

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
USAID/Uganda's and the A.I.D. Regional Contracts
Division's Controls Over A.I.D.-Direct
Contracts for Technical Assistance

Report No. 3-617-94-01
November 24, 1993



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AUDIT OF USAID/UGANDA'S AND THE
USAID REGIONAL CONTRACTS DIVISION'S
CONTROLS OVER USAID-DIRECT CONTRACTS
FOR TECHNICAL ASSISTANCE

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EXECUTIVE SUMMARY

Background

USAID/Uganda uses USAID-direct contracts to provide technical assistance for many of its developmental projects. USAID/Uganda is responsible for planning technical assistance, awarding certain contracts (generally personal services contracts), monitoring contractor performance, and ensuring accountability over USAID funds spent on technical assistance. The USAID Regional Contracts Division — located in Nairobi, Kenya — is responsible for procuring, negotiating and finalizing contracts (primarily larger institutional contracts). See page 1.

Our audit universe — from which we selected contracts to be tested under each audit objective — included 38 contracts for technical assistance to 8 projects in the USAID/Uganda portfolio that were ongoing or active within the preceding 3 years. See page 29. As of March 1, 1993, these contracts had obligations and disbursements totaling \$16.66 million and \$11.27 million respectively. An additional technical assistance contract with a U.S. university was previously audited by the Office of Inspector General and excluded from our audit universe. See Appendix I on page 20.

Audit Objectives

We audited USAID/Uganda's and the USAID Regional Contracts Division's controls over USAID-direct contracts for technical assistance to answer the following audit objectives:

- Did USAID/Uganda and the USAID Regional Contracts Division follow U.S. Government and USAID policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors? (See page 5.)
- Did USAID/Uganda follow USAID policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner and obligating and spending project funds? (See page 11.)
- Did USAID/Uganda follow USAID policies and procedures for monitoring contractor performance and ensuring that technical assistance projects and programs accomplished desired developmental objectives? (See page 13.)

Summary of Audit

In accomplishing the audit work, we requested USAID/Uganda and the USAID Regional Contracts Division to provide a representation letter to confirm information considered essential to answering the audit objectives. The Contracts Division provided the written representations as requested. We were unable to fully answer our audit objectives because USAID/Uganda's management did not provide us with a written confirmation that, to the best of their knowledge and belief: (1) all essential information was provided to us, (2) the information provided was accurate and complete, and (3) management had followed USAID policies (see page 4).

Without this assurance, we are unwilling to issue an unqualified report or state that USAID/Uganda followed USAID policies and procedures applicable to the audit objectives. However, based on the information provided and the tests made, we developed the following qualified answers to our audit objectives.

Procuring Technical Assistance

The USAID Regional Contracts Division followed U.S. Government and USAID policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors. USAID/Uganda records and discussions with cognizant officials showed that, for the 20 contracts tested, qualified contractors were chosen using the appropriate type of contract. However, USAID/Uganda had not followed U.S. Government and USAID procurement policies and procedures for procuring technical assistance at a fair price and for providing for full and open competition (see page 5). Specifically:

- Requirements to justify less than full and open competition were not followed.
- Documentation, required by the Federal Acquisition Regulation (FAR) and USAID Acquisition Regulation (AIDAR) to demonstrate compliance with proper contracting procedures, was often either never prepared or was not retained in contract files.
- Benefits granted under personal services contracts (PSCs) to resident hire third country nationals were not always allowable under the AIDAR.
- Resident hire third country nationals were paid a hardship differential not awarded to similarly hired American PSCs.

Obligating and Spending Project Funds for Technical Assistance

Contractor payment vouchers and financial reports provided by USAID/Uganda indicated that vouchers were properly reviewed before payment, contractor payments were made in a timely manner and project funds were generally obligated and spent in accordance

with USAID policies and procedures. However, \$297,709 in unliquidated obligations were identified for possible deobligation (see page 12).

Monitoring Contractor Performance

USAID/Uganda contract and project files and discussions with cognizant Mission and contractor officials showed that USAID/Uganda and the Regional Contracts Division did not always follow USAID policies and procedures to ensure technical assistance projects and programs met desired developmental objectives (see page 14). Specifically:

- Work statements for three of the four technical assistance contracts reviewed were expressed in general terms and lacked specific performance indicators and time frames as called for in USAID guidance.
- Work plans and progress reports submitted by two of four contractors lacked the information necessary to measure contractor performance.

