviewed. Project officers were either not documenting the purpose and specific concerns for the trip and/or the results. Little evidence was available to the auditors to support what site visit monitoring had taken place and the lack of site visit reports left information gaps that undermine the effective monitoring of project activities. Mission management stated that they conducted periodic project review committee meetings and they believed there was an intimate knowledge of project activities by all involved managers. These also were generally undocumented. The Mission management stated that lengthy documentation of

site visits was unnecessary. The auditors agreed that lengthy reports are counterproductive. However, since the opportunity to visit sites is limited, well planned, executed and documented site visits are essential to effective management. Without a more structured approach to planning and documenting site visits, the Mission had missed the opportunity to maximize the usefulness of site visits and had failed to adequately support the history of project activities.

Contractor's reports were not available

The provisions of the technical assistance contracts provide for specific reporting requirements with time frames specified for their submission and the required contents. Additionally, Missions are required to maintain summary progress reports and implementation reports for three years. The auditors found that contractors were not routinely submitting required reports and/or that the project offices were not maintaining copies of the reports received. The auditors could not determine a precise reason for the breakdown of this key internal control technique, but believe that it was due to the Mission's failure to monitor the technical assistance contracts and to emphasize the importance of receiving and reviewing these reports. As a result, project officers could not maintain effective oversight of contractor activities and project progress (or lack thereof) was not systematically documented at the Mission. Additionally, new project officers arriving to take over on-going projects do not have a complete project history to work from.

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

3.1 take an inventory of contractually required reports for projects with active technical assistance contracts;

3.2 obtain current missing reports and assure they include analyses and comparisons of actual versus planned performance; and

3.3 issue a Mission Order requiring project officers to monitor and report on contractor's compliance with reporting requirements and maintain these reports at the Mission for at least three years.

Each contract for technical assistance contains a section specifying reporting requirements, information to be reported and deadlines for submission. Handbook 21, Part II, Chapter 26 requires that recurring reports on project implementation be retained for three years.

The Mission did not ensure that required reports were received and maintained. For example, on the Agriculture Policy and Planning Project (No. 631-0059), semi-annual and

annual reports were required by the contract provisions. The auditors found that both reports for the 1990-91 year were not at the Mission. On further review it was determined that they had not been completed by the contractor. If the Mission had been adequately monitoring the contractor activities they would have noticed that the reports had not been submitted.

In another example, at least 10 reports required under the technical assistance contract (AFR-0023-C-00-8021-00) for the North Cameroon Seed Multiplication II Project (No. 631-0023) were not available at the Mission. When asked why this situation existed, the project officer was unable to explain.

In all four projects, the Mission did not have complete files of reports for the previous three years. In some cases, the contractor had not produced the reports, in others the Mission simply did not have them. The auditors concluded that not only were project officers not reviewing these reports, but also, the apparent lack of concern by Mission personnel encouraged the contractor to not submit required reports.

As a result, the Mission was not fully informed of the extent and quality of contractor performance, problems encountered, and what corrective actions were necessary. Evidently, project officials were either unaware of the importance of maintaining complete project files or failed to insist that contractors provide all required reports in a timely manner. It is imperative that the Mission should require technical assistance contractors to submit required reports and these reports should be maintained at the Mission for at least three years after project completion.

REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of internal controls.

Scope of Our Internal Control Assessment

We have audited USAID/Cameroon's technical services for active contracts during Fiscal Years 1988 through 1991, and have issued our report thereon dated October 4, 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 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 our audit, we considered A.I.D.'s internal control structure to determine our auditing procedures in order to answer the audit objectives. We classified significant internal control policies and procedures applicable to each audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation, and then assessed the control risk. We have reported these categories as well as any significant weaknesses under each audit objective.

General Background on Internal Controls

The management of A.I.D., including USAID/Cameroon, is responsible for establishing and maintaining adequate internal controls. Recognizing 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 the 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 (OMB) 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 U.S. 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 conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

In doing this work, we found certain problems that we consider reportable under standards established by the Comptroller General of the United States. (Note: The Mission did not report any of these problems in its 1990 internal control assessment as required by the Integrity Act). 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/Cameroon'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.

