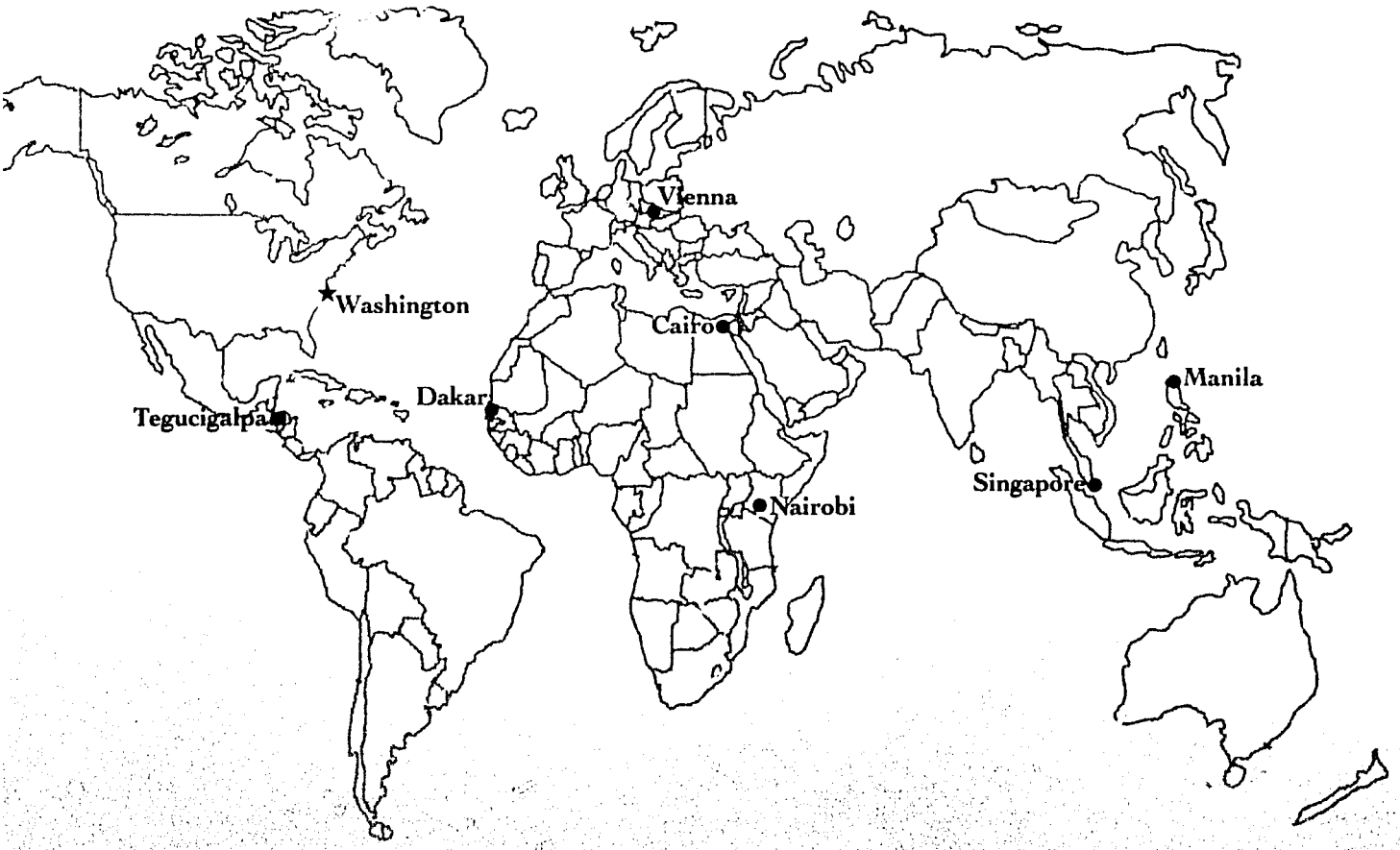
PD-ABF-834

Regional Inspector General for Audit
Dakar

Audit of USAID/Cameroon's Construction Activities

Audit Report No. 7-631-93-06
April 30, 1993



INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

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WEST AFRICA

April 30, 1993

MEMORANDUM

TO: Peter Benedict, Director, USAID/Cameroon

FROM: Thomas B. Anklewich, RIG/A/Dakar

SUBJECT: Audit of USAID/Cameroon's Construction Activities, Audit Report No. 7-631-93-06

Enclosed are five copies of the subject report. We have reviewed your comments in response to our draft report (Yaounde 002361) and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

The report has three recommendations. Based on the actions taken, Recommendation No. 1 is considered resolved and can be closed once we receive evidence that the questioned costs identified in this finding have been recovered. Based on your comments in response to the draft report, we have revised Recommendations 2 and 3. Recommendations 2.1 and 3 are resolved and can be closed once we have received evidence of the completion of required corrective actions. Recommendation 2.2 remains unresolved until we mutually agree on the appropriate conditions precedent to be met for the reinstatement of the follow-on Phase II portion of the Agricultural Education Project.

Please notify our office of the Mission's progress towards implementing these recommendations within 30 days, including documentation supporting any completed actions so that we may consider their closure.

I greatly appreciate the cooperation and courtesies extended to the RIG/A/Dakar staff and myself during the audit.

Regional Inspector General for Audit
Dakar

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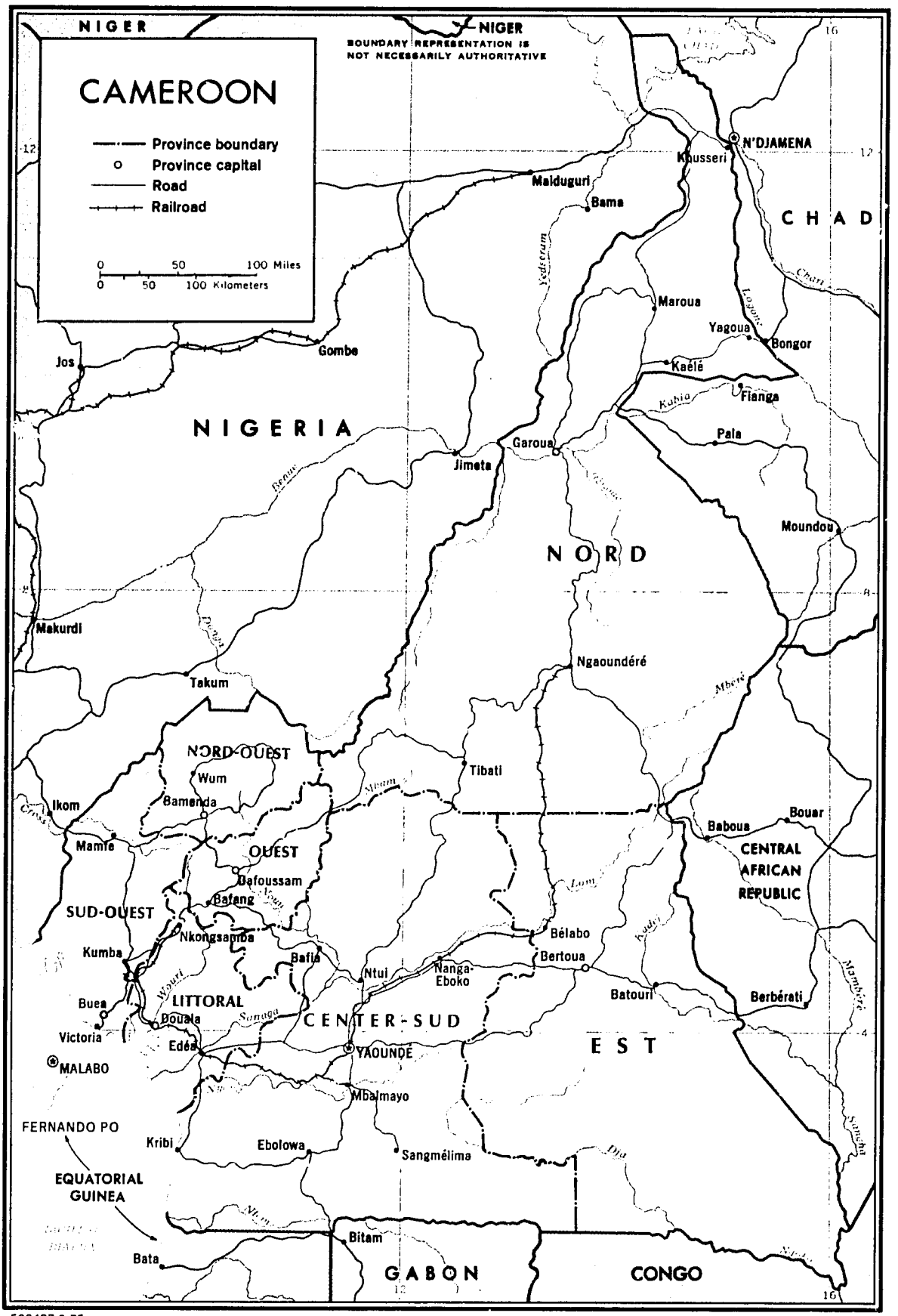
CAMEROON
Province boundary
Province capital
Road
Railroad
0 50 100 Miles
0 50 100 Kilometers
NIGER
NIGER
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
N'DJAMENA
Khusseri
Maiduguri
Bama
CHAD
Maroua
Yagoua
Bongor
Kaélé
Fianga
Pala
Gombe
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NIGERIA
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Takum
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Wum
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Table of Contents

	Page
EXECUTIVE SUMMARY	i
INTRODUCTION	1
Background	1
Audit Objectives	1
REPORT OF AUDIT FINDINGS	3
Did USAID/Cameroon follow A.I.D. procedures in planning project construction?	3
USAID/Cameroon Should Have Reassessed And Certified The Host Country Procurement System.	3
Did USAID/Cameroon follow A.I.D. procedures to assure that construction was undertaken at a fair price, in a timely manner and from qualified contractors?	5
Did USAID/Cameroon follow A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract?	6
USAID/Cameroon Should Protect A.I.D.'s Financial Interests On Defaulted Contracts.	7
USAID/Cameroon Should Enforce Host Country Contributions.	9
Did USAID/Cameroon obligate, spend and account for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?	14

Table of Contents (continued)

	Page
REPORT ON INTERNAL CONTROLS	16
Audit Objective One	17
Audit Objective Two	17
Audit Objective Three	18
Audit Objective Four	19
REPORT ON COMPLIANCE	20
	Appendix
SCOPE AND METHODOLOGY	I
MANAGEMENT COMMENTS AND OUR EVALUATION	II
SUMMARY OF AUDIT UNIVERSE	III
DISTRIBUTION LIST	IV

EXECUTIVE SUMMARY

Background

A.I.D.-financed construction activities in the Republic of the Cameroon are procured by agencies of the government of that country under the host country method of procurement. During the period from October 1, 1988 to July 31, 1992, USAID/Cameroon authorized these agencies to award 19 construction contracts under three separate projects. As of July 31, 1992, these 19 contracts obligated $32.8 million of which $31.2 million had been disbursed. The remaining $1.6 million was required to complete the work-in-progress and cover all remaining obligations.

