

**AUDIT SURVEY OF THE PL-480 TITLE I PROGRAM
IN SIERRA LEONE
OCTOBER 1, 1987 THROUGH SEPTEMBER 30, 1990**

**Audit Report No. 7-636-93-03-N
January 6, 1993**



Agency for International Development

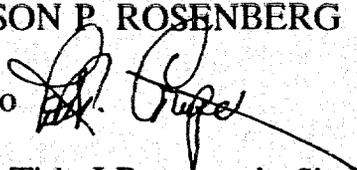
Washington, D.C. 20523

Assistant Inspector General
for Audit

January 6, 1993

MEMORANDUM FOR AA/AFR, ALISON P. ROSENBERG

FROM: AIG/A, John P. Competello



SUBJECT: Audit Survey of the PL-480 Title I Program in Sierra Leone, October 1, 1987 through September 30, 1990, (Audit Report 7-636-93-03-N)

The attached audit survey report, prepared by the non-Federal audit firm KPMG Peat, Marwick, Mitchell & Co. of The Gambia, presents the results of an audit survey of the PL-480 Title I Program in Sierra Leone for the fiscal years 1987 through 1990.

The PL-480 Title I Program in Sierra Leone has existed since the 1960s. Program agreements for fiscal years 1987 through 1990 provided for the importation to Sierra Leone of U.S. bulk rice and wheat with a total export value of \$25 million. The commodities were to be sold on the local market on an open competitive basis by agents selected by the Government of Sierra Leone (GOSL) with the proceeds from the sales being used for development projects and self-help measures on both a loan and a grant basis as mutually agreed upon by A.I.D. and the GOSL. The GOSL's National Aid Coordinating Secretariat (NACS) had primary responsibility for the oversight and implementation of the program including the selection of sales agents, programming of commodity sales proceeds, monitoring of development projects, and reporting on the progress of projects and the balance of the separate bank account into which sales proceeds were deposited.

KPMG performed an audit survey of NACS's implementation of the PL-480 program for fiscal years 1987 through 1990 in accordance with U.S. Government Auditing Standards to: (a) become familiar with the important aspects of the PL-480 Title I Program in Sierra Leone; (b) review NACS' accounting records and determine what additional records would be required as well as what accounting services, such as records reconstruction, would be necessary before a detailed audit phase could begin; (c) obtain a preliminary understanding of NACS's internal control structure in order to plan the formal evaluation of this structure during the detailed audit phase to

determine the nature, timing, and extent of tests to be performed during the detailed audit phase; and (d) plan the detailed audit work.

KPMG found that NACS did not maintain sufficient administrative and accounting records to enable the preparation of commodity and fund accountability statements and that extensive records reconstruction from third party sources would be required in order to establish accountability. In addition, KPMG was unable to identify a definitive internal control structure and disclosed the following weaknesses: (a) lack of adequate supporting documentation for significant allocations of Title I sales proceeds made to projects; (b) lack of evidence of project monitoring by NACS; (c) lack of evidence of the maintenance of a cash book by NACS to record program receipts and disbursements; (d) lack of availability of contracts with sales agents detailing terms and conditions of sales activities; and (e) lack of reporting by NACS to A.I.D., certified by the GOSL audit department, on receipts and uses of deposits.

A.I.D. management responsible for program activities in Sierra Leone stated that it did not disagree with the non-Federal auditor's findings concerning the availability of program documentation at NACS and provided additional factual information regarding the export value of commodities provided. In its written comments to the draft audit survey report (See Appendix B), A.I.D. management stated that it located NACS program documentation from non-NACS sources that was reported by the auditor as unavailable from NACS.

The following recommendation is included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that the Assistant Administrator for the Africa Bureau as a condition precedent to any future assistance to the Government of Sierra Leone require the Government of Sierra Leone to:

- 1.1 account for the deposit and use of the PL-480 Title I sales proceeds (local currency equivalent of \$25 million) for the fiscal years 1987 through 1990, and**
- 1.2 deposit to the special account any funds that can not be accounted for in accordance with agreement terms.**

Recommendation 1.1 is considered resolved as A.I.D. has included a condition precedent to disbursement of the FY92 Economic Support Fund cash transfer agreement that requires the GOSL to account for the deposit and use of the PL-480 Title I commodities for fiscal years 1987 through 1990. Recommendation 1.1 can be closed when RIG/A/Dakar is provided evidence that the GOSL has provided a full accounting of program funds. Recommendation 1.2 is unresolved since no action has

been taken to ensure that any program funds which can not be accounted for in accordance with agreement terms are deposited to the special account.

Please advise within 30 days of receipt of this report of any actions planned or taken to close the recommendation.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PL-480 TITLE I PROGRAM IN SIERRA LEONE

AUDIT SURVEY REPORT FOR THE PERIOD

OCTOBER 1, 1987 TO SEPTEMBER 30, 1990

 **Peat Marwick**

Banjul, The Gambia
Chartered Accountants and Business Consultants

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PL-480 TITLE I PROGRAM IN SIERRA LEONE

AUDIT SURVEY REPORT

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September 22, 1992

Mr. Tom Anklewich,
Regional Inspector General for Audit/Dakar
United States Agency for International Development
Dakar
Senegal

Dear Mr. Anklewich,

This report presents the results of our audit survey of the PL-480 Title I Program in Sierra Leone for the period October 1, 1987 to September 30, 1990.

1. Transmittal letter and Summary

1.1 Background

The Agricultural Trade Development and Assistance Act of 1954, Public Law 480 (PL-480), as amended, is the statutory basis for the United States Food Aid Program.

It is the policy of the United States (US) to use its agricultural productivity to combat hunger and malnutrition, encourage economic growth and development in developing countries, and expand markets not only for US agricultural commodities, but also local foodstuffs produced in developing nations.

Title I of the Act provides for sale of US agricultural commodities for dollars on credit terms for foreign currencies.

Non-resident partners :
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Resident Manager :
Paul M. Bird

The PL-480 Title I program has existed in Sierra Leone since the 1960's. During the period October 1, 1987 through September 30, 1990, the program involved the importation of bulk rice and wheat with a total export value of \$17 million as follows:

FY	Commodity	Quantity	Market Value
1987	Wheat	16K MT	\$2 million
1987	Rice	12K MT	\$2 million
1988	Wheat	7.7K MT	\$1 million
1988	Rice	8.5K MT	\$3 million
1989	Wheat	5.6K MT	\$1 million
1989	Rice	10K MT	\$3 million
1990	Wheat	16.5K MT	\$3 million
1990	Rice	11.5K MT	\$2 million
		TOTAL	\$17 million

The commodities were sold on the local market on an open competitive basis by agents selected by the Government of Sierra Leone (GOSL) with proceeds from the sales being used for development projects and self-help measures on both a loan and a grant basis mutually agreed upon by USAID/Sierra Leone and GOSL.

The GOSL's National Aid Coordinating Secretariat (NACS) has the primary responsibility for the oversight and implementation of the program including selection of sales agents, programming of commodity sales proceeds, monitoring of development projects, and reporting on the progress of projects and the balance on the separate bank account into which the sales proceeds were deposited.

According to AID's West African Accounting Centre at the Regional Economic Development Services Office in Abidjan, Ivory Coast (REDSO/WAAC), NACS has failed to provide bank statements and reports over the life of the program and USAID/Sierra Leone has not been persistent enough in pursuing the required documentation.

In March 1992, a REDSO/WAAC Financial Analyst performed a site visit to Freetown and identified the following possible problem areas:

- selection and/or monitoring of the selling/distribution agents
- excessive sales price charged for commodities
- distribution of commodities to geographic areas or persons which were unauthorized per agreement terms, and
- misuse of proceeds earmarked for development projects

Because of these allegations, REDSO/WAAC has requested that a non-Federal audit should be performed of the program for fiscal years 1987 to 1990. Under AID Office of the Inspector-General's policy, a financial audit must be based on commodity and fund accountability statements prepared from accounting records.

Following the review carried out by REDSO/WAAC, it was concluded that NACS accounting records are not sufficient to allow the preparation of commodity and fund accountability statements. Accordingly, a two-phase audit is to be performed, with the first audit survey phase allowing for the determination of required accounting services to take place prior to the start of the detailed audit phase two.

This report presents the results of Audit Survey Phase One carried out in Freetown, Sierra Leone, from August 17 to August 21, 1992.

1.2 Audit survey objectives and scope

The objectives of this audit survey are to:

- i) familiarize ourselves with important aspects of the PL-480 Title I Program in Sierra Leone;
- ii) review available accounting records and determine what additional records are required as well as what accounting services, such as

records reconstruction, are necessary before the detailed audit phase can begin;

- iii) obtain a preliminary understanding of NACS's internal control structure in order to plan the formal evaluation of this structure during the detailed audit phase to determine the nature, timing, and extent of tests to be performed during the detailed audit phase; and
- iv) plan the detailed audit work.