Summary of Recommendations

The audit report contains four recommendations to the Director, USAID/Uganda to:

- establish time parameters for procurement requests to allow time to properly process and award contracts,
- establish a mission order detailing policies on negotiating third country national (TCN) PSC compensation including the elimination of benefits paid to resident hire TCNs that are not authorized by the AIDAR,
- deobligate unliquidated obligations of \$297,709 as determined appropriate, and
- establish procedures to ensure work statements prepared for USAID-direct contracts are well-defined and include performance indicators.

The audit report also contains a recommendation that the Regional Contracts Division establish procedures to ensure that contractual work statements include clearly defined objectives and performance indicators for measuring contractor performance.

Management Comments and Our Evaluation

USAID/Uganda and the Regional Contracts Division reviewed the draft report and their comments, which we considered in preparing the final report, are included as Appendices II and III.

Office of the Inspector General

Office of the Inspector General

November 24, 1993

Table of Contents

	<u>Page</u>
EXECUTIVE SUMMARY	i
INTRODUCTION	1
Background	1
Audit Objectives	2
REPORT OF AUDIT FINDINGS	4
USAID Regional Contracts Division Followed U.S. Government and USAID Policies and Procedures in Procuring Technical Assistance at a Fair Price, Selecting the Appropriate Type of Contract, Providing for Full and Open Competition, and Selecting Qualified Contractors, However	5
USAID/Uganda Has Not Documented the Contract Award Process in Its Contract Files	5
Questionable Benefits Are Provided to Third Country Nationals	8
Contractor Payment Vouchers and Financial Reports Provided by USAID/Uganda Showed That It Followed USAID Policies and Procedures in Reviewing Vouchers Before Payment, Making Payments in a Timely Manner and Obligating and Spending Project Funds, Except	11
Unliquidated Obligations for Some Expired Contracts Should Be Deobligated	12
Contract and Project Files and Discussions with Mission and Contractor Officials Showed That USAID/Uganda Has Not Always Followed USAID Policies and Procedures in Monitoring Contractors' Performance to Ensure That Technical Assistance Projects and Programs Accomplished Desired Developmental Objectives, Because	13
Some Contractor Work Statements Lacked Performance Indicators for Measuring Contractor Progress and Some Work Plans and Progress Reports Did Not Contain the Data Needed to Measure Contractor Performance	14

APPENDICES

APPENDIX I - SCOPE AND METHODOLOGY	20
APPENDIX II - MANAGEMENT RESPONSE (USAID/UGANDA)	24
APPENDIX III - MANAGEMENT RESPONSE (REGIONAL CONTRACTS DIVISION)	27
APPENDIX IV - LISTING OF PROJECTS WITH CONTRACTS FOR TECHNICAL ASSISTANCE	29
APPENDIX V - REPORT DISTRIBUTION	30

INTRODUCTION

Background

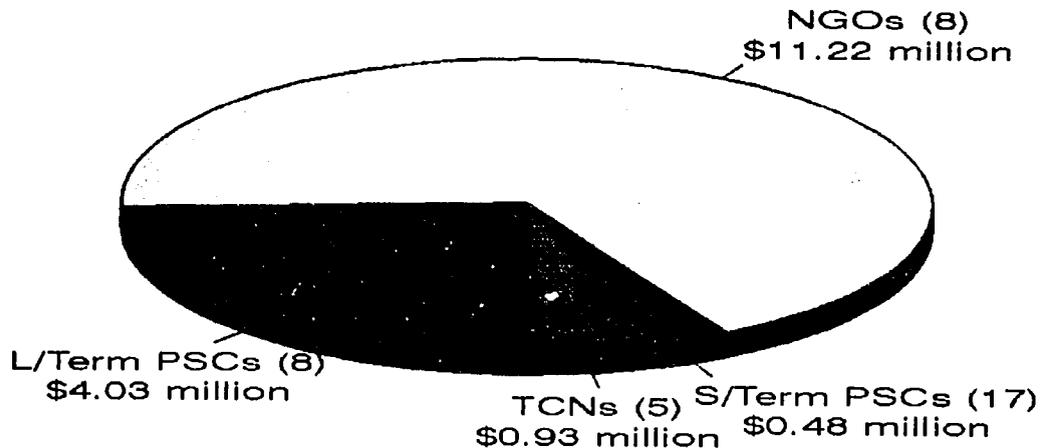
USAID/Uganda uses USAID-direct contracts to provide technical assistance for many of its developmental projects. USAID/Uganda is responsible for planning technical assistance, awarding certain contracts (generally personal services contracts), monitoring contractor performance, and ensuring accountability over USAID funds spent on technical assistance. The USAID Regional Contracts Division — located in Nairobi, Kenya — is responsible for procuring, negotiating and finalizing contracts (primarily larger institutional contracts).