Audit Objectives

The Office of the Regional Inspector General for Audit/Dakar conducted a performance audit of A.I.D.-financed construction activities in the Republic of the Cameroon in accordance with generally accepted government auditing standards. (See Scope and Methodology, Appendix I.) The work was conducted from August through December 1992 and was designed to answer the following questions:

1. **Did USAID/Cameroon follow A.I.D. procedures in planning project construction?** **(see page 3)**

2. **Did USAID/Cameroon follow A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors?** **(see page 5)**

3. **Did USAID/Cameroon follow A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract?** **(see page 6)**

4. **Did USAID/Cameroon obligate, spend, and account for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?** **(see page 14)**

Summary of Audit

The audit found that USAID/Cameroon followed A.I.D. procedures in making sure that construction was undertaken at a fair price and from qualified contractors. The Mission made sure that the Government of the Republic of the Cameroon (GRC) selected an appropriate contract type, prequalified responsible contractors, prepared Invitations for Bid (IFB) and processed contract awards according to A.I.D. requirements. Furthermore, USAID/Cameroon obligated, spent and accounted for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations. The Mission properly approved payments to contractors for construction services, and recorded its construction services obligations and expenditures according to A.I.D. procedures. However, USAID/Cameroon did not always follow A.I.D. procedures in planning project construction. As a result, there was no assurance that procurements for project construction were in compliance with stated A.I.D. policies and procedures. Also, USAID/Cameroon did not always monitor contractor performance to ensure that they complied with the terms of the contract. As a result, USAID/Cameroon paid more than $229,000 for incomplete work and unrecovered equipment. Moreover, the planned utilization of over $24 million in university building construction has been jeopardized because the Government of the Republic of Cameroon failed to provide an adequate water supply system as it promised in the project agreement. (see pages 3, 5, 6, and 14)

Audit Findings

USAID/Cameroon Should Have Reassessed And Certified The Host Country Procurement System

A.I.D. policy requires missions to assess a host country's procurement system prior to assigning to procurement responsibility for A.I.D.-financed construction. In late 1990, A.I.D. revised this policy by calling for current assessments whenever a host country is assigned a new procurement and by requiring a written certification of that country's system from the Mission Director. Although USAID/Cameroon had assessed the system used by the Government of the Republic of Cameroon (GRC) in 1987, it did not comply with revised A.I.D. policy when it assigned to the GRC approximately $1.3 million in two new procurements without doing either an updated procurement assessment or a required written certification. As a result, there was no reasonable assurance that these two procurements were awarded in accordance with minimum A.I.D. standards. Since the current Mission Director has decided to stop all future host country contracting until the GRC has passed a procurement capability assessment, we considered it unnecessary to determine why prior management had not complied with the revised A.I.D. policy. This finding was effectively closed when at the conclusion of the audit the Mission Director gave us written assurance of his decision. (see page 3)

USAID/Cameroon Should Protect A.I.D.
Financial Interests On Defaulted Contracts

A.I.D. policy requires Missions to ensure that all A.I.D. rights are protected when a contractor defaults. USAID/Cameroon did not make sure that the Government of the Republic of Cameroon (GRC) protected A.I.D.'s financial interests when one of that country's contractors failed to perform on an A.I.D.-financed construction contract. The Mission did not require the responsible GRC contracting agency to recover the equipment and materials paid for by A.I.D. as a mobilization payment prior to the contractor's default. Furthermore, the Mission did not make sure that the GRC enforced the contractual remedy for such defaults provided by the contract's performance bond. These oversights occurred because Project Officers did not consult with the Regional Contracting Officer on these matters. Because the Mission has stopped host country contracting and since we found only one example of this situation during the audit, we are not making an A.I.D. system-wide recommendation on the subject of host country contractor defaults. Even so, situation resulted in questioned costs totaling $229,211 being paid for incomplete work and unrecovered equipment. (see page 7)

USAID/Cameroon Should Enforce
Host Country Contributions

In exchange for A.I.D.-financed construction of university buildings, the Government of the Republic of the Cameroon (GRC) agreed to contribute approximately $2.0 million to the Agricultural Education Project to improve the water supply system at its University Center in Dschang, Cameroon. In the same project agreement, the GRC also promised to give A.I.D. a refund if any A.I.D.-financed construction could not be used effectively because the GRC failed to comply with its obligations. Ten years and $24 million in A.I.D. construction expenditures later, the promised GRC water supply improvements have not been made even though the original project construction has been completed and a follow-on project has begun. This host country delinquency occurred because host country contributions were not made conditions precedent for commencing the original project construction, and because the Mission monitoring of such contributions had not been effective.

The Mission recently suspended the expansion of technical services and training under the follow-on Agricultural Education Project (Phase II) because the GRC failed to ensure that the University had funds to pay for its recurring costs. These costs included an accumulated debt of over $520,000 for unpaid university water bills. The Mission noted that the current GRC financial situation is so poor that the GRC cannot reasonably be expected to meet all of the host country contributions it promised in the original Project Agreement. Moreover, the GRC could never be expected to refund the $24 million in A.I.D. expenditures per the project agreement because it failed to meet its obligations. The Mission has therefore

proposed a compromise whereby A.I.D. will pay for the water supply system if the GRC will pay the water bill. We concur with this compromise provided that liquidation of the water bill also be a condition precedent for reinstating the follow-on Phase II Agricultural Education Project. (see page 9)

Summary of Recommendations

The Audit disclosed three problems. However, USAID/Cameroon effectively closed the first problem concerning host country capability assessments when it confirmed in writing at the conclusion of the audit that it did not intend to assign any more contracts to the host country for procurement unless that country passes a procurement capability assessment. As for the remaining two problems, we recommend that the Director, USAID/Cameroon take the following actions:

- resolve questioned costs amounting to $229,211, (see page 7).

- authorize the responsible technical services contractor to subcontract with a local firm to provide an adequate water supply system to the University Center at Dschang, (see page 10).

- require the Government of the Republic of Cameroon to resolve the Dschang University Center debt with the water company (SNEC) as a condition precedent for (1) A.I.D. funding of the water supply system subcontract, and (2) reinstatement of the follow-on Phase II Agricultural Education Project, (see page 10).

- report in the next Federal Manager's Financial Integrity Act reporting cycle to the Assistant Administrator, Africa Bureau, the internal control weakness related to USAID/Cameroon's monitoring and control of host country contributions, if this weakness has not been corrected, (see page 10).

Management Comments and Our Evaluation

USAID/Cameroon agreed with our findings relative to the planning of construction activities, the selection of contractors, and the recording and paying of construction work. With regard to monitoring contractor performance, the Mission agreed with our findings and recommendations concerning the first problem, identified i.e. the resolution of questioned costs amounting to $229,211. However, with regard to the second problem identified, the Mission provided additional information concerning the deficient water supply system at the University Center in Dschang, and it offered a different set of solutions to resolve this problem. We agreed with the recommendations proposed by the Mission as far as they went

but believe one additional action is needed to help ensure the sustainability of the project. That additional action concerned the need for linkage of the installation of an adequate water supply system to the Mission's reinstatement of the suspended Phase II portion of the Agricultural Education Project. At the time of the audit the Phase II portion of the project had been suspended pending renewed GRC commitment to be financially current on recurring facility maintenance costs. In addition to this action, which we agree with, we believe reinstatement of the Phase II portion of this project should also be linked to the settlement of the delinquent water bills of the university. These actions if undertaken by the GRC, would underscore its financial commitment to and ultimately the sustainability of this project after A.I.D. financing ceases.

Office of the Inspector General

Office of the Inspector General
April 30, 1993

INTRODUCTION

Background

Since October 1988, USAID/Cameroon has authorized the Government of the Republic of the Cameroon (GRC) to award 19 A.I.D.-financed construction contracts under three separate projects using the host country procurement method. Under this method, selected agencies of the GRC procure the necessary construction and administer the resulting contracts. The Mission then monitors these activities to make sure that they conform to minimum A.I.D. requirements, and it can indicate concurrence/nonconcurrence of host country proposed activities through written correspondence known as Project Implementation Letters (PILs). In the case of the GRC, the Mission has also elected to retain responsibility for paying the contractors directly for services performed.

According to the Mission Accounting Control System (MACS) report dated July 31, 1992, USAID/Cameroon obligated $32.8 million for project construction during the period from October 1, 1988 to July 31, 1992. These obligations included $31.2 million which had been disbursed, and the remaining $1.6 million was required to finish the work-in-progress and cover all remaining obligations.

Audit Objectives

The Office of the Regional Inspector General for Audit/Dakar completed a performance audit of A.I.D.-financed construction activities in the Cameroon as provided in its approved FY 92 audit plan. The audit was designed to answer the following four audit objectives:

1. **Did USAID/Cameroon follow A.I.D. procedures in planning project construction?**

2. **Did USAID/Cameroon follow A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors?**

3. **Did USAID/Cameroon follow A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract?**

4. **Did USAID/Cameroon obligate, spend, and account for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?**

In answering these audit objectives, we tested whether USAID/Cameroon (1) followed applicable internal control procedures 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. These tests were designed to provide reasonable assurance that USAID/Cameroon followed A.I.D. procedures related to each audit objective and complied with certain provisions of applicable laws and regulations. However, because of limited time and resources, we did not continue testing when we found that USAID/Cameroon followed A.I.D. procedures and complied with legal requirements. But when we found problem areas, we performed additional work:

- to conclusively determine that USAID/Cameroon was not following a procedure or not complying with a legal requirement;
- to identify the cause and effect of the problems; and
- to make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology of this audit. Appendix III lists the 19 construction contracts included in this audit.

REPORT OF AUDIT FINDINGS

Did USAID/Cameroon follow A.I.D. procedures in planning project construction?

USAID/Cameroon did not always follow A.I.D. procedures in planning project construction. The Mission approved the Invitation for Bids (IFBs) and contracts issued by the Government of the Republic of Cameroon (GRC) as required by A.I.D. planning procedures. In 1987, the Mission also assessed the GRC's capability to award and administer host country procured construction contracts. However, the Mission did not comply with A.I.D.'s 1990 policy revision regarding host country contracting assessments when it assigned two new procurements to the GRC without doing either an updated procurement assessment or a required written certification.

The GRC has conducted five IFB actions since October 1, 1988. These actions resulted in the award of 18 of the 19 contracts audited (the other contract resulted from an IFB action completed prior to the aforementioned date). The Mission Director gave the required written approval for all five IFB actions and all 19 contract awards.