To achieve these objectives, we carried out the following procedures which included, but were not limited to:

- Familiarization of the engagement staff with the Program and reviewing of AID and US Government regulations;
- Reviewing regulations applicable under the various agreements and contracts with the AID Affairs Office (AAO) and GOSL regarding the Program, including Program Agreements, Minutes of Negotiations and Purchase Authorizations;
- Obtaining and reviewing reports of previous evaluations, including AID/OIG Audit Report No.7-636-88-03-N and March 27, 1992 Trip Report prepared by REDSO/WAAC Financial Analyst, Andrew Plitt;
- Obtaining and reviewing the documentation provided by NACS and determining what records are still to be provided;
- Reviewing the adequacy of the accounting records in order to estimate the time and staff effort required for the preparation of Commodity Accountability Statement (CAS) and Fund Accountability Statement (FAS) for the period;
- Reviewing and documenting NACS's internal control structure in order to obtain an understanding of relevant internal controls and procedures and determine whether those controls and procedures are in operation;

- Design an audit work plan for the detailed phase based on the results of the above tasks that will satisfy the following objectives:
 - i) Express an opinion on whether a) the commodity accountability statement for the period is presented fairly with respect to the tonnage received, sales proceeds, losses, deposits, and withdrawals from 1987 to 1990 and b) the fund accountability statement for the use of sales proceeds is presented fairly in accordance with generally accepted accounting principles;
 - ii) Obtain a sufficient understanding of NACS internal control structure and then evaluate this structure to determine the nature, extent and timing of tests to be performed in order to form an opinion on the fund accountability statement;
 - iii) Perform tests of NACS's compliance with applicable laws, regulations, binding policies and procedures, and the Program Agreement as part of obtaining reasonable assurance about whether the fund accountability statements is free from material misstatement.

The audit survey was carried out in accordance with US Government auditing standards, as set forth in the Comptroller-General's Government Auditing Standards, and guidelines contained in the Office of the Inspector-General's Guide for Financial and Compliance Audits contracted by The Agency for International Development.

At the beginning and end of the field work, respectively, entrance and exit conferences were held with US Embassy staff and NACS representatives to advise them of the audit survey objectives and the results of the survey.

1.3 Summary of Audit survey results

Our review of the accounting records and internal control structure of NACS was designed to satisfy the objectives set out in paragraph 1.2 of this report.

We found that:

- i) NACS has not maintained sufficient administrative and accounting records to enable a Commodity Accountability Statement (CAS) or Fund Accountability Statement (FAS) to be prepared and has not provided the required documentation to enable reconstruction of the accounting records (see Section 2.1);
- ii) As a result of i) above, NACS has not prepared a CAS or FAS. Extensive records reconstruction work, as detailed in Section 2.2, is required to be carried out by NACS or an independent consultant in order to prepare the CAS and FAS;
- iii) We found no evidence that NACS has written accounting or administrative procedures and we were unable to identify a definitive internal control structure (see Section 3);
- iv) Our preliminary review of the administrative structure (See Section 3.2) disclosed the following:
 - Significant allocations of Title I funds have been made to projects coordinated by GOSL ministers and former ruling party functionaries without adequate supporting documentation;
 - Poor administrative and filing procedures at NACS. Most of the files presented to us were in an advanced state of deterioration;
 - Lack of evidence of project evaluation and monitoring by NACS;
 - No evidence of the maintenance of a cash book by NACS to record receipts and disbursements relating to the Program bank account;

- Contracts with Sales Agents detailing terms and conditions of the agency were not available for our review; and
- We found no evidence that GOSL was meeting the reporting requirements set out in the Minutes of Negotiations in respect of receipts and expenditures of sales proceeds, certified by the GOSL audit department.

We have recommended that an independent consultant is contracted to carry out the accountancy services required to produce the CAS and FAS. We have also suggested that the consultant should be recruited from outside Sierra Leone to ensure independence and freedom from political or other social pressures.

* * * * *

We would like to thank American Embassy and NACS officials for the assistance and cooperation we received during the course of the survey.

Yours sincerely,

KPMG Peat Marwick

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PL-480 TITLE I PROGRAM IN SIERRA LEONE

AUDIT SURVEY REPORT

2. FINANCIAL SECTION

2.1 Available accounting records

In accordance with Article IV Statement of Work, Section C 1, we have carried out a review in order to determine whether the following documentation has been provided by NACS and what documentation is required to be provided:

- i) Copies of documents evidencing receipt of PL-480 commodities (i.e. shipping reports or warehousing/bagging reports).
- ii) Copies of documents evidencing commodity losses due to short-landing, theft, spoilage (wet and caked) and/or dusted bags.
- iii) Copies of documents transferring commodities to distribution agents.
- iv) Copies of sales proceeds check stubs from agents and deposit slips to PL-480 Title I account at the Bank of Sierra Leone (BOSL).
- v) Copies of monthly bank statements for PL-480 Title I account for 1987 through 1991.
- vi) Copies of budgeted expenditures/disbursements for PL-480 Title I sales proceeds.
- vii) Copies of letters authorizing use of Title I funds for Development Projects.
- viii) Copies of letters instructing the BOSL to disburse funds from the Title I account to development project accounts.

The results of our review are detailed in respect to each of the above records, as follows:

2.1.1 Copies of documents evidencing receipt of PL-480 commodities (i.e. shipping reports or warehousing/bagging reports)

Discussion of documentation provided

NACS officials obtained a letter from the Sierra Leone National Shipping Company Limited (SLNSC) dated July 27, 1992 showing details of shipments of PL-480 commodities that were received at the Queen Elizabeth II Quay in Freetown between 1988 and 1991. The vessels are:

- | | | |
|------|-------------------|----------------------------|
| i) | MV Amy Thompson | Arrived September 22, 1988 |
| ii) | MV Lash Atlantico | Arrived February 7, 1989 |
| iii) | MV Lash Atiantico | Arrived August 26, 1990 |
| iv) | Barge Virginia | Arrived August 2, 1991 |

The details provided included a final out-turn report of the quantity of commodities received in respect of ii) to iv) above. SLNSC has only produced documentation in respect of consignments of rice, as our understanding from NACS officials is that wheat is transferred directly from the vessel to the silos of Seaboard (West Africa) Limited (Seaboard), the only flour millers in Sierra Leone.

Auditor's comment

NACS has been unable to provide details of commodity quantities shipped and received at the Ports in Freetown. We found no evidence that receiving reports were prepared by NACS or that NACS routinely required its clearing agents to submit these reports, as the documentation provided by NACS in respect of Fiscal Years (FY) 1988 to 1990 was received from SLNSC in July 1992. Details of commodities received (if any) during FY 1987 are still to be provided.

2.1.2 Copies of documents evidencing commodity losses due to short-landing, theft, spoilage (wet and caked) and/or dusted bags

Discussion of documentation provided

NACS requested SLNSC to provide Final outturn reports in respect of PL-480 commodities received during the FY 1987 to 1990. Final outturn reports in respect of rice imported aboard the following vessels were submitted to NACS and inspected by us:

- | | | |
|------|-------------------|--------------------------|
| i) | MV Lash Atlantico | Arrived February 7, 1989 |
| ii) | MV Lash Atlantico | Arrived August 26, 1990 |
| iii) | Barge Virginia | Arrived August 2, 1991 |

Auditor's comment

Final outturn report in respect of MV Amy Thompson (Arrived September 22, 1988) and any other vessel(s) which arrived during FY 87 have not yet been provided. No documentation has been provided in respect of follow up action taken in respect of short-landed commodities.

NACS was unable to produce any documentation in respect of quantities of wheat received by Seaboard evidencing ocean loss or port loss.

2.1.3 Copies of documents transferring commodities to distribution agents

Discussion of documentation provided

We were informed that this documentation was contained in certain NACS files which were in the custody of the Secretariat of the Lynton Nylander Commission of Enquiry which is currently investigating the activities of government parastatals and ministries during the period from June, 1986 to September, 1991. We sought, and were granted permission to inspect these files, but were unable to trace any information relating to transfer of commodities to distribution agents. In addition NACS officials were unable to provide the names of the distribution agents appointed during the period.

Auditor's comment

NACS does not appear to be in a position to produce this information from its own records. However, there is a possibility that the clearing agents, SLNSC, may have records of commodities transferred to distribution agents and NACS should seek this documentation from them.

2.1.4 Copies of sales proceeds check stubs from agents and deposit slips to PL-480 Title I account at the Bank of Sierra Leone (BOSL)

Discussion of documentation provided

Two files containing deposit slips and remittance advices from a number of distribution agents were provided, covering the period from 1986 to 1991.

Auditor's comment

The deposit slips examined did not identify the agent making the deposit and in the absence of a cash book or bank reconciliation, we are unable to ascertain the completeness of deposits made into the PL-480 Title I account at BOSL.

Our examination of these files revealed that, in general, only Seaboard accompanied their remittances with covering letters. However, in these cases, the quantity of the commodities paid for were not specified.

2.1.5 Copies of monthly bank statements for PL-480 Title I account for 1987 through 1991

Discussion of documentation provided

Bank statements for the period June, 1989 to December, 1989 were provided. NACS officials explained that BOSL had problems generating bank statements due to power failures but that a request for statements covering the full period had been made to BOSL and that efforts were being made to produce them.