Our audit universe — from which we selected contracts to be tested under each audit objective — included 38 contracts for technical assistance to 8 projects in the USAID/Uganda portfolio that were ongoing or active within the preceding 3 years. See page 29. As of March 1, 1993, these contracts had obligations and disbursements totaling \$16.66 million and \$11.27 million respectively and included 8 contracts with non-governmental organizations (NGOs), 2 contracts with independent contractors and 28 personal services contracts (PSCs). An additional technical assistance contract with a U.S. university was previously provided audit coverage by the Office of Inspector General and was excluded from our audit sample.

The eight contracts with NGOs, with obligations of \$11.22 million, were intended to accomplish project objectives partially through establishment of a variety of in-country technical advisory positions combined with the services of several short-term advisors with highly specialized backgrounds and skills. Eight PSCs with obligations of \$4.03 million were for long-term contractor positions within USAID/Uganda — generally to manage selected projects. Five PSCs with obligations of \$926,000 were for long-term contracts with third country nationals (TCNs) primarily providing general services support to contractors. The remaining 15 PSCs and 2 contracts with independent contractors were for short-term project assistance with obligations of \$483,000.

TECHNICAL ASSISTANCE CONTRACTS

Universe of 38 Contracts totaling \$16.66 million



S/Term PSCs include 2 contracts with independent contractors

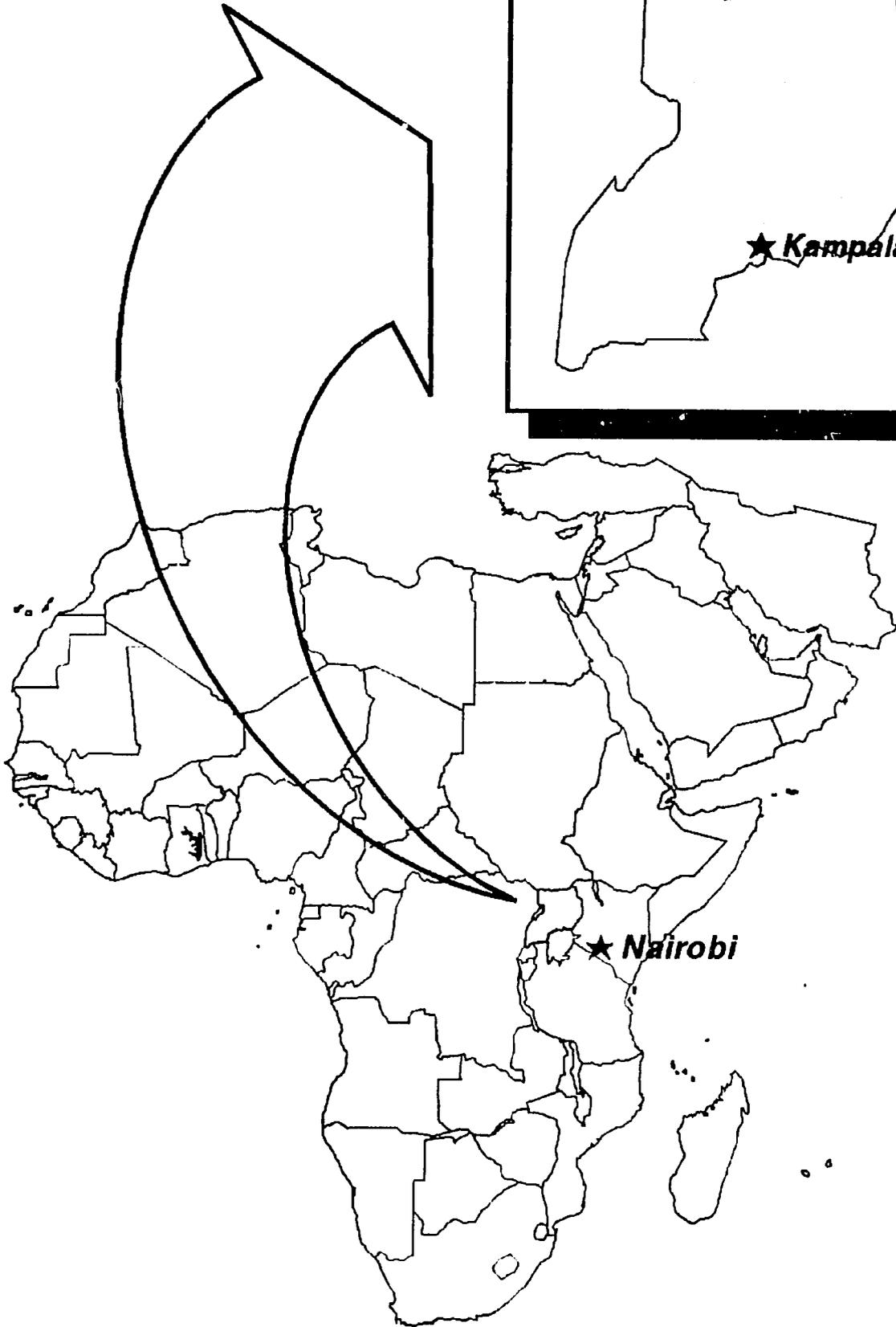
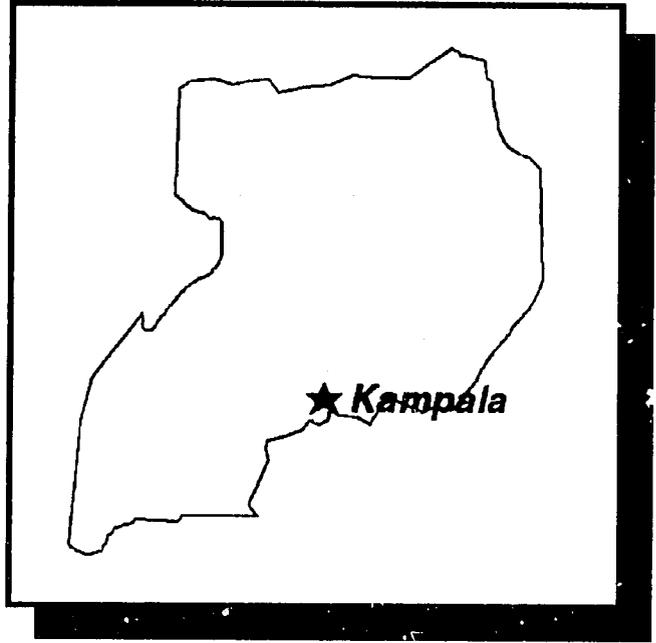
Audit Objectives