While USAID/Cameroon used its system of prior approvals to control part of the GRC contracting process, it did not comply with the current A.I.D. policy concerning host country procurement capability assessments. This noncompliance issue is addressed in the following discussion.

USAID/Cameroon Should Have Reassessed And Certified The Host Country Procurement System

A.I.D. policy requires missions to assess a host country's procurement system prior to assigning to procurement responsibility for A.I.D.-financed construction. In late 1990, A.I.D. revised this policy by calling for current assessments whenever a host country is assigned a new procurement and by requiring a written certification of that country's system from the Mission Director. Although USAID/Cameroon had assessed the system used by the Government of the Republic of Cameroon (GRC) in 1987, it did not comply with revised A.I.D. policy when it assigned to the GRC approximately $1.3 million in two new procurements without doing either an updated procurement assessment or a required written

certification. As a result, the Mission was not in compliance with stated A.I.D. policies and procedures. Since the current Mission Director has decided to stop all future host country contracting until the GRC has passed a procurement capability assessment, we considered it unnecessary to determine why prior management had not complied with the revised A.I.D. policy. This finding was effectively closed when at the conclusion of the audit the Mission Director gave us written assurance of his decision.

According to A.I.D. Handbook 3, Supplement B, Chapter 2, Section C.2.f, a Mission should assign procurement responsibility to an agency of the host country only if the latter can demonstrate adaptability to A.I.D.'s rules and concepts. Generally, such an assignment requires a reasonably detailed assessment of the host country's contracting system and policies, and it is the project officer's responsibility to assure that these assessments are made and to retain a written record of them in the project file.

In November 1990, A.I.D. revised this policy by calling for current capability assessments whenever specified new procurements are assigned, and by requiring a written certification of the host country's procurement system from the Mission Director. Handbook 1, Supplement B, Section 3A.2(3) now states that for any procurement over $250,000 in value financed by A.I.D. and procured by a host country agency, "...a formal assessment of the agency's system must be made (or have been made within the last three years), and the Mission Director must certify that the host country agency has or will obtain the capability to undertake the procurement."

USAID/Cameroon made an assessment of the GRC's contracting capabilities in May, 1987, using the guidance then in effect. However, the Mission did not comply with the 1990 policy revision when it authorized the GRC to award two large construction procurements without updated assessments or written certifications. On July 9, 1991, the Mission issued Project Implementation Letter (PIL) No. 16 authorizing the GRC to make an $875,000 award to modify a seed plant for the North Cameroon Seed Multiplication Project. On March 4, 1992, the GRC was also authorized to issue an amendment adding over 107 million West African Community Francs (CFA), about $428,000, to the school facility construction contract at Dschang, Cameroon. In both instances, the Mission neither updated its 1987 capability assessment nor certified the host government's procurement competency. This noncompliance affected two of the 19 construction contracts audited.

The cause for these compliance discrepancies could not be readily determined; the Mission personnel responsible at the time these actions occurred were no longer assigned to the Mission. However, the current Mission management recognized that as a result of these deficiencies the Mission was not in compliance with A.I.D. policy. The Mission Director subsequently stated that no more construction contracts will be awarded through any GRC contracting agency until such agency has passed a procurement capability assessment.

USAID/Cameroon did not report the lack of host country capability assessments as an internal control weakness. Since the Mission's current stated policy is to not assign any more contracts to the host country for procurement unless that country can pass such an assessment, we do not believe that this weakness should be reported now. The Mission Director provided written assurances of this fact at the exit conference which effectively closed the finding.

Did USAID/Cameroon follow A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors?

USAID/Cameroon followed A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors. USAID/Cameroon made sure that the Government of the Republic of the Cameroon (GRC) selected an appropriate contract type, prequalified responsible contractors, prepared Invitations for Bid (IFB) and processed contract awards according to A.I.D. requirements.

A.I.D. considers fixed-price contracts the most appropriate type and prohibits the use of cost plus percentage of cost contracts. Our audit showed that all 19 contracts reviewed conformed to this policy.

The qualifications and responsibility of prospective bidders are determined through a prequalification process. This process requires the host country contracting agency to assess the technical expertise, management capability, workload capacity, and resource availability of prospective bidders. This assessment should be based upon questionnaires that the contracting agency prepares and analyzes. We reviewed two of the four prequalification actions made by the GRC which together affected 14 of the 19 contracts audited. The records of these actions showed that the GRC obtained the information to assess the technical expertise, management capability, workload capacity, and resource availability of prospective bidders. Moreover, the GRC used prequalification questionnaires during this process, and evaluation memorandums indicated that each firm's submission was evaluated.

We reviewed four of the five bid actions conducted by the GRC and monitored by the Mission. These actions affected 17 of the 19 contracts audited (the bid actions for the two contracts awarded under the North Cameroon Seed Multiplication Project were not evaluated). We reviewed the IFBs and resulting contracts to see whether they contained the

mandatory provisions for, bid bonds, performance bonds and payment bonds that are required in Handbook 11, Chapter 2. USAID/Cameroon made sure that the GRC complied with these requirements. Furthermore, all 17 construction contracts evaluated were awarded through formal competitive bidding to the lowest bidder, and the successful contractor was selected from a pool of responsible, prequalified bidders.

The audit concluded that the Mission's system of prior approvals for Invitations for Bid and contracts as reported under audit objective one helped to contribute to this positive finding. However, following procedures does not necessarily lead to positive results. For example, one contractor failed to complete his contract which suggests that the GRC may not have conducted a thorough enough review of that contractor's qualifications (see audit objective three for details). However, we did not determine if this failure could be definitively attributed to a deficient evaluation of the contractor's qualifications.

Did USAID/Cameroon follow A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract?

USAID/Cameroon did not always follow A.I.D. procedures in monitoring contract performance to ensure that the contractor complied with the terms of the contract. The responsible Project Officers used techniques such as meetings and discussions, Project Implementation Reports, and site visits to monitor contract implementation. However, the Mission did not protect the financial interests of A.I.D. when one contractor failed to perform. In addition, the Mission did not ensure that the GRC fulfilled its commitments under the project agreements.

We reviewed the project construction files and found that they contained ample documentation to show that the Project Officers were actively monitoring project construction. For example, the Project Officer for the National Cereals Research and Extension project (631-0052) was deeply involved in trying to resolve the problem of late contract completions under that project. In the end, the Mission authorized the GRC to reduce the amount of the final payment to one of the contractors because that contractor failed to complete the contract according to its specifications.

However, there were two significant monitoring problems on the Agricultural Education Project. First, the Project Officer did not protect the financial interests of A.I.D. when one of the two contractors responsible for the construction portion of that project failed to complete the work promised on the contract. Moreover, the effectiveness of project construction valued in excess of $24 million was jeopardized because the Project Officer did not make sure that the GRC fulfilled its project commitments by making the contributions

it promised in the project agreement. These two issues are discussed in the next two sections.

USAID/Cameroon Should Protect A.I.D.'s Financial Interests On Defaulted Contracts

A.I.D. policy requires Missions to ensure that all A.I.D. rights are protected when a contractor defaults. USAID/Cameroon did not make sure that the Government of the Republic of Cameroon (GRC) protected A.I.D.'s financial interests when one of that country's contractors failed to perform on an A.I.D.-financed construction contract. The Mission did not require the responsible GRC contracting agency to recover the equipment and materials paid for by A.I.D. as a mobilization payment prior to the contractor's default. Furthermore, the Mission did not make sure that the GRC enforced the contractual remedy for such defaults provided by the contract's performance bond. These oversights occurred because Project Officers did not consult with the Regional Contracting Officer on these matters. Since the Mission has stopped host country contracting and since we found only one example of this situation during the audit, we are not making an A.I.D. system-wide recommendation on the subject of host country contractor defaults. Even so, these oversights resulted in questioned costs totaling $229,211 for incomplete work and unrecovered equipment.

Recommendation No. 1: We recommend that the Director, USAID/Cameroon resolve questioned costs amounting to $229,211.

According to Handbook 3, Supplement B, Chapter VII, Section X, Project Officers are responsible for ensuring that contracts are terminated in accordance with the terms of the contract, and that all A.I.D. rights have been properly satisfied. Chapter V, Section E. of the same reference states that performance bonds are an essential part of any construction contract, and that a copy of each bond should be placed in the official project file. Handbook 11, Chapter 2, Section 3.6.3.3.c, states that performance bonds are issued by sureties to ensure completion of contract requirements. In the event a contractor defaults, the surety will remedy the default, take over performance itself, arrange for another contractor to complete the work, or pay the additional costs incurred by the Contracting Agency for completing the contract, up to the amount of the bond (the "principal sum").

Only one of the 19 contracts audited was canceled because the contractor failed to perform. In this one instance, however, the responsible Project Officer did not protect A.I.D.'s interests satisfactorily, and A.I.D. has paid $229,211 for questionable costs.

On May 24, 1989, the GRC signed a contract under the Agricultural Education Project (Project No. 631-0031) to construct a teaching facility for the University Center at Dschang, Cameroon. The value of this A.I.D.-financed contract exceeded 308 million CFA francs,

On May 24, 1989, the GRC signed a contract under the Agricultural Education Project (Project No. 631-0031) to construct a teaching facility for the University Center at Dschang, Cameroon. The value of this A.I.D.-financed contract exceeded 308 million CFA francs,

about $1.2 million, and the period of performance extended over a 24 month period. Actual work did not officially begin, however, until March 1990. The work was never completed.

On June 29, 1990, the Contractor requested payment from A.I.D. for mobilization expenses. Mobilization payments can be authorized by contractual provision and are made to construction contractors to assist them in meeting the extraordinary start up costs incurred for prompt contract performance. Clause 28 of the contract in question allows the contractor to request reimbursement for such expenses of up to 20 percent of the contract price. The contractor submitted his invoice for mobilization costs under the authority of that clause. The invoice was then approved by both the GRC controlling engineer and the responsible USAID Project Officer and on August 21, 1990, A.I.D. paid the contractor $229,211. It should be noted that neither of these approving officials made sure that the performance bonds required by clause 25 of the contract were obtained prior to approving the payment.

A.I.D. had essentially paid $229,211 to a contractor for no appreciable work.

On October 29, 1990, work was suspended. According to a letter signed by the then Acting Director of the Mission, no appreciable work had been performed by the contractor from the time work began in March 1990 to the time of suspension. Between the time of suspension and May 1991 when the Mission requested the GRC to cancel the contract, both the Mission and the GRC tried unsuccessfully to get the contractor to perform on the contract. The GRC subsequently canceled the contract.

At the time the contract was canceled, A.I.D. had essentially paid $229,211 to a contractor for no appreciable work. The payment documents which support this payment show that A.I.D. paid about $97,000 for equipment such as a ten-ton truck tripper, a 4 x 4 pick-up truck and a concrete mixer. Most of the remaining $132,000 was for materials such as iron and concrete framing materials. No one in either the Mission nor in the GRC could say what had happened to the equipment. One GRC representative said that the materials were subsequently used on the project, but this statement could not be verified.