Conclusion for Audit Objective One

The first audit objective was to determine what internal controls exist at USAID/Cameroon to assure that planning for technical services was in accordance with A.I.D. guidance. For purposes of this report, we have classified policies and procedures into the following categories: the project concept and approval process and the project design process. Our assessment and testing included the review of Project Implementation Documents (PIDs), Project Assistance Approval Documents (PAADs), Project Papers, as well as interviewing cognizant Mission officials.

In reviewing the controls described above, we found that they were logically and consistently applied and noted no reportable conditions.

Conclusion for Audit Objective Two

The second objective relates to the Mission's process for procuring the required technical assistance. For purposes of this report we classified policies and procedures into the following categories: the procurement initiation process, the solicitation process, and the contract negotiation and award process.

In reviewing the controls described above, we found that they were logically and consistently applied and noted no reportable conditions.

Conclusion for Audit Objective Three

This objective relates to the Mission's process of accounting for technical services. We considered the applicable internal control policies and procedures cited in A.I.D. Handbooks 3 and 19 and the Controller's Handbook. For purposes of this report, we have classified the policies and procedures into the following categories: the obligation and commitment process, the payment verification process and the liquidation and reporting process.

In reviewing the controls described above, we found that, in general, they were logically and consistently applied except for contractor advances. The Mission did not properly control a cash advance to a contractor by determining cash requirements, monitoring recovery of excess cash advances or ensuring that interest earned by the contractor thereon was returned to the Treasury.

Conclusion for Audit Objective Four

This objective relates to monitoring of technical assistance contracts. In planning and performing our audit, we considered the relevant internal control policies and procedures cited in A.I.D. Handbook 3 and included in the technical assistance contracts. For the purposes of this report we have classified the relevant policies and procedures into the following categories: the A.I.D. monitoring process, and the contractual requirements.

Our assessment showed that the controls were not properly designed and/or implemented, and therefore unreliable. Consequently, we expanded our tests of contractor reporting in respect of five active contracts to determine the extent of reporting. We noted three reportable conditions:

- Mission personnel did not always plan for or document the results of site visits;

- the Mission did not adequately monitor contractor performance through the receipt and review of periodic contractor reports;

- the Mission did not maintain files of contractor reports for the required three-year period.

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 program 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 condition described under Audit Objective Four is a material weakness.

REPORT ON COMPLIANCE

This section summarizes our conclusions on USAID/Cameroon's compliance with applicable laws and regulations.

Scope of Our Compliance Assessment

We have audited USAID/Cameroon's technical services for one planned and five active contracts in the Fiscal Years 1988 through 1991 and have issued our report thereon dated October 4, 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 objective (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, abuse as well as indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

General Background on Compliance

We tested USAID/Cameroon's compliance with the applicable laws and regulations and provisions of technical assistance contracts affecting our audit objectives. However, our objective was not to provide an opinion on USAID/Cameroon's overall compliance with all provisions of such laws, regulations and contracts.

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 requirement not followed or prohibition violated is a statute or implementing regulation. Noncompliance with internal control policies and procedures in 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 services, which may not directly violate laws and regulations.

Compliance with laws, regulations, contracts, and grants is the overall responsibility of USAID/Cameroon's management. As part of fairly, objectively, and reliably answering the audit objectives, we performed tests of USAID/Cameroon's, and contractor's compliance with certain provisions of the Federal Acquisition Regulations (FAR) and contractual agreements. However, our objective was not to provide an opinion on overall compliance with all such provisions.

Conclusions on Compliance

USAID/Cameroon complied with the applicable provisions of the FAR and technical assistance contracts except for the following instance of noncompliance:

- Audit Objective Three - USAID/Cameroon had not monitored a contractor's advance to determine whether any interest earned on the advances was accounted for and returned to the Treasury (see page 5).

MANAGEMENT COMMENTS AND OUR EVALUATION

USAID/Cameroon agreed with two of our three recommendations. They did not agree with Recommendation No. 1 because, in their opinion, no interest is chargeable on advances made by A.I.D. to non-profit organizations. Moreover, they stated that the contractor's cash reports furnished to the Mission did not show any interest earnings on cash advances. Therefore, they believed that all reference to interest on advances should be deleted from the report.