Auditor's comment

NACS has not provided bank statements for the period from October, 1 1987 to May 31, 1989 and the period from January 1, 1990 to September 30, 1990.

2.1.6 Copies of budgeted expenditures/disbursements for PL-480 Title I sales proceeds

Discussion of documentation provided

These documents were not provided. NACS officials explained that the proceeds from the sale of PL-480 commodities were budgeted in the Development Estimates of the Ministry of Development (now called the Department of Finance, Development and Economic Planning). A 'Profile of PL-480 Funds' is prepared by the Ministry, but copies could not be provided by NACS.

Auditor's comment

NACS should request the appropriate Government department to furnish these documents.

2.1.7 Copies of letters authorizing use of Title I funds for Development Projects

Discussion of documentation provided

NACS provided six files (volumes I to VI) which were said to contain this information.

Auditor's comment

The documents contained in the files were not sequentially, chronologically, or otherwise organized. Most of the documents in the files were in an advanced state of deterioration and we found no evidence that letters were sent to the various project coordinators indicating the amounts which had been approved by the Allocation Committee.

NACS officials explained that it was not their practice to write letters to every project which had been allocated funds from the PL-480 Title I account because there were hundreds of small projects involved, many of which had illiterate management committees. The names of Projects approved by the Allocation Committee were forwarded to USAID/Sierra Leone for their concurrence.

We examined copies of letters sent to USAID and corresponding concurrence letters, but were unable to ascertain the completeness of the information due to the poor filing system. However, we subsequently obtained copies of concurrence letters from USAID as evidence of the concurrence with the Allocation committee's authorization of the use of PL-480 Title I funds.

Our conclusion is that NACS is not in a position to provide copies of letters authorizing use of PL-480 Title I funds for Development Projects.

2.1.8 Copies of letters instructing the Bank of Sierra Leone to disburse funds from the Title I account to development project accounts.

Discussion of documentation provided

NACS officials informed us that this documentation was included in the six files referred to in 2.1.7 above.

Auditor's comment

From our examination of the files, we noted instances where letters had been sent to BOSL authorizing the disbursement of funds from the Title I account to the accounts of development projects. However, because of the poor state of the files, we could not ascertain the completeness of this information.

We also noted one instance in which instructions for the transfer of funds were made by the Financial Secretary in the Ministry of Finance and not from NACS. We noted that NACS officials were unclear as to the details of the procedure for the disbursement of funds from the local currency account.

2.2 Accounting services required prior to the detailed audit phase

As of the date of the exit conference, August 20, 1992, NACS had been unable to provide all of the documentation requested by REDSO/WAAC financial analyst Andrew Plitt, in a letter dated March 24, 1992 (see Section 2.1 of this report).

NACS officials believe that the required documentation may be available from files which were in the possession of the former Director of NACS, Mr. Manly-Spaine who, we understand, is currently residing in the United Kingdom for medical reasons. US Embassy officials have expressed reservations as to whether Mr. Manly-Spaine will return to the country in the foreseeable future.

Our review has confirmed that NACS is not in a position to provide all the information required to compile a Commodity Accountability Statement (CAS) and a Fund Accountability Statement (FAS) from its own records for the FY's 1987 to 1990. In order to prepare Commodity and Fund Accountability statements, NACS (or an independent consultant) must reconstruct the accounting and administrative records from the following principal sources:

- i) Bank of Sierra Leone
- ii) USAID/Sierra Leone
- iii) Seaboard (West Africa) Limited
- iv) Distribution Agents
- v) Sierra Leone National Shipping Company Limited
- vi) Embassy of The Republic of Sierra Leone, Washington DC

An outline of the required consultancy services is as follows:

A. Commodity Accountability Statement

- i) Obtain documents from the Embassy of the Republic of Sierra Leone in Washington DC relating to tendering and bidding procedures for the procurement of Title I commodities in order to determine the quantity and value of the commodities shipped to Freetown, including freight and insurance costs. The Embassy should also be requested to provide copies of all purchase authorizations issued by United States Department of Agriculture (USDA) for the period covering October 1, 1987 to September 30, 1990;
- ii) Obtain shipping arrival information from USAID/Sierra Leone to determine the quantity of commodities landed in Freetown;
- iii) Obtain all records of SLNSC relating to PL-480 commodities to determine quantities of commodities received, including ocean and port losses; and to determine the quantity of commodities transferred to the various distribution agents;
- iv) Obtain all the records of Seaboard and other distribution agents to determine quantities of PL-480 commodities received;
- v) Prepare the CAS from the information obtained in i) to iv) above.

B. Fund Accountability Statement

- i) Obtain BOSL statements and vouchers supporting all transactions on the PL-480 Title I account including bank statements, deposit slips, names and account numbers of Projects to which disbursements were made, copies of instructions to pay from NACS or the Financial Secretary, and details of any interest received or paid.
- ii) Compile a list of Projects and other entities which received funding from the PL-480 account from USAID/Sierra Leone, BOSL

and NACS records showing name of project, location of project, name of project coordinator, purpose of funding and amount of funding.

- iii) Obtain records of Distribution Agents to establish the amount of sales proceeds deposited in the Title I account and prepare a summary of these deposits.
- iv) Prepare the FAS from the information obtained in i) to iii) above.

It should be noted that these procedures may not necessarily produce a CAS and FAS which present fairly the tonnage received, sales proceeds, losses and withdrawals, and the use of sales proceeds, since the reconstruction of the records is dependent on the reliability and completeness of the information supplied by entities other than NACS.

2.3 Estimate of the level of effort required to produce Commodity and Fund Accountability Statements

We recommend that an independent consultant is contracted to carry out the accountancy services required to produce the CAS and FAS. We suggest that the consultant should be recruited from outside Sierra Leone to ensure independence and freedom from political or other social pressures.

We estimate that it will take approximately six man-weeks of a senior consultants time to prepare the CAS and FAS for the period October 1, 1987 to September 30, 1990.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PL-480 TITLE I PROGRAM IN SIERRA LEONE

AUDIT SURVEY REPORT

3. INTERNAL CONTROL STRUCTURE

3.1 Introduction

NACS does not have written accounting and administrative procedures. With the exception of Mr. Scott, the Acting Director (previously Senior Aid Officer), all the senior officials at NACS were appointed following the change of government in April, 1992.

Mr. Scott informed us that Mr. Manly-Spaine, the previous Director of NACS did not maintain a formal administrative structure. We have been informed that Mr. Manly-Spaine had direct responsibility for a significant proportion of NACS activities including procurement, selection of agents, arrangements for payment of sales proceeds and selection of projects for funding.

From our review of the Agreements and discussion with USAID/Sierra Leone and NACS officials the following internal control cycles were identified:

- Procurement
- Commodity receipt and control
- Disbursements to projects
- Recording and reporting

The procedures identified below have been established from discussion with NACS and USAID/Sierra Leone officials, as well as a review of the annual Sales Agreements, and Minutes of Negotiations prior to signing the Sales Agreements.

3.1.1 Procurement

Identified procedures

- The Government of Sierra Leone (GOSL) applies for Purchase Authorizations (PA) from USDA through its Embassy in Washington DC.
- PA's are issued showing quantity of each commodity and maximum export value. Total value may be limited to take account of price fluctuations due to marketing factors so that the quantities sold will not exceed the approximate maximum quantity specified.
- Purchase of agricultural food commodities under PL-480 Title I agreements must be made on the basis of Invitations for Bids publicly advertized in the US. Bids must be received and publicly opened in the US. The terms of these Bids must be approved prior to issuance by the USDA.
- GOSL may nominate a Purchasing or Shipping Agent to procure commodities or arrange ocean transportation, but must notify the General Sales Manager, Foreign Agricultural Service, USDA and attach a copy of the Agency Agreement.
- Once transportation has been contracted, GOSL or its agents shall open a US\$ Letter of Credit for the estimated cost of ocean transportation. At least 60% of the commodities purchased shall be shipped via US flag vessels.
- Freight differentials are determined and borne by the USG.

3.1.2 Commodity receipt and control

Identified procedures

- Per the Minutes of Negotiations, NACS has oversight responsibility for the procurement, receipt, handling, storage and distribution of PL-480 Title I commodities. NACS is also responsible for securing a private sector agent to clear, store and distribute the commodities.
- Selection of agents should be on an open competitive basis. The candidate selected must demonstrate the ability to handle, store and distribute the commodities and, with effect from FY 1988, agents are required to furnish evidence of the capacity to provide the foreign currency required to open a letter of credit to cover the cost of freight of the commodities.
- NACS was to negotiate a contract with the successful agent(s) which was to include a schedule by which deposits would be made into the local currency account at BOSL. USAID/Sierra Leone was to be provided with the name of the selected agent.
- Proceeds accruing to GOSL for the sale of commodities shall not be less than the leone equivalent of the dollar disbursement of USG, other than ocean freight differentials. The exchange rate to be applied would be the BOSL rate applied for commercial import of the same commodities.
- The sales price of the commodities would be a reasonable market price, excluding any GOSL subsidy.