In addition, clause 25 of the contract required the contractor to obtain a "Cautionnement du Marche" (performance bond) of five percent of the contract price to guarantee performance. This bond could have been used as a partial remedy to mitigate the financial damages A.I.D. suffered as a result of this default. Again, no one from either the Mission nor GRC could

verify whether the performance bond had been obtained. The same GRC official who commented on the disposition of the materials stated that no performance bonds were used in this default.

The reason(s) why Mission officials did not follow up on these two issues could not be determined because the persons responsible at the time these events took place were no longer assigned to the Mission. As a rule, however, Project Officers are not contracting specialists, and they may be unprepared by both experience and training for unusual events such as contractor defaults. In our opinion, current A.I.D. guidance is not specific enough to help Project Officers address all of the complex contracting issues raised when a host country contractor defaults on its contract.

The payment of mobilization expenses and the failure to use the performance bond has resulted in questioned costs of over $229,211. We question the allocability of these costs because we can not determine whether the items billed were ever used on the project, and we recommend that the Mission take steps to resolve this issue.

We recognize that a default termination is a complex contracting issue requiring the specialized expertise of a contracting officer, expertise that a project officer does not normally have. For this reason, we believe that the Mission should consult the Regional Contracting Officer if such a problem should ever rise again. Since the Mission has stopped host country contracting and since we found only one example of this situation in this audit (the other 18 contracts were completed without any cancellations), we are not making an A.I.D. system-wide recommendation on this matter. However, we are recommending to our headquarters that the subject of default termination be specifically addressed in the upcoming A.I.D./IG world-wide audit on host country contracting.

Management Comments and Our Evaluation

USAID/Cameroon agreed with the facts and findings presented in the audit report. They stated that they were unable to verify whether the equipment and material purchased with the mobilization payment were subsequently used on the project. As a result, the Mission stated that they issued the GRC a Bill of Collection for $229,211 and will notify RIG/A/Dakar once the Mission receives the GRC response (see Appendix II). Based on this action, Recommendation No. 1 is resolved on report issuance.

USAID/Cameroon Should Enforce Host Country Contributions

In exchange for A.I.D.-financed construction of university buildings, the Government of the Republic of the Cameroon (GRC) agreed to contribute approximately $2.0 million to the

Agricultural Education Project to improve the water supply system at its University Center in Dschang, Cameroon. In the same project agreement, the GRC also promised to give A.I.D. a refund if any A.I.D.-financed construction could not be used effectively because the GRC failed to comply with its obligations. Ten years and $24 million in A.I.D. construction expenditures later, the promised GRC water supply improvements have not been made even though the original project construction has been completed and a follow-on project has begun. This host country delinquency occurred because host country contributions were not made conditions precedent for commencing the original project construction, and because the Mission monitoring of such contributions had not been effective. However, the Mission believes that the financial condition of the GRC is now so poor that it is not reasonable to expect that government to pay for the needed water supply improvements. The Mission has therefore proposed a compromise whereby A.I.D. will pay for the water supply system if the GRC will ensure payment of the University's outstanding water bill.

Recommendation No. 2: We recommend that the Director, USAID/Cameroon protect A.I.D.'s $24 million investment by:

2.1 authorizing the responsible technical services contractor to subcontract with a local firm to provide an adequate water supply system to the University Center at Dschang; and

2.2 requiring the Government of the Republic of Cameroon to resolve the University Center at Dschang's debt with the water company (SNEC) as a condition precedent to (1) A.I.D. funding of the water supply system subcontract, and (2) reinstating the follow on Phase II Agricultural Education Project.

Recommendation No. 3: We recommend that the Director, USAID/Cameroon report in the next Federal Manager's Financial Integrity Act reporting cycle to the Assistant Administrator, Africa Bureau, the internal control weakness related to USAID/Cameroon's monitoring and control of host country contributions, if this weakness has not been corrected.

The Agricultural Education project agreement number 631-0031, signed in 1982, committed an estimated $90,112,000 to the project of which approximately 48 per cent was to be funded by A.I.D. and the remaining 52 per cent was to be contributed by the GRC. Annex I, Section IV.B.1. of that agreement indicated that approximately $13.0 million in facilities were to be constructed using A.I.D. financing (this figure was subsequently increased to

$ 24 million). Section IV.C of that annex lists the $47,091,000 in contributions that the GRC promised to make over the original six year life of the project. The total project life was subsequently increased to over 10 years.

Although the project is now complete and A.I.D. has essentially fulfilled its commitments, the GRC has not delivered on all of its promised host country contributions. One GRC deficiency which concerns the current Mission management and which they are attempting to resolve centers on the GRC's failure to provide adequate facility maintenance. Our field visit to this facility revealed another problem which deserved equal attention.

Under section IV.C.4c of that agreement, the GRC agreed to provide up to $2.0 million to finance the construction of the water supply system, including wells, pumping stations, water distribution lines and a water tower. This water would have augmented the existing supply to be used by the facilities being constructed under this project. The same project agreement also provided a recourse for A.I.D. should the GRC fail to complete its obligations. The following quote is from Section D.6.(b) of that agreement:

> *"(b) If the failure of the Government to comply with any of its obligations under this Agreement has the result that goods or services financed under the Assistance are not used effectively in accordance with this Agreement, A.I.D. may require the Government to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. dollars to A.I.D. within sixty (60) days after receipt of a request therefor."*

The GRC has not made the necessary water utility supply improvements in Dschang even though A.I.D. has essentially completed its commitment to finance the construction of school facilities at that location. Presently, water supplies often have to be brought in by truck and at the time of the audit, the A.I.D.-financed portion of this University was without running water. Obviously, these facilities will need large quantities of water for sanitary purposes if they are to be occupied as planned. If the water cannot be provided, over $24 million in foreign aid will have been spent on a modern facility that cannot be used effectively.

Recently, the Mission responded to deficiencies in host country contributions on the Agricultural Education Project by suspending the expansion of technical services and training under the follow-on Phase II Project (Phase II). According to Mission officials, the GRC contribution to the University Center declined during the last two years of the Project. In Cameroon's fiscal year 92, for example, the University received only 50 per cent of its approved budget and the situation for fiscal year 93 is even worse. This situation has drastically affected the University's ability to provide necessary support to the project. The University does not have enough funds to pay for its recurring costs, and it has among other problems accumulated a debt of over $520,000 for unpaid university water bills.

The reason(s) why former Mission management had not made sure that GRC commitments were fulfilled before starting construction could not be determined because these persons were no longer assigned to the Mission. It was noted, however, that the project agreement contained no effective linkage between the provision of the water supply facilities by the GRC (a host country in-kind contribution) and the provision of construction funds by A.I.D. In our opinion, providing adequate water supply should have been a precondition for building construction to start, and that it should now be a precondition if the follow-on Phase II of the project is to be started up again.

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host country contributions have been identified by A.I.D. senior management as a significant internal control weakness in A.I.D.

The problems with GRC contributions deserve serious attention. We note, for example, that host country contributions have been identified by A.I.D. senior management as a significant internal control weakness in A.I.D., and that the subject has been reported to the President as a high risk area under the Federal Manager's Financial Integrity Act (FMFIA). Situations such as the one described in this finding validate this assessment by A.I.D. management. In this case, the effective utilization of over $24 million in completed project construction has been jeopardized, and this costly investment should be protected by requiring the host country to provide the contributions it promised under the project.

Management Comments and Our Evaluation

The Mission concurred with Recommendation No. 3. They stated that they will report in the next Federal Manager's Financial Integrity Act (FMFIA) reporting cycle to the Assistant Administrator, Africa Bureau, the internal control weakness related to USAID/Cameroon's monitoring and control of host country contributions, if the weakness has not been corrected. Based on this action, Recommendation 3 is resolved.

Concerning Recommendation No. 2, USAID/Cameroon agreed with our conclusion that the GRC's failure to provide adequate contributions to development projects deserved serious attention, but did not concur with our draft report recommendation. The Mission first provided some additional information concerning the GRC's contributions to the Agricultural Education Project, and it then offered alternative recommendations to resolve the water supply problem identified in this report.

The Mission made five major points directly applicable to the construction portion of this project. First, the Mission asserted that the GRC had contributed more to the project than originally anticipated. According to the Mission, the Project Grant agreement dated July 15,

1982 projected a GRC contribution totalling 11.773 billion FCFA (approximately $47 million). As of March 31, 1992 (the extended project completion date), the Mission stated that the GRC had actually contributed 18.650 billion FCFA (approximately $74.6 million). Based on these figures, the Mission concluded that the GRC met its overall financial requirements.

Second, the Mission believes that the GRC complied with its obligation to provide a water system. According to the Mission, the GRC installed a small water station in 1984, and in 1985 the GRC financed the installation of a larger pumping station including a water tower, two pumps and distribution lines. The Mission therefore concluded that the GRC complied with its obligation to provide a water system. It should be noted, however, that the Mission implicitly concedes that the system in place is not adequate because it later proposes that A.I.D. funds be made available to provide for the drilling of two wells and the installation of another pumping and distribution system. Given these facts, we disagree with the Mission's assertion that the GRC complied with its obligation to provide an adequate water supply system. At the time the buildings were con[illegible] and ready for occupancy, the water supply system was inoperative. In our opinion, the GRC definitely committed itself in the Project Agreement to provide an operating water system. This commitment was not a one time event but a recurring commitment. Therefore, we take the position that the commitment was not met.

Third, the Mission stated that the current water problem stems from a breakdown in the two pumps located in the larger station. The GRC water company (SNEC) had originally agreed to maintain these pumps. However, SNEC has refused to honor its commitments because the University Center at Dschang has not paid its water bill (estimated at 130 million FCFA or about $520,000). These arrears must be paid before the water company will make the necessary repairs.

Fourth, the Mission believes that the water supply installation should have been funded by A.I.D. rather than the host country. The current Mission staff considers the original project design flawed because they stated that it is highly unusual not to include support systems such as water supply when funding building construction.

Fifth, USAID/Cameroon did not concur with our recommendation that the reinstatement of the Phase II of the Agricultural Education Project be linked to the successful completion of an adequate water supply system at the University Center. However, the Mission did not give any specific reason for their nonconcurrence. In our opinion, the GRC's failure to meet its recurring costs (such as the water bill mentioned above) brings into question the sustainability of this project.

The Mission noted that the current GRC financial situation is so poor that the GRC cannot reasonably be expected to meet all of the host country contributions it promised in the original Project Agreement. Moreover, the GRC could never be expected to refund $24

million because it is unable to even meet its current obligations. The Mission has therefore proposed a compromise whereby A.I.D. will pay for the water supply system if the GRC will pay the overdue water bills.