The Mission misunderstood the nature and elements of the finding relating to Recommendation No. 1 which concern recovery of interest earned by the contractor on advances received from A.I.D. Although the Mission stated that interest was not earned, we were unable to verify this information for lack of documentary evidence at USAID/Cameroon during the audit. At a minimum, such evidence should include copies of contractor's bank statements covering the period during which the advance was deposited and used, as well as independent confirmation from the bank that no interest was earned. Therefore, Recommendation No. 1 is unchanged.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Cameroon's technical services in accordance with generally accepted government auditing standards. We conducted the audit from February 21 through May 10, 1991 and covered the systems and procedures relating to technical services financed by A.I.D. during Fiscal Years 1988 through 1991. We conducted our field work in the offices of USAID/Cameroon and related project offices at Yaounde, Cameroon. The sample consisted of five awarded technical assistance contracts in five projects of the Mission's current listing of 15 bilateral projects having technical services. A sixth planned contract was reviewed for preaward planning. The sample contracts committed $22.6 million of a total of $84.6 or about 27 percent of all technical services commitments. The sample was judgementally selected to assure a fair representation of Mission activities and to ascertain the Mission's operating systems.

The audit scope did not include an assessment of:

- Commodity procurement or inventory practices of the technical service contractors. These commodities and the related inventories were located at remote project locations which were not visited during the audit.

- Accuracy of progress reported in quarterly and annual reports submitted by contractors. This again was due to the remote location of project sites and the limitation of time for the audit.

- Accuracy and validity of contractor billings since support documentation for contractor invoices were maintained at their home office outside Cameroon.

Methodology

Audit Objective One

The first audit objective consisted of reviewing planning documentation for the projects related to the five selected contracts. Our selection was based on dollar value, status of

the technical assistance activity and availability of documentation relating to the audit objectives. We reviewed Project Implementation Documents (PIDs), Project Assistance Approval Documents (PAADs), Project Papers and procurement plans, Project Agreements and Project Implementation Orders for Technical Services (PIO/Ts) in order to determine if USAID/Cameroon had: (1) developed technical services requirements and estimated costs, (2) developed a procurement plan, and (3) chosen an appropriate type of contractor to provide the technical services.

Audit Objective Two

To accomplish the second audit objective, we determined the Mission's procurement process and procedures and assessed compliance with A.I.D. Handbook 14, as well as established internal controls. Specifically, USAID/Cameroon was to: (1) develop and process an approved PIO/T with clear scope of work, time frames, inputs and outputs, (2) publicize and solicit competitive bids (where appropriate), (3) request and support waivers from required practices/procedures, (4) select a qualified and eligible contractor, (5) negotiate and/or award a contract at a fair and reasonable price, and (6) fully document all decisions/steps taken in the award process. We compared available documentation to the above criteria for our selected contracts.

Audit Objective Three

To accomplish the third audit objective, we reviewed the Mission's accounting procedures and controls to determine compliance with A.I.D. requirements for payment and accountability with respect to technical assistance contracts as specified in A.I.D. Handbook 19 and the A.I.D. Controller's Handbook. We reviewed a judgementally selected sample of accounting transactions relating to the contracts covered in our audit and compared them to applicable standards and determined accuracy.

Audit Objective Four

To accomplish the fourth audit objective, we determined and assessed the Mission's internal controls and the provisions in contracts to assure that USAID/Cameroon had adequate oversight of contractor performance as provided for in A.I.D. Handbook 3. For each of the sample contracts, we determined the contractor's reporting requirements and then compared actual reports on file to those requirements and for content. Additionally, we reviewed trip reports to determine documentation of Mission's monitoring activities.

SCHEDULE OF DOCUMENTS REVIEWED BY: PROJECT, CONTRACT AND AUDIT OBJECTIVE (see note)