3.1.3 Disbursements to Projects

Identified procedures

- Proceeds accruing to GOSL from the sale of commodities are used for financing the self help measures set forth in the Agreement and for the following economic development sectors: agriculture, rural development and population planning.
- NACS and USAID/Sierral Leone are responsible for the pre-evaluation of projects. NACS receives and accepts project proposals and provides copies to USAID/Sierra Leone. Projects were to be evaluated by NACS and USAID/Sierra Leone to the extent feasible prior to presentation to the meeting of PL-480 Title I Allocation Committee, which is made up of representatives from NACS, Ministry of National Development and Economic Planning, Ministry of Finance, Ministry of Agriculture, other GOSL Ministries as appropriate and USAID/Sierra Leone.
- USAID/Sierra Leone written concurrence was required for funding any projects approved by the Allocation Committee.

3.1.4 Recording and Reporting

Identified procedures

- GOSL was required to furnish, at a minimum on an annual basis, a report of the receipt and expenditures of Sales Proceeds, certified by the GOSL audit department and, in the case of expenditures, the budget sector in which they were used.
- GOSL also agreed to provide the following reports: Progress report on compliance, Progress report on self-help, shipping and arrival information sheets, and report on the use of sales proceeds in the form of BOSL quarterly statements.

3.2 Preliminary review of internal control structure

In accordance with Article IV Statement of Work, Section D, we attempted to gain an understanding of NACS's internal control structure and to determine whether related policies and procedures as detailed in section 3.1 of this report are in operation.

We were unable to verify the satisfactory operation of procedures detailed in section 3.1 as NACS has not maintained adequate financial and administrative records to facilitate the preparation of a CAS or FAS for the period and, in addition:

- i) Substantial allocations were made to projects coordinated by GOSL ministers and former ruling party functionaries. We noted one instance where the Chairman of NACS was instructed to transfer funds to the personal account of a GOSL Minister of State.
- ii) Poor administrative and filing procedures at NACS. We found no evidence that individual project files containing application forms, allocations recommended and approved by the Committee and purpose of funding are maintained.
- iii) We found no evidence of evaluation of projects by USAID/Sierra Leone or NACS prior to funding being authorized, or evidence of subsequent NACS monitoring of Project activities.
- iv) A cash book was not maintained, bank statements were not obtained from BOSL, and bank reconciliations were not performed and approved.
- v) There was no evidence of budgeting for sales proceeds and disbursements or subsequent comparison of budgeted to actual results.

- vi) Contracts with Sales Agents detailing terms and conditions of the agency were not available for our review.

- vii) We found no evidence that GOSL was meeting the reporting requirements set out in the Minutes of Negotiations in respect of receipts and expenditures of sales proceeds.

4. DETAILED AUDIT PHASE WORK PLAN

The detailed audit phase is contingent on NACS, or an independent consultant preparing a Commodity and Fund Accountability Statement for the FY's 1987 to 1990. We have recommended the preparation of the CAS and FAS by applying the procedures set out in Section 2.2 of this report.

4.1 Audit objectives and scope

The objectives of the detailed audit phase are to:

- i) Express an opinion on whether a) the commodity accountability statement for the period is presented fairly with respect to the tonnage received, sales proceeds, losses, deposits, and withdrawals from 1987 to 1990 and b) the fund accountability statement for the use of sales proceeds is presented fairly in accordance with generally accepted accounting principles;
- ii) Obtain a sufficient understanding of NACS internal control structure and then evaluate this structure to determine the nature, extent and timing of tests to be performed in order to form an opinion on the fund accountability statement;
- iii) Perform tests of NACS's compliance with applicable laws, regulations, binding policies and procedures, and the Program Agreement as part of obtaining reasonable assurance about whether the fund accountability statements is free from material misstatement.

To achieve these objectives, the following detailed audit steps will be carried out:

- i) Review of Audit Survey report, Sales Agreements, Minutes of Negotiation and other related Project documents.
- ii) Understand, document and evaluate NACS accounting records and procedures.
- iii) Understand, document and review NACS internal control system and perform tests to determine the extent, if any, to which established procedures and controls are functioning as intended. This includes determination, evaluation and testing of internal controls and associated control risks.
- iv) Reconcile the movement of commodities and the movement of funds including reconciliation of NACS recorded revenues, expenditures and balances with BOSL records.
- v) Review and test disbursements from the local currency account to determine whether they are allowable, reasonable and relevant to program activities and supported by adequate documentary evidence.
- vi) Perform field trips to ensure that Projects financed by USAID/Sierra Leone are in existence and carry out end use checks.
- vi) Obtain independent confirmation of transactions with NACS from BOSL, Sales Agents, USAID and SLNSC regarding PL-480 funds and commodities
- vii) Determine whether NACS is in compliance with applicable laws, regulations and agreements by evaluation of the NACS internal control system as well as substantive testing of recorded revenues and expenditures for the period under review.
- viii) Plan the audit so as to devise steps to identify instances or indications of fraud, abuse or illegal acts and report such instances or indications to RIG/A/D.

4.2 Timescale and staff effort

We anticipate that the audit field work will take approximately four weeks, provided that the CAS and FAS together with the related supporting documentation is available on commencement.

Level of effort per labour category (excluding travelling time) is as follows:

<u>Staff Grade</u>	<u>Days</u>
Audit Partner	3
Audit Manager	25
Audit Senior	20
Staff Auditor	20

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PL-480 TITLE I PROGRAM IN SIERRA LEONE

AUDIT SURVEY REPORT

APPENDIX A

Acronyms

AAO	A. I. D. Affairs Office of the US Embassy in Sierra Leone
BOSL	Bank of Sierra Leone
CAS	Commodity Accountability Statement
FAS	Fund Accountability Statement
FY	Fiscal Year
GOSL	Government of Sierra Leone
NACS	National Aid Coordinating Secretariat
PL-480	Agricultural Trade and Development Act of 1954, Public Law 480
REDSO/WAAC	Regional Economic Development Services Office, West African Accounting Centre (Abidjan, Ivory Coast)
Seaboard	Seaboard (West Africa) Limited
SLNSC	Sierra Leone National Shipping Company Limited
US	United States
USAID	United States Agency for Internationaol Development
USG	United States Government
USDA	United States Department of Agriculture

Agency for International Development

Washington, D.C. 20523



Assistant Administrator
for Africa

DEC 2 1992

MEMORANDUM

TO: AIG/A, John P. Competello

FROM: AA/AFR, Alison P. Rosenberg

SUBJECT: Audit Survey of the PL-480 Title I Program in Sierra Leone, October 1, 1987 through September 30, 1990.

REF: Competello/Rosenberg Memorandum of September 25, 1992

We have reviewed the subject draft memorandum and the attached draft audit survey report prepared by the non-Federal audit firm KPMG Peat, Marwick, Mitchell & Co. of the Gambia for the PL-480 Title I program in Sierra Leone, October 1, 1987 through September 30, 1990. Our observations and comments, below, have been developed in three areas: (a) general remarks on the overall report; (b) specific comments on the contents of the draft audit survey report; and (c) actions planned or taken to close the recommendations.

A. General. In general, we would like to correct two factual errors which can be found in both the memorandum and the audit survey report concerning the total export value and the associated time period of the PL-480 Title I program for fiscal year 87 through fiscal year 90.

With regard to the total export value, we have recently reviewed the PL-480 Title I records in our USAID/Freetown office and determined that the total export value for the rice and wheat provided over the FY 87 through FY 90 period amounted to \$25.0 million, not \$17.0 million cited in the report. Specifically, an additional \$8.0 million was added, \$4 million each in the FY 87 and FY 90 programs. Our records indicate the following annual programs were approved (agreements and amendments):

Fiscal Year	Commodity	Quantity	Value
1987	Rice	36,000MT	\$6.0 million
	Wheat	16,000MT	<u>\$2.0 million</u>
		total value:	\$8.0 million

1988	Rice	8,500MT	\$3.0 million
	Wheat	7,700MT	<u>\$1.0 million</u>
		total value:	\$4.0 million
1989	Rice	10,000MT	\$3.0 million
	Wheat	5,600MT	<u>\$1.0 million</u>
		total value:	\$4.0 million
1990/1991	Rice	22,500MT	\$3.0 million
	Wheat	21,500MT	<u>\$6.0 million</u>
		total value:	\$9.0 million

FY 1987-1990/1991 Grand Total: \$25.0 million

With regard to the time period, we note that the FY 90 program agreement (\$4.0 million), signed on June 8, 1990, was amended on September 27, 1990, to provide a supplemental \$5.0 million (total \$9.0 million) and extended the program through FY 91. Therefore, the final \$5 million tranche of assistance was signed in FY 90 for FY 91 delivery.