We concur with this compromise provided that liquidation of the water bill also be a condition precedent for reinstating the follow-on Phase II Agricultural Education Project. In our original draft report under Recommendation No. 2 we had recommended that the Director USAID/Cameroon require the Government of the Republic of Cameroon (GRC) to provide the required water supply system improvements promised under the Agricultural Education Project as soon as possible, or obtain a refund of up to $24 million from the GRC under section D.6.(b) of the project agreement if these improvements are not made within a reasonable period of time. The Mission concluded that a fairer, more workable solution to the water supply problem would be for USAID to finance the drilling of two additional wells and the installation of a pumping/distribution system for the University (estimated cost: $200,000). The condition precedent (CP) for providing these funds would be that the GRC resolve the debt to the Cameroonian water company. Once this CP was met, the Technical Services contractor responsible for administering this project would contract for the actual construction work. We agree and have revised Recommendation No. 2.1 accordingly.

While the recommendations proposed by the Mission appear more practical, we believe that the GRC's failure to meet recurring costs such as paying water bills or recurring maintenance costs brings into question the sustainability of the entire Project. In our opinion, these failures compel A.I.D. to ensure sustainability as best it can by requiring the GRC to honor its recurring Project costs as a condition for receiving additional capital. Therefore, we believe that the payment of the water bill must also be linked to the Mission's reinstatement of the suspended Phase II portion of the Agricultural Education Project, and have recommended such, in Recommendation No. 2.2. Recommendation No. 2.1 is resolved and Recommendation No. 2.2 is unresolved on report issuance.

Did USAID/Cameroon obligate, spend, and account for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?

USAID/Cameroon obligated, spent, and accounted for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations. Our tests covered two internal control procedures which affect the Mission's capability in this regard. These two sets of procedures include how the Mission approves payments to contractors for construction services, and how the Mission records obligations and expenditures.

USAID/Cameroon's controls over construction contracts payments followed A.I.D. standard procedures. For example, we made an initial test of 20 recent payment vouchers and found

that every one was supported by an administrative approval from the project officer. These approvals help assure that A.I.D.'s interests are adequately protected by allowing the A.I.D. official who is most completely and currently informed about the project to state that the services covered by the voucher have in fact been satisfactorily delivered. We did not expand our testing to include a formal random sample because our initial tests were positive.

In addition, the documentation supporting these vouchers also included the required A.I.D. Form 1440-3, Contractor's Certificate and Agreement with the Agency for International Development. In submitting such a certificate, the contractor acknowledges that the payment is paid out of A.I.D. funds and that the work was performed in accordance with the terms of the contract and A.I.D. requirements. With such a certificate in hand, A.I.D. can make payment and rely on a post audit of the transaction, including refund rights if necessary.

With respect to the second set of procedures, USAID/Cameroon used valid input data such as contracts and payment vouchers to record obligations and expenditures. Our tests showed that these controls were logically and consistently applied. We tested all 19 contracts and 20 payment vouchers and traced their respective obligations and expenditures to the Controller's records. In every instance, the data was recorded properly.

REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of USAID/Cameroon's internal controls as they relate to each audit objective.

Scope of Our Internal Control Assessment

We performed our audit in accordance with generally accepted government auditing standards which require that we (1) assess the applicable internal controls when necessary to satisfy the audit objectives and (2) report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit. We limited our assessment of internal controls to those controls applicable to the audit's objectives and not to provide assurance on USAID/Cameroon's overall internal control structure. 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 and determined whether they have been placed in operation--and we assessed the control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for each audit objective.

General Background on Internal Controls

Under the Federal Manager's Financial Integrity Act and the Office of Management and Budget's implementing policies, A.I.D.'s management is responsible for establishing and maintaining adequate internal controls. The General Accounting Office has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining such controls. The objectives of internal controls for Federal foreign assistance 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. 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.

Conclusions for Audit Objective One

The first objective was to determine whether USAID/Cameroon followed A.I.D. procedures in planning project construction. Under this objective, we evaluated two internal control processes which affect project construction planning: (1) the Mission's assessment of the contracting capability of the Government of the Republic of Cameroon (GRC), and (2) the Mission's system for approving Invitation for Bids and contract awards.

We reviewed USAID/Cameroon's assessment of the contracting capabilities of the GRC. Our review showed that this control was not properly implemented and we could not rely upon it in designing our audit approach. Even so, we were able to conduct more extensive testing to achieve our objective of determining whether the host country had procured A.I.D.-financed construction in accordance with the minimum agency contracting requirements.

In our opinion, such an assessment is perhaps the key document needed by the Mission to control the contracting activities of the GRC. However, we are not recommending that this internal control deficiency be reported under the Federal Manager's Financial Integrity Act because the Mission is no longer using the host country contracting method and it stated in writing that it had no plans to use such method in the future.

We also reviewed USAID/Cameroon's controls relating to its approval of the Invitations for Bid (IFB) and contract awards. Our tests showed that the Mission' controls in this area were logically and consistently applied; therefore, we limited our tests to reviewing IFBs and contract awards to ensure that the required approvals were actually made.

Conclusions for Audit Objective Two

Our second objective concerned whether USAID/Cameroon followed A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors. Here, we evaluated four internal control processes which affect contract price and contractor qualifications. These processes included project officer procedures to ensure that the GRC (1) selected a contract type, (2) prequalified potential contractors, (3) processed Invitations for Bid, and (4) awarded construction contracts in accordance with A.I.D. policy.

We reviewed USAID/Cameroon's controls related to these four procedures. Our tests showed that the Mission's controls were logically and consistently applied; therefore, we limited our tests to (1) verifying contract type; (2) ensuring that prequalification questionnaires were prepared and evaluated; (3) reviewing the bid documents to ensure that the mandatory clauses were included in the bid and that bid bonds and performance bonds were requested; and (4) reviewing the bid abstracts and supporting documentation to ensure

that the resulting contracts were indeed awarded at the lowest cost to a responsible and responsive bidder.

However, following procedures do not necessarily lead to positive results. For example, one contractor failed to complete his contract which suggests that the GRC may not have conducted a quality review of that contractor's ability to perform (see audit objective three for details). We did not determine whether such failure to perform could be definitively attributed to a deficient evaluation of the contractor's qualifications.

Conclusions for Audit Objective Three

Under our third objective, we evaluated whether USAID/Cameroon followed A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract. We evaluated three internal control processes which could affect the Mission's ability to monitor contractor performance. These processes included project officer procedures to (1) monitor contract implementation, (2) terminate contracts, and (3) closeout projects.

We reviewed USAID/Cameroon's controls for monitoring contracts, and our tests showed that the controls over contracts were logically and consistently applied; therefore, we limited our tests to inspecting project officer contract monitoring files to determine whether these officers reviewed contractor operations through meetings and discussions, Project Implementation Reports, and site visits.

We also reviewed USAID/Cameroon's controls relating to contract terminations. Our assessment showed that the controls were logically designed and consistently applied except that the Mission did not require the GRC to recover the equipment and materials paid for by A.I.D. as a mobilization payment prior to the contractor's default nor enforce the contractual remedy for such defaults provided by the contract's performance bond. As a result, a $229,211 payment was made to a contractor who essentially did nothing to earn the money. Since USAID/Cameroon stopped host country contracting and since our findings here are related to only one example (the other 18 contracts were completed without any cancellations), we are not making an A.I.D. system-wide recommendation regarding internal controls in this matter.

Finally, we reviewed USAID/Cameroon's controls for closing projects, and our tests showed that these controls were not logically and consistently applied to the largest construction project in the portfolio (i.e. the Agricultural Education Project with $ 24 million out the $ 32 million in construction audited). The responsible Project Officer did not make sure that the GRC fulfilled its project commitments by making the contributions it promised in the project agreement. Therefore, we expanded our tests for this specific project to include host country contributions. Host country contributions have been identified by A.I.D. senior

management as a significant internal control weakness in A.I.D., and this subject has been reported to the President as a high risk area under the Federal Manager's Financial Integrity Act (FMFIA).

Conclusions for Audit Objective Four

Under this objective, we tested whether USAID/Cameroon obligated, spent, and accounted for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations. Here, we evaluated two internal control categories: (1) the Mission Controller's procedures for approving payments to contractors for construction services, and (2) the Mission's procedures to control obligations and expenditures.

We reviewed USAID/Cameroon's controls relating to approving payments to contractors for construction services. Our tests showed that the Mission's controls were logically and consistently applied. Therefore, we limited our tests to reviewing selected vouchers from each project to ensure that the required A.I.D. Form 1440-3 was attached and that project officers administratively approved the contractor invoices.

We reviewed USAID/Cameroon's procedures to control obligations and expenditures. Our tests showed that these controls were logically and consistently applied; therefore, we limited our tests to determine whether the funds were recorded properly, and whether excess funds were deobligated.

Reporting Under The Federal Manager's Financial Integrity Act

USAID/Cameroon did not report the lack of host country capability assessments as an internal control weakness. Since the Mission's current stated policy is to not assign any more contracts to the host country for procurement unless that country can pass such an assessment, we do not believe that this weakness should be reported now.

Also, USAID/Cameroon did not report the contract terminations as an internal control weakness. Since we found only one example of significant problems in this process (the other 18 contracts were completed without any cancellations), we are not making any recommendation regarding internal controls in this matter.

Finally, USAID/Cameroon did not report host country contributions as an internal control weakness. However, our audit field work suggests that the Mission has significant problems in ensuring that the host country fulfills its commitments under project agreements. Therefore, we recommend that the subject of deficient monitoring and control over host country contributions be reported as an internal control weakness under the Federal Manager's Financial Integrity Act until the problems identified under audit objective three have been corrected.

REPORT ON COMPLIANCE

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

Scope of Our Compliance Assessment

We conducted our audit in accordance with generally accepted government auditing standards which require that we (1) assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse and illegal acts that could significantly affect the audit objectives) and (2) report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

We tested USAID/Cameroon's compliance with the following provision of A.I.D. Handbook 1, Supplement B, Procurement Policies:

- Mission Directors must ensure that a formal assessment of a host country agency's procurement system is made (or has been made within the prior three years) before assigning a procurement that is estimated to exceed $250,000 in value to an agency of the host country, and the Mission Director must also certify that the host country agency has or will obtain the capability to undertake the procurement - Handbook 1, Supplement B, Section 3A3.

Our objective was to examine the Mission's implementation of these binding policies with respect to host country procured project construction, and not to provide an opinion on overall compliance with such provisions.

General Background on Compliance

Noncompliance is failure to follow requirements, or a violation of prohibitions, contained in statues, regulations, contracts, grants and binding policies and procedures governing an organization's conduct. Noncompliance constitutes an illegal act when there is a failure to

follow requirements of laws or implementing regulations including intentional and unintentional noncompliance and criminal acts. Not following internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition of noncompliance and is included in our report on internal controls. Abuse is distinguished from noncompliance in that abusive conditions may not directly violate laws or regulations. Abusive activities may be within the letter of the laws and regulations but violate either their spirit or the more general standards of impartial and ethical behavior.