PROJECT NUMBER CONTRACT NUMBER	AUDIT OBJECTIVE I PLANNING	AUDIT OBJECTIVE II PROCURING	AUDIT OBJECTIVE III ACCOUNTING	AUDIT OBJECTIVE IV MONITORING
631-0056 CO-631-0056-C-00-7096	1. PROJECT IMPLEMENTATION DOCUMENT (P.I.D.) 2. PROJECT AGREEMENT 3. PROJECT PAPER	1. PROJECT IMPLEMENTATION ORDER/TECHNICAL (P.I.O./T) 2. MEMO OF NEGOTIATION 3. CONTRACT	1. COMMITMENT LIQUIDATION RECORD (CLR) 2. COMPREHENSIVE PIPELINE REPORT (CPR) 3. ADVICE OF CHARGE 4. INVOICES 5. CONTRACT	1. CONTRACTOR REPORTS 2. ANNUAL WORKPLANS 3. FINANCIAL REPORTS 4. TRIP REPORTS 5. CONTRACT
631-0066 CO-631-0510-C-001005	1. P.I.D.	1. P.I.O./T 2. CONTRACT	1. CLR 2. CONTRACT	1. PROJECT PAPER
631-0023 AFR-0023-C-00-8021	1. PROJECT PAPER 2. PROJECT PAPER AMENDMENT	1. P.I.O./T 2. MEMO OF NEGOTIATION 3. CONTRACT	1. CLR 2. CPR 3. INVOICES 4. CONTRACT	1. PROJECT STATUS REPORT 2. TRIP REPORTS 3. ANNUAL PLANS 4. IMPLEMENTATION REPORTS 5. CONTRACT
631-0052 CO-0052-C-00-5099	1. PROJECT PAPER	1. P.I.O./T 2. MEMO OF NEGOTIATION 3. CONTRACT	1. CLR 2. INVOICES 3. CONTRACT	1. CONTRACTOR REPORTS 2. ANNUAL WORKPLANS 3. TRIP REPORTS 4. CONTRACT
631-0059 CO-631-0059-C-00-9015	1. PROJECT AGREEMENT 2. P.I.D.	1. P.I.O./T 2. MEMO OF NEGOTIATION 3. CONTRACT	1. CLR 2. INVOICES 3. CONTRACT	1. ANNUAL WORKPLANS 2. CONTRACTOR REPORTS 3. TRIP REPORTS 4. CONTRACT
631-T-604 / 631-0074 631-T-604 / 631-0082 CONTRACT NOT AWARDED	1. PROGRAM ASSISTANCE INITIAL PAPER 2. PROGRAM ASSISTANCE APPROVAL DOCUMENT 3. PROGRAM GRANT AGREEMENT	1. P.I.O./T 2. CONTRACT SOLICITATION		

Note: Documentation reviewed was dependent on the status and nature of the contract and the specific objective being assessed.

APPENDIX III

ACTION: RIG INFO: EXEC

VZCZCDK0306
RR RUEHDK
DE RUTAYD #7307 2350957
ZNR UUUUU ZZH
R 230956Z AUG 91
FM AMEMBASSY YAOUNDE
TO AMEMBASSY DAKAR 3711
ET
UNCLAS YAOUNDE 07307

LOC: 012 701
23 AUG 91 1001
CN: 59772
CHRG: RIG
DIST: RIG

AIDAC

FOR: RIG/A/DAKAR

E.O. 12356: N/A
SUBJECT: DRAFT AUDIT REPORT OF USAID/CAMEROON'S
- TECHNICAL SERVICES.

REFS: (A) YAOUNDE 06378; (B) YAOUNDE 07087

USAID/CAMEROON'S COMMENTS ON THE SUBJECT DRAFT AUDIT REPORT ARE AS FOLLOWS:

1. AUDIT OBJECTIVE THREE - IN ACCORDANCE WITH FEDERAL ACQUISION REGULATIONS (FAR), SECTION 32.407, (D),(1), AID POLICY, CONTAINED IN HANDBOOK 1, SUPPLEMENT B, CHAPTER 15, SECTION 15E, I, SMALL "E", (2) STATES THAT QUOTE ADVANCES TO NONPROFIT ORGANIZATIONS DO NOT REQUIRE SPECIAL APPROVAL, THE CONTRACTING OFFICER MAY APPROVE SUCH ADVANCES, IN CONSULTATION WITH THE AID CONTROLLER SERVING THE PROCURING ACTIVITY. NO INTEREST IS CHARGED ON SUCH ADVANCES UNQUOTE. (EMPHASIS ON LAST SENTENCE).