Our final general comment concerns the availability and provision of documentation by the National Aids Coordinating Secretariat (NACS) relating to the PL-480 Title I Program. We note that the audit survey found in many instances that the NACS was unable to provide adequate administrative and accounting records. We cannot disagree with these findings. However, we would like to call attention to the fact that many of the unavailable documents were prepared and transmitted to the USAID/Sierra Leone office and can be found in the USAID/Freetown program files. We are providing (Attachment 1) a recent report concerning a review of available documentation and reports located in the USAID/Freetown program files.

B. Comments on Specific Sections. The following specific remarks reference the various sections of the Peat Marwick report. Section number, page number and paragraph location or title are cited for the reader. Our comments are based on reports and documentation which were reconstructed from USAID/Freetown files.

1. Section 1.1-Background, Page 4, first paragraph and total export value table. The figures for total export value need to be corrected as cited above.

2. Section 1.1-Background, Page 4, last paragraph: "NACS has failed to provide bank statements and reports over the life of the program..."

Some bank statements, but not all, were in fact provided by the NACS and are available at the USAID/Freetown office. A summary of the available statements is included in Attachment 1 to this memorandum.

3. Section 1.1-Background, Page 5, second paragraph: "Because of these allegations, REDSO/WAAC has requested that a non-Federal audit be performed..."

AFR/CCWA assumed responsibility for the management of A.I.D. activities in Sierra Leone in January 1991, and has served as the Mission since that time. In early 1992, AFR/CCWA requested that REDSO/WAAC make a preliminary review of the PL 480 Title I program. Based on that review, AFR/CCWA informed RIG/Dakar and IG/W of potential problems. AFR/CCWA also requested REDSO/WAAC and RIG/Dakar to initiate a non-Federal audit as soon as possible.

4. Section 2.1.1-Financial Section, Copies of documents evidencing receipt of PL-480 commodities, page 11. Discussion of documentation provided, and Auditor's comment.

We find it surprising that the NACS could not produce shipping/receiving documentation as most shipping and arrival reports, prepared and submitted by the NACS for FY 87, FY 88 and FY 89 are on file in the USAID/Freetown office. These reports indicate purchase authorization number, vessel name, loading period, loading quantity, quantity discharged, discharge port, date discharge completed, condition received and loss or damage to commodity. We do note, however, that the FY 90 shipping and arrival reports are not available (See Attachment 1).

5. Section 2.1.2-Financial Section, Copies of documents evidencing commodity losses due to short landing, theft, spoilage (wet and caked) and/or dusted bags, page 12. Discussion of documentation provided and Auditors comment.

The same remarks provided with regard to Section 2.1.1., above, apply to this section. The shipping and arrival reports, prepared and submitted to USAID/Freetown by the NACS for FY 87, FY 88 and FY 89 address conditions of commodity shipments, as well as significant loss and damage.

6. Section 2.1.5-Financial Section, Copies of monthly statements for the PL-480 account for 1987 through 1991, page 13.

Discussion of documentation provided and Auditor's comment state that NACS did not provide bank statements for the periods of October 1, 1987 - May 31, 1989 and January 1, 1990 - September 30, 1990. After reviewing USAID/Freetown program files, we concur that the NACS provided only partial Bank of Sierra Leone bank statements to USAID/Freetown for the FY 87-91 period. However, we believe that the following periods are covered:

October 31, 1987 through November 29, 1987

January 28, 1988 through February 7, 1988

June 30, 1988 through July 29, 1988

December 1, 1988 through December 21, 1988

February 28, 1989 through March 21, 1989

October 31, 1989 through November 19, 1989

December 30, 1989 through December 30, 1991

We do not have bank statements for the following periods:

July 1, 1987 through October 30, 1987

November 30, 1987 through January 27, 1988

February 8, 1988 through June 29, 1988

July 30, 1988 through November 30, 1988

December 22, 1988 through February 27, 1989

March 22, 1989 through October 30, 1989

November 20, 1989 through December 29, 1989

December 31, 1991 to present

7. Section 2.1.6-Financial Section, Copies of Budgeted Expenditure/Disbursements for PL-480 Title I sales proceeds, page 14. Discussion of documentation provided and Auditor's comment.

We believe that the audit surveyors were unaware that the local currencies generated and expended from the PL 480 program account were not budgeted and disbursed through the regular GOSL budget

process. This misunderstanding has also created some confusion as to the NACS procedural requests for disbursement as noted in the auditors comments in section 2.1.8. We note that the NACS, after receiving USAID concurrence to allocate funds, would forward a request to the Financial Secretary in the Ministry of Finance to concur on and allow the release funds for approved projects. The expenditures were noted (charged) against the Development Estimates of the Ministry of National Development and Economic Planning but are not considered to be GOSL budget expenditures. The Financial Secretary, in turn, instructed the Bank of Sierra Leone to release the funds. (Copies of the NACS requests to the Ministry of Finance are on file in the USAID/Freetown office). We believe that the auditors did not fully understand the budget approval/disbursement process and should delete this section and revise section 2.1.8 to reflect the disbursement procedure.

8. Section 2.1.8-Financial Section, Copies of letters instructing the Bank of Sierra Leone to disburse funds from the Title I account.... page 15. Please refer to our comments provided in point 7 above.

C. Actions Planned or Taken to Close the Recommendation

The Africa Bureau has been and will continue its efforts to ensure that the GOSL is held accountable for the local currency resources generated by FY 1987-1991 PL-480 Title I Programs. The Africa Bureau endorses the recommendation included in the draft memorandum. The recommendation states:

"We recommend that the Assistant Administrator for the Africa Bureau as a condition precedent to any future assistance to the Government of Sierra Leone require the Government of Sierra Leone to:

1.1 account for deposit and use of the sales proceeds (local currency equivalent of \$17 million) for the 1987 through 1990 PL-480 Title I Program years and

1.2 deposit to the special account any funds that can not be accounted for in accordance with agreement terms."

Pursuant to our discussions in August and September 1992, with RIG/A/Dakar officials concerning the preliminary findings and recommendations of the pre-audit survey, the Africa Bureau has taken the following actions:

1. Sierra Leone Country Development Officer, Robert Hellyer, visited Sierra Leone, September 31-October 3, 1992 to consult with Embassy, USAID and Sierra Leone officials on the availability of documentation and reports needed to account for deposit and use of local currency sales proceeds (now established at \$25.0 million) for the FY 1987-1991 PL-480 Title I Programs. Mr. Hellyer assembled considerable documentation and has provided copies of these files to AmEmbassy/Freetown and Sierra Leone officials in order to establish baseline documentation. AmEmbassy/Freetown is working closely with the responsible Government of Sierra Leone institutions to address the accountability issue.

2. In honoring its FY 92 commitment to provide \$1.0 million in economic support to the Government of Sierra Leone economic recovery program, the Africa Bureau, cognizant of the PL-480 accountability problem, consulted with RIG/A/Dakar, Paul Anklewich, and included a condition precedent to disbursement of the grant as recommended by RIG/A/Dakar (Attachment 2). Specifically, the CP reads as follows:

"Prior to the disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

Either (i) an accounting for the deposit and use of the proceeds of sale of United States PL 480 Title I food assistance received by Sierra Leone during the period 1987 through 1990, or, in the event records do not exist to support such an accounting;

(ii) a letter signed by a senior official certifying that records do not in fact exist to support such an accounting and specifying that the Grantee will (1) provide A.I.D. with all records that are available, including deposit receipts and bank records, (2) conduct a full review of all the facts and circumstances, (3) following such review, provide to A.I.D. to the best of its ability, a written reconstruction of the records relating to the deposit and use of the aforementioned sales proceeds and a narrative description of the pertinent events, and (4) complete items (1) through (3) within 60 days from the date of the submission to A.I.D. of such letter." (See Attachment 3)

3. The Africa Bureau (AFR/CCWA) issued on November 4, 1992 Project Implementation Letter (PIL) No. 1 to the Economic Support Grant. PIL No. 1 provided general guidance, further explanation of the various sections of the Grant Agreement as well as an elaboration on how the conditions precedent relating to PL-480 accountability were to be met. Specifically, the PIL No. 1 states:

"Article 2, Section 2.1 of the Grant Agreement makes reference to the conditions which must be met prior to disbursement of funds under the Grant. These conditions are described below:

(d) Either:

(i) an accounting for the deposit and use of the proceeds of sale of United States P.L. 480 Title I food assistance received by Sierra Leone during the period 1987 through 1991, or, in the event that records do not exist to support such an accounting, the following;

(ii) a letter signed by a senior official certifying that records do not in fact exist to support such an accounting and specifying that the Grantee will: (1) provide A.I.D. with all records that are available, including deposit receipts and bank records; (2) conduct a full review of all the facts and circumstances; (3) following such review, provide to A.I.D., to the best of its ability, a written reconstruction of the records relating to the deposit and use of the aforementioned sales proceeds and a narrative description of the pertinent events; and (4) complete items (1) through (3) within 60 days from the date of the submission to A.I.D. of such letter. All deposits for which the Government of Sierra Leone cannot recreate or justify the uses of, will have to be redeposited by the Government of Sierra Leone to the special PL-480 account.