Conclusions on Compliance

With respect to host country procured project construction, we found that USAID/Cameroon did not comply with Handbook 1, Supplement B, Section 3A3. USAID/Cameroon did not make a current, formal assessment of the procurement system of the Government of the Republic of Cameroon's contracting agency before assigning two procurements exceeding $250,000 in value to that agency. Also, the Mission Director responsible at the time these procurements were assigned did not certify that this agency had or would obtain the capability to undertake this procurement. This matter is discussed further under audit question one starting on page 3 of this report.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Cameroon's controls over Mission-authorized construction activities in accordance with generally accepted government auditing standards. The audit covered the systems and procedures relating to A.I.D.-financed construction contracts awarded by the agencies of the Government of the Republic of the Cameroon (GRC). Mission records showed that 19 construction contracts were awarded under these procedures since October 1, 1988. As of July 31, 1992, these 19 awards had obligated $32.8 million from three projects of which $31.2 million had been spent already. The remaining $1.6 million was needed to cover the work that was still in progress. This performance audit covers all 19 contract awards.

We conducted our audit from August 3 through December 18, 1992, and covered those systems and procedures relating to host-country-procured, A.I.D.-financed construction that were active as of December 18, 1992. We conducted our field work in the USAID/Cameroon Mission in Yaounde and at GRC offices in both Yaounde and Dschang in the Cameroon. We also visited construction sites in Bambui, Dschang, Ekona, Garoua, Maroua, and Yaounde, all located in the Cameroon. Our audit included an analysis of pertinent regulations, policies and procedures; interviews with responsible Mission and GRC officials; an examination of project construction-related files, documents and accounting records; and physical inspection of as many project construction sites as necessary to reliably answer our objectives. USAID/Cameroon officials also made various verbal representations concerning their management of project construction which they confirmed in a management representation letter signed on December 18, 1992.

Before starting the audit, the audit team reviewed one prior audit conducted by RIG/A/Dakar in 1989. This audit covered the Primary Education Project (Audit Report No. 7-631-89-07) which included a construction component. However, this component was completed before October 1988 making it outside the scope of the current audit. The team also considered a RIG/A/Dakar review of allegations made in 1990 concerning faulty construction of research staff housing in Bambui for the National Cereals Research and Evaluation Project (NCRE).

This review concluded that the housing conformed to the design conception and was structurally sound.

The team then looked at the Mission Operating Procedures and the latest Internal Control Assessment to assess how the Mission conducted its operations with respect to construction activities. Using this information, an audit universe was selected covering those project construction contracts authorized by the Mission from October 1, 1988 to July 31, 1992.

In developing our methodology, we noted that 18 of the 19 contracts included in the audit universe were physically complete. We also noted that the Mission did not plan to authorize any more construction using the host country's contracting system. We therefore selected only those internal control processes which might have some material bearing on the potential findings we uncovered during the survey phase of the audit.

Methodology

Audit Objective One

Did USAID/Cameroon follow A.I.D. procedures in planning project construction?

We evaluated two planning processes:

1. Host country capabilities assessments: The host country's capabilities to award and administer contracts must be assessed and a written record of this assessment must be retained in the project files (Handbook 3, Supplement B, Chapter II, part 2f). After November 1990, A.I.D. required a current assessment (made within the last three years) of the host country contracting agency's procurement system if the procurement exceeded $250,000 in value as well as a certification from the Mission Director that the host country agency has or will obtain the capability to undertake the procurement (Handbook 1, Supplement B, Chapter 3, Section 3A3). This requirement extends to amendments which exceed the $250,000 threshold as well (State 399975, paragraph 3B.3).

2. Mission approvals: Handbook 11, Chapter 2, Section 2.2.1 requires Mission approval for contracts exceeding $250,000; Section 3.4.1 requires approval of IFBs exceeding $250,000. All amendments to A.I.D. approved contracts must also be approved.

We reviewed Mission files to determine whether the Mission had assessed the procurement capabilities of the host country procurement agencies responsible for procuring A.I.D.

financed construction. We also determined whether the project officer retained a written record of this assessment in the project files. We reviewed all 19 contract files to make sure that the Mission approved host country Invitations for Bid, contract awards, and contract amendments. When our initial audit work revealed that the Mission did not have a current assessment of the host country procurement system certified by the Mission Director, we interviewed the Mission Controller and Mission Director to determine the cause. We decided that a recommendation was not necessary in this matter because the current Mission Director has stopped all future host country contracting until the GRC has passed a procurement capability assessment. These findings were subsequently validated with the responsible project officers, Mission Controller and Mission Director.

Audit Objective Two

Did USAID/Cameroon follow A.I.D. procedures to assure that construction was undertaken at a fair price and from qualified contractors?

We evaluated four processes related to assuring that construction was undertaken at a fair price and from qualified contractors:

1. Contract type selection: Contract type should be selected as specified in Handbook 11, Chapter 2, Section 3.3.1 (fixed price is normally used).

2. Contractor prequalification: Prequalification of contractors must be done unless a waiver is obtained from the Mission Director (Handbook 11, Chapter 2, Section 3.5.1). The host country must assess the technical expertise, management capability, workload capacity, and resource availability of prospective bidders (Handbook 11, Chapter 2, Section 3.5.1.). Prequalification questionnaires are prepared using the standards outlined in Handbook 11, Chapter 2, Attachment 2C, and they are analyzed as outlined in Handbook 11, Chapter 2, Section 3.5.5.

3. Invitations for Bid processing: IFBs must contain certain mandatory provisions (Handbook 11, Chapter 2, Sections 2.11 and 4.7.2.3), and provide for Bonds and Guarantees (Section 3.6.3).

4. Contract awards: Bids should be awarded (a) through formal competitive bidding, competitive negotiation or non-competitive procedures; (b) to contractors qualified to do the work; and (c) to the lowest priced responsible and responsive bidder (Handbook 3, Supplement B, Chapter V.A.).

We reviewed all 19 construction contracts to assess the appropriateness of contract type selected. We inspected the project office files to determine whether the host country prequalified potential contractors or obtained the required waiver. We then assessed the procedures used by the host country to prequalify potential contractors. We determined whether prequalification contained the mandatory provisions and provided for Bonds and Guarantees. We then reviewed contract files to determine whether the contracts were awarded (a) through formal competitive bidding, competitive negotiation or non-competitive procedures; (b) to contractors qualified to do the work; and (c) to the lowest priced responsible and responsive bidder. The audit team validated its findings and conclusions with the Mission Controller and the Mission Director.

Audit Objective Three.

Did USAID/Cameroon follow A.I.D. procedures in monitoring contractor performance to ensure that the contractor complied with the terms of the contract?

We evaluated three processes which affect monitoring of construction activities.

1. Monitoring contract implementation: Project officers employ three primary tools or techniques to monitor contractor operations: (1) meetings and discussions (Handbook 3B, Chapter VII, Section E), (2) Project Implementation Reports (Handbook 3, Section 11F, and (3) site visits and inspections (Handbook 3B, Chapter VII, Section N).

2. Contract terminations: Contracts are closed out when the work is completed. Final payment is withheld until the contractor provides evidence that he has met all contractual obligations and has submitted all required certifications including acceptance of the work by the Contracting Agency (Handbook 3, Supplement B Chapter VII, Section X). Performance bonds are issued by sureties to ensure completion of contract requirements, and if the contractor should default, the surety will provide the remedy (Handbook 11, Chapter 2, Section 3.6.3.3.c.).

3. Project closeout: This step was added during the audit field work because a field visit to the Agricultural Education project site in Dschang, Cameroon, revealed deficiencies in host country contributions. Work in this area was limited to an inspection of the water supply system deficiencies at the GRC University Center in Dschang. We reviewed the requirements of the project agreement with the results actually achieved and attempted to determine the reasons for the deficiencies. We did not expand this work beyond this one subject because the Mission had already taken action on other deficiencies of a similar nature under this project (e.g. inadequate facilities maintenance by the GRC).

We reviewed the project files for documentation on meetings and discussions, Project Implementation Reports, and site visits and inspections. We also confirmed whether the Mission had provided specific guidance (e.g. Mission Orders) for monitoring projects. We reviewed the contract files to ensure that final payment had not been made until all work was accepted by the host country. In cases where contracts were terminated before the work was complete, we determined whether the contractor's claimed termination costs were proper and allowable under the terms of the contract. We also determined whether performance bonds were used to provide a remedy for contractor default. The initial audit tests disclosed that Mission officials had not protected A.I.D. financial interests on one contract terminated for default, and that the Mission did not always enforce host country contributions. Based on these findings, we did additional work to identify the cause and effect of these problems and to make recommendations to correct them. This work included discussions with the responsible project officers, representatives of the technical assistance contractor, GRC officials, and the Mission Controller. At the conclusion of this work, the audit team validated its findings and conclusions with the Mission Controller and the Mission Director.

Audit Objective Four

Did USAID/Cameroon obligate, spend, and account for construction funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?

We evaluated two processes related to obligating, spending and accounting for construction funds:

1. Payment procedures: Host country contractor requests for payment must be supported by documentation such as A.I.D. Form 1440-3 and any specific documentation outlined in the Project Implementation Letters (Handbook 11, Chapter 2, Section 2.9). Project Officer administrative approvals are processed as provided in Handbook 19, Chapter 3, Paragraph 3H.2. and Appendix 3A.

2. Fund control procedures: The accounting office should establish a subsidiary ledger for construction services to control obligations and expenditures (Handbook 19, Chapter 1, Section 1G. and Handbook 19, Appendix 1A). Obligations must be reported accurately (Handbook 19, Chapter 1, Section 1G.2.c.).

We accomplished this objective by evaluating the Mission's procedures to approve payments and control funds for project construction. First, we evaluated the Mission's payment approval procedures by reviewing 20 judgementally selected vouchers to determine whether the project officers had reviewed and administratively approved the supporting invoices for payment. We did not expand our testing to include a formal random sample because our

initial tests were positive. We then evaluated the funds control procedures by reviewing the Mission Controller's records t determine whether that officer committed funds using valid input data (contracts), and whe..er the funds were recorded to proper projects and accounts. Finally, we determined whether the Mission deobligated any unneeded contract funds. The audit team validated its findings and conclusions with the Mission Controller and the Mission Director.