In accordance with its fiscal year 1993 audit plan, the Office of the Regional Inspector General for Audit/Nairobi conducted an audit of USAID/Uganda's and the USAID Regional Contracts Division's controls over USAID-direct contracts for technical assistance to answer the following audit objectives.

1. Did USAID/Uganda and the USAID Regional Contracts Division follow U.S. Government and USAID policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors?
2. Did USAID/Uganda follow USAID policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner and obligating and spending project funds?
3. Did USAID/Uganda follow USAID policies and procedures for monitoring contractor performance and ensuring that technical assistance projects and programs accomplished desired developmental objectives?

Appendix I contains a complete discussion of the scope and methodology for this audit.

Uganda



REPORT OF AUDIT FINDINGS

In accomplishing the audit work, we requested USAID/Uganda and the USAID Regional Contracts Division to provide a representation letter to confirm information considered essential to answering the audit objectives. The Contracts Division provided the written representations requested. However, USAID/Uganda's management declined to provide a representation letter and therefore, we are unable to fully answer our audit objectives without all the information essential for us to render a professional conclusion.

For example, USAID/Uganda's management would not confirm that to the best of their knowledge and belief:

- they had provided us with all the essential information,
- the information they did provide to us was accurate and complete, and
- they had followed USAID's policies.

(A complete description of the essential information that USAID/Uganda would not provide or confirm is provided in the Scope and Methodology section of this report.)

Without these confirmations from USAID/Uganda, we cannot fully determine if USAID/Uganda did what it is required to do. Without such confirmations, we would, in essence, be stating that USAID/Uganda complied with USAID's policies and procedures when USAID/Uganda itself is unwilling to make such a statement.

While we cannot state positively that USAID/Uganda followed its policies and procedures, this lack of a management confirmation would not preclude us from reporting on any problem areas that came to our attention. Based on the information that USAID/Uganda did provide to us and the tests that we were able to perform, we have developed the following qualified answers to our audit objectives.