The condition precedent noted in point (d) above has been included pursuant to findings of a recent non-federal audit survey of the PL-480 Title I Program in Sierra Leone for the period of October 1, 1987 through September 30, 1990. The audit survey found there was a serious lack of accountability and recommended that the Government of Sierra Leone be required to account for the Title I Program commodities and funds and deposit to the special account any funds that can not be accounted for in accordance to the PL-480 agreement terms. The audit survey recommended that a full accounting of the PL-480 commodities and funds be provided as condition precedent to any future A.I.D. assistance to the Government of Sierra Leone." (Attachment 4)

4. The Africa Bureau (AFR/CCWA) is sending a staff member on TDY to Sierra Leone in early December 1992, to review what actions have been taken by the GOSL to satisfy the condition precedent regarding the accountability of the PL-480 program. We will advise you on the results of this visit. We also will continue to cooperate closely with RIC/A/Dakar and your office in the resolution of the problem.

5. Since the Assistant Administrator for Africa and the Africa Bureau have taken the steps recommended in the draft audit report, we recommend that the audit recommendation contained in the draft audit report be closed upon issuance of the final report.

GA

Attachment 1.

MEMORANDUM

Date Oct 8, 1992

To: Myron Golden, AFR/CCWA
Cynthia Rozell, AFR/CCCWA

From: Bob Hellyer, AFR/CCWA

Subject: Report of findings of Sept 20-Oct 3, 1992 TDY to Freetown, Sierra Leone regarding the financial and programmatic accountability of PL-480 Title I Program for FY 87 through FY 90.

The following information was obtained from USAID/Freetown and Embassy/Freetown files during my stay Sept. 22-29, 1992 in Sierra Leone as well as from USDA/FAS and REDSO/WCA files in Abidjan during my Oct 1-2, 1992 stopover. I have organized the findings into two categories; (1) PL-480 agreements and (2) submission of reports. The first category is the basic information I obtained from the agreements/amendments and minutes of negotiation for the four fiscal years (87-90) of the PL 480 Title I program. The second category is a review of GOSL compliance with the submission of the following reports pursuant to the PL-480 agreements: (a) shipping and arrival information (ADP) sheets for each shipment; (b) compliance progress reports towards meeting usual marketing requirements submitted annually on October 1.; (c) progress report on self help measures submitted annually on November 15 and; (d) uses of sales proceeds (i.e., Bank of Sierra Leone statement for the PL-480 special account submitted quarterly).

1. Agreement/Amendments and Minutes of Negotiations

FY 87

Agreement: signed June 10, 1987;

amount-\$2.0 million rice, \$2.0 million wheat; total \$4.0 million

Required reports (pursuant to agreement/negotiations):

- a. shipment/arrival report
- b. compliance report (progress on UMR)
- c. receipt/expenditures of the sales proceeds
- d. annual self-help progress report
(interim progress report on the impact of the green revolution program, project approvals/progress/completion reports, deposits/disbursements of PL 480 Title I funds)

Amendment: signed August 18, 1987

amount- added \$ 4.0 million in rice; revised new total \$8.0 million

FY 88

Agreement/Amendments

Agreement: signed June 16, 1988;

amount-\$3.0 million rice, \$1.0 million wheat; total \$4.0 million

Reports required (pursuant to agreements/negotiations):

- a. shipment/arrival report
- b. compliance reports (progress on UMR)
- c. receipt/expenditures of the sales proceeds
- d. annual self-help progress report
(interim impact report on Green revolution program, project approvals, progress/completion reports, deposits/disbursements of PL 480 Title I funds)

No Amendment:

total= \$4.0 million

FY 89

Agreement/Amendments

Agreement: signed Sept. 27, 1988;

amount-\$2.0 million rice, \$2.0 million wheat; total \$4.0 million

Reports required (pursuant to agreements/negotiations):

- a. shipment/arrival report
- b. compliance report supply/demand report
- c. quarterly report on receipt/expenditures of the sales proceeds (right to review activities)
- d. annual self-help progress report
(interim impact report on Green revolution program, project approvals, progress/completion reports, deposits/disbursements of PL 480 Title I funds)

Amendment: signed Nov. 29, 1988; amended commodity mix

\$3.0 million rice, \$1.0 million wheat

total= \$4.0 million

FY 90 and FY 91

(NOTE: The FY 90 program (\$4.0 million) was amended to include the FY 91 (\$5.0) program for a total of \$9.0 million for FY 90 and 91).

Agreement/Amendments

Agreement: signed June 8, 1990;

amount-\$3.0 million rice, \$1.0 million wheat; total \$4.0 million

Reports required (pursuant to agreements/negotiations):

- a. shipment/arrival report
- b. compliance report supply/demand report
- c. quarterly report on receipt/expenditures of the sales proceeds (right to review activities)
- d. annual self-help progress report
(interim impact report on Green revolution program, project approvals, progress/completion reports, deposits/disbursements of PL 480 Title I funds)
- e. maintenance of adequate records for audit

purposes.

Amendment: signed Sept. 27, 1990;
amended program to combined FY 90 and FY 91
added \$2.0 million wheat and \$3.0 million rice;

revised new total= \$9.0 million

FY87-90 Grand Total= \$ 25.0 million

2. Submission of Reports

a. Shipping and Arrival Information Sheets

FY 87: complete with Bills of Lading; arrivals on 8/7/87, 9/14/87, 10/24/87, and 12/2/87.

FY 88: complete with Bills of Lading; arrivals 9/15/88 and 9/23/88

FY 89: complete however only have Bills of Lading for rice; arrivals 2/8//89 (for rice and wheat); same ship

FY 90: no report; only Bills of Lading for rice; no Bills of Lading for wheat; estimated arrivals for rice Aug., 1990 (50%) and July, 1991 (50%); no arrival information for wheat found.

b. UMR Compliance Reporting

FY 87: GOSL report and Airgram form 154 transmitting compliance report; also see Freetown 2258 (dated May 26, 1990-attached) which provides usual marketing requirements for 1985-1989 period.

FY 88: no individual report located however see Freetown 2258 (May 26, 1990-attached)

FY 89: no individual report located however see Freetown 2258 (May 26, 1990-attached)

FY 90: no individual report however see Freetown 2258 (May 26, 1990) covering 1985-1989 period

c. Progress reports on Self Help Measures

FY 87: No specific report for the PL 480 FY 87 program pertaining to self-help impact information was located. However, a comprehensive NACS report for March, 1986-March, 1989 period does provide some assessment of the self-help impact as well as funding levels by sector and region.

FY 88 and FY 89: Sales proceeds were generated and allocated in FY 89 however no specific report for the PL-480 programs in FY 88 and 89 were located. The comprehensive 1986-1989 report, cited above is the only report located.

FY 90 and 91: There is no specific report for the FY 90 or FY 91 PL 480 programs pertaining to self-help impact information.

d. Use of Sales Proceeds

Note: Financial information for the FY 87-90 PL 480 program was obtained from the USAID/Freetown reporting cables and Bank of Sierra Leone statements.

FY 87: Financial information for the FY 87 program does not coincide with the same fiscal year as program was obligated in fourth quarter of FY 87 with local currencies generated from sales in the following fiscal year (FY88).

Project review/selection/approval and proceed allocations meetings were held on Dec. 9, 1987, Feb. 10, 1988 and June 23, 1988 and official correspondence was exchanged between the NACS and USAID/Embassy approving allocations. For FY 87, a total of Le 178,408,000 was approved for 647 projects however only Le 85,805,549 was withdrawn from special PL 480 account.

	Leones
1. Opening Balance - July 1, 1987	20,747,530.47
Deposits	-0-
Withdrawals	14,066,000.00
Closing Balance - Sept. 30, 1987	6,681,530.47
2. Opening/Closing Balance - Oct 1, 1987 thru Oct 29, 1987	no report
3. Opening Balance - Oct 30, 1987	5,481,530.47
Deposits	-0-
Withdrawals	300,000.00
Closing Balance - Nov. 30, 1987	5,181,530.00
4. Opening/closing Balance - Dec. 1, 1987 thru Jan. 27, 1988	no report
5. Opening Balance - Jan 28, 1988	104,510,778.47
Deposits	-0-

Withdrawals	5,125,000.00
Closing Balance - Feb. 8, 1988	99,385,778.47
6. Opening/Closing Balance - Feb. 9, 1988 thru June 29, 1988	no report
7. Opening Balance - June 30, 1988	83,724,538.80
Deposits	16,073,939.00
Withdrawals	77,890,000.00
Closing Balance - July 29, 1988	21,908,477.80
8. Opening/Closing Balance - July 30, 1988 thru Sept. 30, 1988	no report

NOTE: There are numerous withdrawal slips, dating from Feb. 4, 1988 through Sept 30, 1988 in USAID/Freetown files.

FY 88 and FY 89: Financial information for the FY 88 program does not coincide with the same fiscal year as program was obligated in fourth quarter of FY 88 with sales generated in the following fiscal year (FY89). The FY 89 program was signed late in September, 1988 and amended in November, 1988, therefore local currencies were also generated from sales in FY 89.