APPENDIX II

ACTION: RIG INFO: EXEC

VZCZCDK0419
PP RUEHDK
DE RUTAYD #2361/01 0781531
ZNR UUUUU ZZH
P 191522Z MAR 93
FM AMEMBASSY YAOUNDE
TO AMEMBASSY DAKAR PRIORITY 4144
BT
UNCLAS SECTION 01 OF 04 YAOUNDE 02361

LOC: 136 756
19 MAR 93 1532
CN: 50071
CHRG: RIG
DIST: RIG

AIDAC

FOR RIG/A/DAKAR THOMAS B. ANKLEWICH

E.O. 12356: N/A
SUBJECT: USAID/CAMEROON'S RESPONSE TO AUDIT OF USAID/CAMEROON CONSTRUCTION ACTIVITIES.

REF: DAKAR 01034

1. THIS CABLE ADDRESSES TWO OF SUBJECT AUDIT FINDINGS AND THE FIVE RELATED AUDIT RECOMMENDATIONS AND PROPOSED ACTIONS.

- USAID/CAMEROON SHOULD PROTECT A.I.D. FINANCIAL INTERESTS ON DEFAULTED CONTRACTS:

2. AS NOTED ON PAGE 6 OF AUDIT REPORT, THE USAID PROJECT OFFICER RESPONSIBLE FOR THE AGRICULTURAL EDUCATION PROJECT DID NOT PROTECT THE FINANCIAL INTEREST OF A.I.D. WHEN ONE OF THE TWO CONTRACTORS RESPONSIBLE FOR THE CONSTRUCTION PORTION OF THAT PROJECT FAILED TO COMPLETE THE WORK PROMISED ON THE CONTRACT. IN ADDITION, THE MISSION DID NOT REQUIRE THE RESPONSIBLE GOVERNMENT OF THE REPUBLIC OF CAMEROON (GRC) CONTRACTING AGENCY TO RECOVER THE FUNDS OR THE EQUIPMENT AND MATERIAL PAID FOR BY A.I.D. AS A MOBILIZATION PAYMENT (DOLS 229,211) PRIOR TO THE CONTRACTOR'S DEFAULT. AUDITORS RECOMMENDED THAT THE DIRECTOR OF USAID/CAMEROON RESOLVE QUESTIONED COST AMOUNTING TO DOLS 229,211.

3. USAID/CAMEROON AGREES WITH FACTS AND FINDINGS AS STATED IN AUDIT REPORT. PRESENT MISSION STAFF HAS BEEN UNABLE TO VERIFY GRC REPRESENTATIVE CLAIM THAT EQUIPMENT AND MATERIAL PURCHASED WITH THE MOBILIZATION PAYMENT WERE SUBSEQUENTLY USED ON THE PROJECT. AS A FOLLOW-UP TO THE RECOMMENDATION, MISSION HAS ISSUED TO THE GRC A BILL OF COLLECTION FOR THE AMOUNT OF DOLS 229,211. WE WILL NOTIFY RIG/A/DAKAR IMMEDIATELY ONCE MISSION RECEIVES GRC RESPONSE.

- USAID/CAMEROON SHOULD ENFORCE HOST COUNTRY CONTRIBUTIONS

4. UNDER THE AGRICULTURAL EDUCATION PROJECT, THE GRC AGREED TO CONTRIBUTE 500 MILLION FCFA (APPROXIMATELY US

DOLS 2.0 MILLION AT AN EXCHANGE RATE OF 250 FCFA PER DOLLAR) TO IMPROVE THE WATER SUPPLY SYSTEM AT THE UNIVERSITY CENTER AT DSCHANG (UCD). THE GRC ALSO AGREED IN SECTION D.6 (B) OF THE PROJECT GRANT AGREEMENT TO GIVE A.I.D. A REFUND IF ANY A.I.D.-FINANCED SERVICES COULD NOT BE USED EFFECTIVELY BECAUSE THE GRC FAILED TO COMPLY WITH ITS OBLIGATIONS. THE AUDIT REPORT POINTS OUT THAT TEN YEARS AND US DOLS 24 MILLION IN A.I.D. CONSTRUCTION FINANCING LATER, THE PROMISED IMPROVEMENTS HAVE NOT BEEN MADE EVEN THOUGH THE ORIGINAL PROJECT HAS BEEN COMPLETED AND A FOLLOW ON PROJECT HAS BEGUN.

AUDITORS RECOMMENDED THAT USAID/CAMEROON TAKE THE FOLLOWING ACTIONS: (1) REQUIRE THE GRC TO PROVIDE THE REQUIRED WATER SUPPLY SYSTEM IMPROVEMENTS PROMISED UNDER THE PROJECT AS SOON AS POSSIBLE, OR (2) OBTAIN A REFUND OF UP TO US DOLS 24 MILLION FROM THE GRC; (3) LINK ANY REINSTATEMENT OF THE FOLLOW-ON PROJECT TO THE SUCCESSFUL COMPLETION BY THE GRC OF THE REQUIRED WATER SUPPLY SYSTEM AT UCD; AND (4) REPORT IN THE NEXT FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT REPORTING CYCLE TO THE ASSISTANT ADMINISTRATOR, AFRICA BUREAU, THE INTERNAL CONTROL WEAKNESS RELATED TO USAID/CAMEROON'S MONITORING AND CONTROL OF HOST COUNTRY CONTRIBUTIONS, IF THIS WEAKNESS HAS NOT BEEN CORRECTED.

5. MISSION WOULD FIRST LIKE TO PROVIDE GENERAL INFORMATION TO THE AUDITORS ON THE GRC'S OVERALL CONTRIBUTION TO THE AGRICULTURE EDUCATION PROJECT. ACCORDING TO THE PROJECT GRANT AGREEMENT DATED JULY 15, 1982, THE GRC WAS TO CONTRIBUTE NOT LESS THAN 11.773 BILLION FCFA (APPROXIMATELY US DOLS 47 MILLION), WHICH INCLUDES COSTS BORNE ON AN IN-KIND BASIS, TO THE PROJECT DURING ITS LIFE. PROJECT GRANT AMENDMENT NUMBER 9, DATED JULY 31, 1989, INCREASED THIS AMOUNT TO 12.274

BILLION FCFA. BY THE ORIGINAL PACD OF THE PROJECT, SEPTEMBER 30, 1988, THE GRC HAD CONTRIBUTED APPROXIMATELY 14.650 BILLION FCFA (APPROXIMATELY US DOLS 58.6 MILLION) TO UCD. BY THE EXTENDED PACD, MARCH 31, 1992, TOTAL GRC CONTRIBUTION WAS 18.650 BILLION FCFA (US DOLS 74.6 MILLION). AS THE PURPOSE OF THE PROJECT WAS

TO ASSIST THE GRC IN CREATING AN AGRICULTURAL UNIVERSITY CAPABLE OF TRAINING AGRICULTURAL TECHNICIANS, AND GIVEN THAT THE GRC CONTRIBUTION WAS TO INCLUDE EXISTING AND INCREASED STAFF, TRAINING, CONSTRUCTION, IN-COUNTRY FREIGHT CHARGES AND OVERALL OPERATING COSTS, MISSION BELIEVES THAT MOST OF UCD'S BUDGET DIRECTLY SUPPORTED THE USAID PROJECT. IN ADDITION, THE ABOVE AMOUNT DOES NOT INCLUDE THE IN-KIND CONTRIBUTIONS OF 150 MILLION FCFA FOR LAND WHICH WAS PROVIDED.

IN TERMS OF YEARLY CONTRIBUTIONS TO THE PROJECT, IT SHOULD BE NOTED THAT DURING THE EARLY YEARS OF THE PROJECT GRC CONTRIBUTION EXCEEDED THAT WHICH WAS REQUIRED BY USAID. DURING THE LAST TWO YEARS OF THE PROJECT, GRC CONTRIBUTION STARTED DECLINING DUE TO THE SERIOUS ECONOMIC PROBLEMS IN CAMEROON. FOR EXAMPLE, DURING CAMEROON'S FISCAL YEAR 92 (JULY 91 TO JUNE 92), UCD ONLY RECEIVED 50 PERCENT OF ITS APPROVED BUDGET AND HAS RECEIVED FAR LESS THIS CURRENT FISCAL YEAR. THESE REDUCTIONS HAVE DRASTICALLY AFFECTED UCD'S ABILITY TO PROVIDE THE NECESSARY SUPPORT TO THE PROJECT. AS THE AUDIT REPORT ACKNOWLEDGES, USALD/CAMEROON HAS SUSPENDED MAJOR PORTIONS OF THE FOLLOW-ON PROJECT DUE TO THE GRC'S LACK OF FINANCIAL COMMITMENT.

IN TERMS OF THE GRC CONTRIBUTION TO THE PROJECT'S INDIVIDUAL LINE ITEMS, MISSION ACKNOWLEDGES WEAKNESSES IN BOTH GRC AND USAID MONITORING/TRACKING SYSTEMS AND REPORTING. THE MAJOR DIFFICULTY IS THAT THE GRC ACCOUNTING SYSTEM IS NOT SET-UP TO PROVIDE FINANCIAL INFORMATION PER DONOR ACTIVITY BY LINE ITEM. MISSION IS WORKING WITH THE GRC TO SET-UP A SYSTEM THAT CAN PROVIDE THIS KIND OF FINANCIAL INFORMATION.

MISSION CONCLUDES THAT THE GRC HAS MET, IF NOT EXCEEDED, ITS TOTAL FCFA FINANCIAL REQUIREMENT TO THE AGRICULTURAL EDUCATION PROJECT BUT DID NOT NECESSARILY MEET REQUIRED ANNUAL CONTRIBUTIONS DURING THE LATER YEARS OR TOTAL EXPECTED LINE ITEM CONTRIBUTIONS FOR CERTAIN ITEMS. MISSION SUGGESTS THAT AUDIT REPORT STATE THAT THE GRC'S OVERALL FINANCIAL COMMITMENT TO THE PROJECT WAS MET.

7. AS FOR THE WATER SYSTEM, THE AUDIT REPORT STATES ON PAGE 9 QUOTE THE PROMISED IMPROVEMENTS HAVE NOT BEEN MADE UNQUOTE. HOWEVER, THE UCD RECORDS SHOW THAT THE GRC MADE IMPROVEMENTS IN THE WATER SYSTEM PRIOR TO PROJECT TERMINATION. IN 1984, THE GRC PUT IN A SMALL WATER STATION WHICH COST APPROXIMATELY 15 MILLION FCFA (APPROXIMATELY US DOLS 60 THOUSAND). IN 1985, THE GRC FINANCED THE INSTALLATION OF A LARGER PUMPING STATION (THE ILA WATER STATION) WHICH INCLUDES A WATER TOWER, TWO PUMPS, AND DISTRIBUTION LINES. THE TOTAL COST WAS 301 MILLION FCFA (US DOLS 1.2 MILLION). IT WAS HOPED AT THE TIME OF INSTALLATION THAT THE LARGER SYSTEM WOULD BE SUFFICIENT TO SUPPLY REQUIRED WATER NEEDS TO THE USAID FINANCED (ORIGINALLY A USG LOAN TO THE GRC) DORMITORY FACILITIES UNDER CONSTRUCTION.