ADDITIONALLY, THE INTERNATIONAL INSTITUTE FOR TROPICAL AGRICULTURE (IITA), THE CONTRACTOR REFERRED TO IN THIS PART OF THE DRAFT AUDIT REPORT, PROVIDED AN ADAPTATION OF REPORT CONTROL NO. W-245, FEDERAL CASH ADVANCE STATUS REPORT, AS SUPPORTING DOCUMENTATION TO ITS PERIODIC VOUCHER SUBMISSION. LINES 3, 5 AND 11 OF THE REPORT RELATE TO INTEREST EARNED ON THE ADVANCE. ALL OF THESE REPORTS SHOW THAT NO INTEREST WAS EARNED ON THE ADVANCES PROVIDED BY THIS USAID. USAID/CAMEROON HAS NO REASON TO BELIEVE THAT THESE REPORTS WERE OTHER THAN CORRECT. NOR HAS THE RIG AUDITOR OFFERED ANY EVIDENCE TO REFUTE THE IITA REPORTS.
IN LIGHT OF THE ABOVE, USAID/CAMEROON BELIEVES THAT THE REFERENCES TO INTEREST ON ADVANCES FOUND ON SECOND PAGE OF EXECUTIVE SUMMARY AND PAGES 9, 10,11,12,23 AND 28 OF THE DRAFT AUDIT REPORT SHOULD BE DELETED.

USAID/CAMEROON ALSO BELIEVES THAT RECOMMENDATION NO. 1 SHOULD BE REMOVED IN ITS ENTIRETY SINCE THERE IS NO JUSTIFICATION FOR THE RECOMMENDATION.

IN CONNECTION WITH FUTURE CONTRACT/PROJECT ADVANCES USAID/CAMEROON INTENDS TO IMPLEMENT PARTS OF SECTION

APPENDIX III

32.408 OF THE FAR AND TO PROVIDE FOR MONTHLY FINANCIAL REPORTING AND REPLENISHMENT.

2. AUDIT OBJECTIVE FOUR - (A) IN CONNECTION WITH RECOMMENDATION NO. 2, USAID/CAMEROON ACCEPTS THAT GUIDANCE IS NEEDED TO ASSURE ADEQUATE PLANNING GOES INTO ANY TRIP AND THE RESULT IS REPORTED ON.

TO THAT END, GUIDANCE WILL STATE THAT A FUNCTION OF FRONT OFFICE APPROVAL OF ALL MISSION TRAVEL REQUESTS WILL BE THE OFFICER'S DENOTING A CLEAR STATEMENT ON PURPOSE OF VISIT AND INDICATION OF WHAT WILL BE ACCOMPLISHED.

FRONT OFFICE WILL RETAIN COPY OF TRAVEL REQUEST AND REQUEST THAT SUFFICIENT SUMMARY STATEMENT OF ACCOMPLISHMENT BE AFFIXED TO REQUEST WITHIN ONE WEEK FOLLOWING RETURN. THE DEPUTY DIRECTOR OR HIS DESIGNEE WILL BE RESPONSIBLE FOR ASSURING COMPLIANCE RE-COMPLETION OF SUMMARY STATEMENT OF TRIP, AS WELL AS TRIP REPORT.

(B) IN RELATION TO RECOMMENDATION NO. 3.1 - AN INVENTORY HAS BEEN STARTED. TO DATE THE FOCUS IS ON PROGRESS REPORTING. INITIAL RESULTS INDICATE THAT VERY FEW TECHNICAL ASSISTANCE CONTRACTS HAVE FAILED TO FURNISH REPORTS. HOWEVER, REPORTS HAVE BEEN INCONSISTENT IN THEIR PRESENTATION AND OFTEN DELAYED DUE TO THE EXTENSIVE HOME OFFICE REVIEW. A GOOD EXAMPLE WAS NORTH CAMEROON SEED, WHERE THE CONTRACTOR WOULD ONE YEAR PROVIDE AN ANNUAL IMPLEMENTATION REPORT THAT WOULD DOUBLE AS A FINAL ANNUAL REPORT. SOME YEAR THE REPORTS WERE IN FRENCH ONLY.

USAID WILL EXPAND INVENTORY OF REPORTING TO INCLUDE FINANCIAL REPORTING REQUIREMENTS.
RECOMMENDATION NO. 3.2. PERFORMANCE INDICATORS WILL BE REVIEWED AS PART OF THE UPCOMING PROJECT IMPLEMENTATION REPORT AND ASSESSMENT OF PROGRAM IMPACT EXERCISES SCHEDULED FOR SEPTEMBER/OCTOBER 1991.

RECOMMENDATION NO. 3.3 - USAID WILL COMPLY AND ISSUE A M.O. BUT PREFERS TO AWAIT THE OUTCOME OF EXERCISES CITED ABOVE TO INCORPORATE FURTHER FINDINGS IN ITS INSTRUCTIONS TO PROJECT OFFICERS. COOK
BT
#7307

NNNN

APPENDIX IV

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