Project review/selection/approval and proceed allocations meetings were held on November 17, 1988, December 12, 1988, March 22, 1989, May 16, 1989 and September 15, 1989 and official correspondence was exchanged between the NACS and USAID/Embassy approving the allocation. For FY 88 and FY 89, a total of Le 279,690,000 was approved for 1,029 projects. Note: Only Le 83,315,000 were withdrawn from account.

FY 88

	Leones
A. Opening/Closing Balance - Oct. 1, 1988 thru Nov. 29, 1988	no report
B. Opening Balance - Nov. 30, 1988	42,480,990.80
Deposits	15,000,000.00
Withdrawals	
Closing Balance - Dec. 22, 1988	10,425,990.80
C. Opening/Closing Balance - Dec. 23, 1988 thru Feb. 27, 1989	no report

D.	Opening Balance - Feb. 28, 1989	62,266,090.80
	Deposits	29,446,570.00
	Withdrawal	
	Closing Balance - Mar. 22, 1989	18,785,160.00
E.	Opening /Closing Balance Mar. 23, 1989 thru Sept.30, 1989	no report
FY 89		
A.	Opening/Closing Balance Oct. 1 thru Oct 30, 1989	no report
B.	Opening Balance - Oct. 31, 1989	18,632,938.80
	Deposit (incomplete)	5,115,000.00
	Withdrawal (incomplete)	
	Closing Balance - Nov. 20, 1989	10,462,061.20
C.	Opening/Closing Balance Nov. 20, 1989 thru Dec. 28, 1989	no report
D.	Opening Balance - Dec. 29, 1989	8,089,986.20
	Deposit	14,154,429.00
	Withdrawal	22,214,547.40
	Closing Balance - Sept. 28, 1990	29,867.80

NOTE: There are numerous withdrawal slips, dating from Oct. 1, 1988 through Nov. 6, 1989 in the USAID/Freetown files.

FY 90 and FY 91: Financial information for the FY 90 program does not coincide with the same fiscal year as program was obligated in fourth quarters of FY 90 and local currencies were generated from sales in the following fiscal year (FY91). Also, the FY 90 program was amended in September, 1990 to increase the amount of commodities and extend program through FY 91.

Project review/selection/approval and proceed allocations meetings were held (Feb 22, 1991, April 16, 1991 and Sept. 18, 1991) and exchange of official correspondence between the NACS and USAID/Embassy is on file. For FY 90 and FY 91, a total of Le 542,150,000 was jointly approved for 336 projects. Note: Le

765,250,000 were withdrawn from special PL 480 account as of Dec 24, 1991. However, a budgetary allocation meeting was held on Nov. 29, 1991 and according to meeting notes an additional Le 213,650,000 was approved. This amount may justify the withdrawal figures through Dec. 1991.

A.	Opening Balance - Oct. 31, 1990	29,867.80
	Deposits	60,000,000.00
	Withdrawal	75,000.00
	Closing Balance - Nov. 30, 1990	59,954,867.80
B.	Opening Balance - Dec. 31, 1990	59,954,867.80
	Deposits	727,860,710.00
	Withdrawals	765,250,000.00
	Closing Balance - Dec. 24, 1991	22,565,577.80

NOTE: Two additional allocation meetings were held April 2, 1992 and June 22, 1992 however it is not possible to determine if allocations were made as there is no exchange of correspondence and/or bank statements after Dec., 1991. USAID/Freetown (Webber) indicates that all proceeds from the FY90/91 program have been expended.

Note: At the June, 1992 allocation meeting, NACS apparently requested Le 18,000,000 for operational expenses for the Nov. 1991-Aug. 1992 period. Also, the payment of Le 21,000,000 for vehicles and Le 57,000,000 for road rehabilitation was discussed but apparently not approved.

According to USAID and Embassy/Freetown, no allocation of funds from the \$7.0 million FY 92 (USDA) program have been made from the proceeds of the commodities which arrived in July, 1992.

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10/8/92

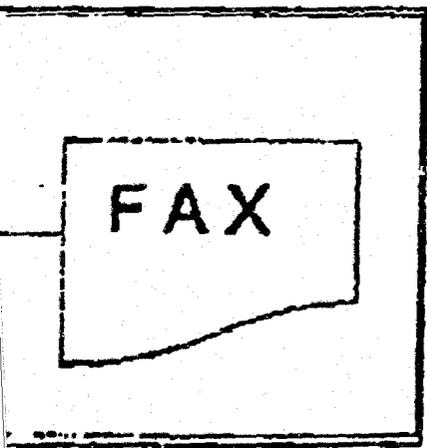
Drafted:AFR/CCWA:BHellyer

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NATIONAL INSPECTOR GENERAL/DAKAR

(221) 23-28-48; 23-18-85
(221) 23-61-55

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DATE: September 22, 1992
TO: Cynthia Rozelle, Deputy Director
AFR/CCWA
fax (202) 647-3364
FROM: *Tom Ankiewich*
Tom Ankiewich, RIG/A/Dakar

NUMBER OF PAGES (INCLUDING THIS PAGE) 1

Subject: Survey Audit Report of PL-480 Title I Program in Sierra Leone for FY 1987 - 1990

Rozelle - Ankiewich telecon of August 21, 1992

Referenced telecon, the following is the draft recommendation to be included in the draft audit report. It is my understanding that AA/APK is the cognizant office for recommendations concerning AFR/CCWA and the following recommendation will be addressed to AA/APR. Please advise if this is not the case.

Recommendation No. 1: We recommend that the Assistant Administrator for the Africa Bureau require the Government of Sierra Leone to account for the deposit of the sales proceeds and use of those proceeds for the 1987 through 1990 PL-480 Title I program years as a condition precedent to any future A.I.D. assistance to Sierra Leone.

Report is currently being finalized by KPMG Peat Marwick Mitchell. Once the report is reviewed by RIG/A/Dakar, a final desk review of the report will be made and a transmittal including the above recommendation will be prepared. Once the report goes through RIG quality control procedures, it will be issued by our Washington office directly to AA/APR. We also intend to send copies to appropriate officials at the Department of Justice including its Office of the Inspector General.

Contact me if you have any questions regarding this draft recommendation or any aspect of this audit.

drafted by: *[Signature]*

A.I.D. Program No. 636-K-601
A.I.D. Project No. 636-0172

PROGRAM
GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF SIERRA LEONE
AND
THE UNITED STATES OF AMERICA
FOR
ECONOMIC SUPPORT

Dated: September 28, 1992

No. 636-K-601: 72-111/21037 GES 1-92-31636-KG31

PROGRAM GRANT AGREEMENT

Grant Number 636-K-601

Dated: September 28, 1992

BETWEEN

The Government of Sierra Leone ("Grantee"), represented by the Embassy of Sierra Leone in Washington,

AND

The United States of America, acting through the Agency for International Development ("A.I.D."),

Together referred to as the "Parties."

Article 1: The Program

SECTION 1.1: Definition of the Program. The Program which is further described in Annex 1 consists of economic assistance to support the Grantee's program of economic stabilization.

SECTION 1.2: The Grant. In support of the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Government of Sierra Leone under the terms of this agreement, not to exceed One Million United States Dollars (US\$1,000,000) ("Grant"), to be disbursed in accordance with articles 2 and 3 below.

SECTION 1.3: Program Assistance Completion Date ("PACD")

(a) The PACD, which is March 31, 1993, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all activities contemplated by the Program will have been performed or furnished, respectively, as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree to in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for the Program as contemplated in this Agreement subsequent to the PACD.

Article 2: Conditions Precedent to Disbursement

SECTION 2.1: Conditions Precedent. Prior to the disbursement under the grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel of recognized authority that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) Documents setting forth the authority of the person or persons who will act as representatives of the Grantee under Section 7.2, together with a specimen signature of each person named in such

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documents;

(c) A list of the Grantee's proposed debt service payments which will be made under this program, designating the creditor or creditors, bank, account number, payment due dates and amounts due; and

(d) Either (i) an accounting for the deposit and use of the proceeds of sale of United States PL 480 Title I food assistance received by Sierra Leone during the period 1987 through 1990, or, in the event records do not exist to support such an accounting;

(ii) a letter signed by a senior official certifying that records do not in fact exist to support such an accounting and specifying that the Grantee will (1) provide A.I.D. with all records that are available, including deposit receipts and bank records, (2) conduct a full review of all the facts and circumstances, (3) following such review, provide to A.I.D. to the best of its ability, a written reconstruction of the records relating to the deposit and use of the aforementioned sales proceeds and a narrative description of the pertinent events, and (4) complete items (1) through (3) within 60 days from the date of the submission to A.I.D. of such letter.

SECTION 2.2: Notification. When A.I.D. has determined that the conditions precedent specified in Section 2.1 have been met, it will promptly notify the Grantee in writing.

SECTION 2.3: Terminal Dates for Conditions Precedent. If all of the conditions specified in Section 2.1 have not been met within 90 days from the date of this agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may terminate this agreement by written notice to the Grantee.