THE CONSTRUCTION OF THE DORMITORY WAS COMPLETED IN FEBRUARY 1992 AND IS YET TO BE OCCUPIED BY STUDENTS. IN MID-1992, UCD STARTED EXPERIENCING SERIOUS WATER PROBLEMS; THE TWO PUMPS LOCATED AT THE ILA WATER STATION BROKE DOWN. THE GRC WATER COMPANY, SNEC, HAD ORIGINALLY AGREED TO KEEP THESE PUMPS MAINTAINED AND OR REPLACE PARTS AS NECESSARY. HOWEVER, BECAUSE OF UCD NON-PAYMENT OF ITS WATER BILL OVER THE LAST YEAR, SNEC HAS NOT ONLY CUT LOCAL MUNICIPAL WATER SUPPLY TO MANY AREAS OF THE CAMPUS BUT HAS ALSO REFUSED TO REPAIR AND OR REPLACE THE EXISTING PUMPS. UCD ARREARS TO SNEC IS ESTIMATED AT 130 MILLION FCFA (US DOLS 520 THOUSANDS).

BASED ON THE ABOVE, USAID BELIEVES THAT THE GRC COMPLIED WITH ITS OBLIGATION FOR PROVIDING THE WATER SYSTEM BY INSTALLING THE ILA WATER STATION. UNFORTUNATELY, THOSE IMPROVEMENTS THAT WERE MADE HAVE BEEN JEOPARDIZED DUE TO THE GRC'S LACK OF ABILITY TO MAINTAIN THEM BECAUSE OF THE CURRENT ECONOMIC DIFFICULTIES OF THE COUNTRY. USAID/CAMEROON HAS BEEN AWARE OF THE PROBLEM FOR SEVERAL MONTHS AND IS CONSIDERING ASSISTING THE GRC IN RESOLVING THE PROBLEM BY PROVIDING THE REQUIRED FUNDING TO IMPROVE THE WATER SYSTEM SO AS TO ENSURE ADEQUATE SUPPLY OF

APPENDIX II

WATER TO UCD. USAID WILL NOT REPEAT WILL NOT CONSIDER USE OF DOLLAR FUNDS FOR PAYMENT OF ARREARS TO SNEC NOR WILL FUNDS BE PROVIDED FOR WATER SYSTEM IMPROVEMENTS UNTIL THE GRC HAS RESOLVED THE ARREARS PROBLEM.

8. OVERALL, USAID/CAMEROON AGREES WITH RIG/A/D THAT THE GRC'S FAILURE TO PROVIDE ADEQUATE CONTRIBUTIONS TO DEVELOPMENT PROJECTS DESERVES SERIOUS ATTENTION. USAID SENIOR MANAGEMENT HAS ALREADY FORMALLY NOTIFIED GRC THAT USAID/CAMEROON WOULD ALLOW, ON A CASE-BY-CASE BASIS, THE USE OF JOINTLY PROGRAMMED LOCAL CURRENCY, GENERATED FROM POLICY REFORM CASH TRANSFERS, TO MAKE UP ANY SHORTFALL IN THE GRC'S CONTRIBUTION MANDATED BY CONGRESS. THE USE OF SUCH LOCAL CURRENCY TO MEET MANDATORY CONTRIBUTION LEVELS AT SECTOR LEVELS IS AUTHORIZED IN 91 STATE 204855.

9. PAGE 11 OF THE AUDIT REPORT NOTES THAT QUOTE ...THE PROJECT AGREEMENT CONTAINED NO EFFECTIVE LINKAGE BETWEEN THE PROVISION OF THE WATER SUPPLY FACILITIES BY THE GRC (A HOST COUNTRY IN-KIND CONTRIBUTION) AND THE PROVISION OF CONSTRUCTION FUNDS BY A.I.D. UNQUOTE. MISSION BELIEVES THAT THE INSTALLATION OF AN ADEQUATE WATER SYSTEM SHOULD HAVE BEEN INCLUDED AS PART OF THE A.I.D. CONTRIBUTION TO PROJECT. THIS FAILURE IS CONSIDERED BY THE CURRENT MISSION STAFF AS A SERIOUS PROJECT DESIGN FLAW. AS THE AUDITOR INDICATED, THE PROVISION OF THE WATER SYSTEM AND THE CONSTRUCTION FACILITIES SHOULD HAVE BEEN MORE CLOSELY LINKED. IT IS HIGHLY UNUSUAL IN A CONSTRUCTION PROGRAM TO ONLY ASSURE FUNDING FOR CONSTRUCTION OF BUILDINGS WITHOUT PROVISIONS OF SUPPORT SYSTEMS (I.E. SEWER, WATER, TELEPHONE, ELECTRICAL SYSTEMS, ROAD ACCESS, ETC).

MISSION DOES NOT AGREE WITH THE AUDITORS' SUGGESTION THAT THE INSTALLATION OF AN ADEQUATE WATER SYSTEM BE A PRECONDITION FOR LIFTING THE SUSPENSION OF IMPLEMENTATION OF PHASE II OF THE PROJECT. GRC COMMITMENT TO PROVIDING ADEQUATE FINANCIAL SUPPORT TO UCD WILL BE A CONDITION TO REINSTATE FULL IMPLEMENTATION OF THE PROJECT. AS NOTED ABOVE, A PRECONDITION TO USAID/CAMEROON PROVIDING ASSISTANCE TO THE GRC TO ENSURE AN ADEQUATE WATER SYSTEM WILL BE THE GRC'S RESOLUTION OF ARREARS TO THE WATER COMPANY, SNEC.

THE GRC HAS RECENTLY PAID SEVERAL MONTHS OF SALARY ARREARS TO UNIVERSITY PROFESSORS AND STAFF, AND THE UNIVERSITY OF DSCHANG HAS REOPENED. THERE REMAIN, HOWEVER, A NUMBER OF CONDITIONS TO BE FULFILLED PRIOR TO THE FULL RESUMPTION OF AID PROJECT SUPPORT.

10. IN SUMMARY, USAID BELIEVES THAT A FAIRER AND MORE WORKABLE SOLUTION TO THE WATER PROBLEM WOULD BE FOR USAID TO IDENTIFY PROJECT FUNDS THAT COULD PROVIDE FOR THE DRILLING OF TWO WELLS AND A PUMPING/DISTRIBUTION SYSTEM FOR THE UNIVERSITY. THE CONDITION PRECEDENT TO THE DISBURSEMENT OF FUNDS FOR THIS PURPOSE WOULD BE THE GRC'S RESOLUTION OF ARREARS TO THE CAMEROONIAN WATER

COMPANY, SNEC. THE COST WOULD BE LESS THAN US DOLS 200 THOUSAND WHICH IS NOT AN EXORBITANT AMOUNT TO SAVE US DOLS 24 MILLION WORTH OF CONSTRUCTION. IT IS USAID'S OPINION THAT THE GRC WOULD NOT BE ABLE TO FUND THIS ACTIVITY, MUCH LESS PAY A US DOLS 24 MILLION BILL FOR COLLECTION. SO, USAID FEARS THAT PROPOSED RECOMMENDATION IN REFTEL IN REALITY WOULD ONLY LEAD TO THE ONE THING NOBODY WANTS: US DOLS 24 MILLION OF A.I.D. FUNDS WASTED ON A FACILITY THAT CANNOT BE USED.

11. THEREFORE, USAID/CAMEROON PROPOSES THE FOLLOWING REVISED WORDING IN LIEU OF THE THREE AUDIT RECOMMENDATIONS/ACTIONS AS RELATES TO THE WATER SYSTEM:

-- PROTECT A.I.D.'S US DOLS 24 MILLION INVESTMENT IN THIS PROJECT BY:

A. IDENTIFYING PROJECT FUNDS TO PROVIDE A SUITABLE WATER SUPPLY SYSTEM AT DSCHANG UNIVERSITY AS SOON AS POSSIBLE.

B. REQUIRING THE SELECTED INSTITUTIONAL CONTRACTOR, A

U.S. UNIVERSITY, WITH CLOSE SUPPORT FROM USAID'S REGIONAL CONTRACTING OFFICER AND THE REDSO/WCA ENGINEER, TO SUBCONTRACT THE WATER SUPPLY SYSTEM CONSTRUCTION TO A LOCAL FIRM AND TO MONITOR CLOSELY THE PROGRESS OF THAT CONSTRUCTION, SUBJECT TO THE GRC'S FULFILLMENT OF CONDITIONS TO ADEQUATELY ADDRESS ARREARS TO THE WATER COMPANY, SNEC.

12. AS TO THE LAST RECOMMENDATION/ACTION, MISSION WILL REPORT IN THE NEXT FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT REPORTING CYCLE TO THE ASSISTANT ADMINISTRATOR, AFRICA BUREAU, THE INTERNAL CONTROL WEAKNESS RELATED TO USAID/CAMEROON'S MONITORING AND CONTROL OF HOST COUNTRY CONTRIBUTIONS, IF THIS WEAKNESS HAS NOT BEEN CORRECTED. ISOM

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APPENDIX III

LIST OF CONTRACTS AUDITED

USAID/CAMEROON CONSTRUCTION ACTIVITIES

AS OF JULY 31, 1992

PROJECT

Contractor	Contract Number	Description	Location	Dollar Amount
1. North Cameroon Seed Multiplication Project (2 Contracts)				
BLOUNT	017/AO/88-89	Seed Plant	Sanguere	$ 4,387,052
PASCA	1316/GG/91-92	Modification	Sanguere	875,000
2. Agricultural Education Project (2 Contracts)				
CAMSATEC	078/AO/88-89	School	Dschang	229,212
C.D.E	076/AO/88-89	School	Dschang	24,135,017
3. National Cereals Research and Extension Project (15 Contracts)				
ADOH	3883/81-812	House	Bambui	161,000
BETRAC	0057/81-812	Office	Bambui	260,000
CIFERAC	3878/81-812	House	Bambui	160,000
E.C.A	3955/81-812	Storage	Maroua	210,500
E.C.A	3956/81-812	House	Maroua	167,000
NJEMBE	3679/81-812	House	Mouda	173,000
NJEMBE	3680/81-812	House	Maroua	173,000
SANUMA	3137/81-812	Office	Ekona	370,000
SETRAM	4138/81-812	House	Yaounde	193,000
SINDODI	3885/81-812	House	Bambui	161,000
SOGETRAP	3776/81-812	House	Ekona	165,000
SOGETRAP	3777/81-812	House	Ekona	165,000
SOTRAB	3087/81-812	Office	Nkolbisson	450,000
TANO	3681/81-812	House	Nkolbisson	164,000
TANO	3682/81-812	House	Maroua	173,000
		TOTAL		$ 32,771,781

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