Article 3: Disbursement

SECTION 3.1: Disbursement of the Grant. After satisfaction of the conditions precedent, the Grantee may request A.I.D. to disburse funds under the Grant. After review and approval of the documentation submitted by the grantee, A.I.D. will disburse grant funds directly to the Grantee's creditors in accordance with the approved schedule of debt service payments.

SECTION 3.2: Date of Disbursement. Disbursement of funds by A.I.D. will be deemed to occur on the date A.I.D. disburses the funds in accordance with section 3.1.

Article 4: Uses of the Grant.

SECTION 4.1: Utilization.

(a) Funds disbursed under the Grant shall not be commingled with funds from any other source prior to authorized use. Except as A.I.D. may otherwise agree in writing, funds disbursed under the Grant shall be used to pay debt owed by the Grantee to the International Monetary Fund or multilateral development banks, provided payment of such debt is consistent with the agreed rescheduling and restructuring arrangements where applicable.

(b) Debt service payments shall be subject to prior A.I.D. approval in writing, and actual payments shall be effected by A.I.D. directly to the creditor.

SECTION 4.2: Books and Records. The Grantee will maintain financial records, in accordance with generally accepted accounting principles, suitable to document the use of the Grant for those purposes permitted under Section 4.1. Such records shall be maintained by the Grantee at least three years after the date of last disbursement by A.I.D. of Grant funds and shall be made available upon request for examination at any reasonable time by authorized representatives of A.I.D.

Article 5: Covenants.

SECTION 5.1: Cooperation with P.L. 480 Title I Audit. The Grantee affirms:

(a) That it is in full agreement with the need to comply with the reporting requirements of the PL-480 Agreements and;

(b) That it will cooperate fully in the audit of sales proceeds and uses of those proceeds;

SECTION 5.2: Completeness of Information. The Grantee confirms:

(a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on this Grant, are accurate and complete, and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement; and

(b) That it will inform A.I.D. in a timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

SECTION 5.3: Reports. In addition to the requirements of Section 4.3, the Grantee will furnish A.I.D. such other reports and information relating to the Grant and the performance of the Grantee's obligations under this agreement as A.I.D. may reasonably request.

SECTION 5.4: Taxation. The Grant will be free from any taxation or fees imposed under the laws in effect in the Government of Sierra Leone, or which may become effective during the term of this Agreement.

SECTION 5.5: Prohibitions. The Grant will not be used to finance military, paramilitary, or police requirements, of any kind, including the procurement of commodities or services to be used by the military or police, or to pay principal or interest on loans to the military or police or on loans or credits that originally financed military or police requirements.

Article 6: Termination; Remedies.

SECTION 6.1: Termination. This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice. Termination of this agreement will terminate any obligations of the Parties with respect to funds not yet disbursed under the Grant but shall not affect obligations of the Parties with respect to funds already disbursed at the time of such termination.

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SECTION 6.2: Suspension. If at any time:

- (a) The Grantee shall fail to comply with any provision of this Agreement; or
- (b) Any representation of warranty made by or on behalf of the Grantee with respect to obtaining this Grant or made or required to be made under this agreement is incorrect in any material respect; or
- (c) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of this Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or
- (d) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (e) A default shall have occurred under any other agreement between the Grantee or any of its agencies and A.I.D. or any of its agencies;

Then A.I.D. may suspend or cancel this Agreement upon written notice to Grantee.

SECTION 6.3: Cancellation by A.I.D. If, within sixty (60) days from the date of suspension pursuant to Section 6.2, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of this Grant that is not yet then disbursed or irrevocably committed to third parties.

SECTION 6.4: Nonwaiver of Remedies. No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

SECTION 6.5: Refunds. In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

The right to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

Article 7. Miscellaneous.

SECTION 7.1: Program Implementation Letters. From time to time, A.I.D. will issue individually or jointly with the Grantee implementation letters providing information and guidance with regard to the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, implementation letters will not be used to amend or modify the text of this Agreement.

SECTION 7.2: Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the person holding or acting in the Office of the Ministry of Finance, and A.I.D. will be represented by the individual holding or acting in the office of Director, AID/AFR/CCWA, each of whom, by written notice, may designate additional representatives. The names of the representatives of the

Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 7.3: Communications. Any notice, request, document or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Grantee:

Charge d'Affaires
Embassy of the Republic of Sierra Leone
1701 19th Street, N.W.
Washington, D.C. 20009

To A.I.D.:

Assistant Administrator
Bureau for Africa
Room 6936
Agency for International Development
320 21st Street, N.W.
Washington, D.C. 20523

Other addresses may be substituted for the above upon giving of notice.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

By: Alison Rosenberg
Alison Rosenberg
Assistant Administrator for Africa

THE GOVERNMENT OF SIERRA LEONE

By: William B. Wright
William B. Wright
Charge d'Affaires

Date: 9/30/92

Date: 9/30/92



AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 4, 1992

Mr. William B. Wright
Chargé d'Affaires
Embassy of the Republic of Sierra Leone
1701 19th Street, N.W.
Washington, D.C. 20009

Dear Mr. Wright:

Project Implementation Letter No. 1
Economic Support Grant Number 636-K-601

This letter provides general guidance and further explains various sections of the Grant Agreement and sets forth the procedures for the utilization of the grant funds of the project. Nothing in this letter, alters the Grant Agreement or any of its provisions herein referred to or explained. This letter may be supplemented or modified by subsequent implementation letters, as necessary, or to meet special situations which may arise.

AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) GUIDELINES

The Project Implementation Letter (PIL) is the official channel through which A.I.D. communicates with the Government of Sierra Leone on matters relating to the Program. Project Implementation Letters, which may also be countersigned by the Government of Sierra Leone, are used by A.I.D. to initiate disbursement of funds.

CONDITIONS PRECEDENT TO DISBURSEMENT

Article 2, Section 2.1 of the Grant Agreement makes reference to the conditions which must be met prior to disbursement of funds under the Grant. These conditions are described below:

(a) The Government of Sierra Leone will provide a legal opinion of recognized authority that this Agreement has been duly authorized and/or ratified by, executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Government of Sierra Leone in accordance with all of its terms;

(b) The Government of Sierra Leone will provide A.I.D. with a statement of the name of the person holding or acting in the office

of the Minister, Ministry of Finance, as specified in Article 7, section 7.2 of the Grant Agreement, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(c) A list of the Grantee's proposed debt service payments which will be made under this program, designating the creditor or creditors, bank, account number, payment due dates and amount due; and;

(d) Either:

(i) an accounting for the deposit and use of the proceeds of sale of United States P.L. 480 Title I food assistance received by Sierra Leone during the period 1987 through 1991, or, in the event that records do not exist to support such an accounting, the following;

(ii) a letter signed by a senior official certifying that records do not in fact exist to support such an accounting and specifying that the Grantee will: (1) provide A.I.D. with all records that are available, including deposit receipts and bank records; (2) conduct a full review of all the facts and circumstances; (3) following such review, provide to A.I.D., to the best of its ability, a written reconstruction of the records relating to the deposit and use of the aforementioned sales proceeds and a narrative description of the pertinent events; and (4) complete items (1) through (3) within 60 days from the date of the submission to A.I.D. of such letter. All deposits for which the Government of Sierra Leone cannot recreate or justify the uses of, will have to be redeposited by the Government of Sierra Leone to the special PL-480 account.

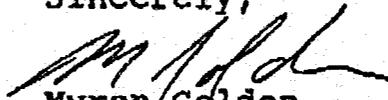
The condition precedent noted in point (d) above has been included pursuant to findings of a recent non-federal audit survey of the PL-480 Title I Program in Sierra Leone for the period of October 1, 1987 through September 30, 1990. The audit survey found there was a serious lack of accountability and recommended that the Government of Sierra Leone be required to account for the Title I Program commodities and funds and deposit to the special account any funds that can not be accounted for in accordance to the PL-480 agreement terms. The audit survey recommended that a full accounting of the PL-480 commodities and funds be provided as condition precedent to any future A.I.D. assistance to the Government of Sierra Leone.

The Grant Agreement provides up to ninety days from the date the Agreement is signed to meet the conditions precedent, as specified in Article 2, Section 2.1 in the Grant Agreement. The Government of Sierra Leone should furnish to A.I.D., in writing, the documentation needed to satisfy the four conditions precedent.

A.I.D. will then evaluate this documentation and if the conditions are met, so inform the Government of Sierra Leone through a PIL. At that time the Government of Sierra Leone should request the disbursement of funds as specified in Article 3, Section 3.1 of the Grant Agreement.

My staff and I look forward to working with the Ministry of Finance and other Government representatives that you so designate to work on this Agreement. Should you have any questions on this letter, or should you wish further clarification on the Grant Agreement, please contact me at your convenience.

Sincerely,



Myron Golden
Director, Office of Coastal &
Central West Africa

Report Distribution**APPENDIX C**

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IG/A/PSA	1
IG/A/PPO	2
IG/LC	1
AIG/I	1
IG/RM/C & R	5
IG/A/FA	1
RIG/A/CAIRO	1
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