Did USAID/Uganda and the USAID Regional Contracts Division follow U.S. Government and USAID policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors?

The USAID Regional Contracts Division followed U.S. Government and USAID policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors. However, considering the qualifications discussed on page 4, we cannot fully answer this audit objective as it applies to USAID/Uganda's contract award process. USAID/Uganda records and discussions with cognizant officials showed that, for the 20 contracts tested, qualified contractors were chosen using the appropriate type of contract but the Mission did not follow U.S. Government and USAID policies and procedures for procuring technical assistance at a fair price and for providing for full and open competition.

We reviewed the contract award process for six technical assistance contracts awarded by the Regional Contracts Division on behalf of USAID/Uganda between the years 1988 and 1992. Five of these contracts were with non-governmental organizations and the sixth was for personal services. In five cases, the Regional Contracts Division provided for full and open competition in soliciting offers from prospective contractors as required by Subpart 6.1 of the Federal Acquisition Regulation (FAR) and the USAID Acquisition Regulation (AIDAR). Justification was prepared for the remaining contract involving less than full and open competition. Evaluation factors for making selections and their relative importance were provided to prospective contractors, information provided by the technical evaluation committees (TECs) was used in the contract negotiation process and the required memoranda of negotiations were prepared. The Regional Contracts Division also obtained documentation to support the reasonableness of negotiated contract costs and documented the process of determining that technical assistance was procured from responsible contractors. Although we found that the Regional Contracts Division followed applicable procurement policies when awarding contracts on behalf of USAID/Uganda, the Mission did not always follow these procurement policies when awarding its own contracts and these problems are discussed below.

Contract Award Process Not Documented in Contract Files

USAID/Uganda did not comply with requirements to justify less than full and open competition and the documentation — required by the FAR and AIDAR to demonstrate compliance with proper contracting procedures — was often either never prepared or was not retained in contract files. These deficiencies were a result of time constraints on the Mission's contracting officer when awarding personal services contracts (PSCs) and placing a greater emphasis on awarding needed contracts in a timely manner rather than on preparing the required documentation. Without the required documentation detailing

the contract award process and the use of competitive award procedures, we could not determine whether USAID/Uganda expended USAID funds for PSCs at the most advantageous cost to the U.S. Government.

Recommendation No. 1: We recommend that USAID/Uganda:

- 1.1 amend Mission Order 7-91 to establish lead time parameters for procurement requests to allow adequate time to properly process and award contracts. The Mission Order should require project officers to plan their technical services procurement to meet these time parameters and require the submission of supporting contract documentation along with the completed contract before the contract is approved;**
- 1.2 report internal control weaknesses, associated with the procurement policies and procedures of the Federal Acquisition Regulation and the USAID Acquisition Regulation not being followed, to the Assistant Administrator of the Bureau for Africa in the next annual Federal Managers' Financial Integrity Act reporting cycle if these weaknesses have not been corrected.**

Part 6 of the FAR prescribes the policy and procedures that are to be used to promote and provide for full and open competition including the conditions for exemptions from these requirements. Paragraph 5(c) of AIDAR Appendices D and J establish the conditions contracting officers must meet in order for PSCs to be exempted from the requirements for full and open competition. These conditions include requesting offers from as many potential offerors as is practicable and preparing a justification supporting less than full and open competition that must be retained in the contract file.

Section 15.808 of the FAR requires preparation of a price negotiation memorandum for each contract. This requirement is also contained in Section 704.803 of the AIDAR. Among the items such memoranda would contain are (1) full records of the contract negotiation process including the reasons for selection of contractors and (2) justifications for the final cost or price of the contracts with a discussion of the negotiated price and how it was determined and to what extent salary histories were verified.

USAID/Uganda Mission Order 7-91 issued on January 16, 1991 reiterates these procurement requirements. The Mission Order states that all contracts for goods and services exceeding \$1,000 will be supported by a memorandum of contract negotiation and describes what should be included in the memoranda. It also states that where other than full and open competition is used, multiple sources should be considered where practicable and that the contract file will include appropriate explanation and support.

We reviewed the contract award process for 20 PSCs prepared by USAID/Uganda including all 7 long-term PSCs, 8 short-term PSCs, and 5 long-term PSCs with third country nationals (TCNs). In all but two cases, there was an SF-171 or biographical data sheet on file for the selected contractor and it appeared that the salary history information presented was used in establishing the contractors' PSC salaries. These documents also

provided a summary of the contractors' credentials for the contracted positions and in each case they appeared qualified for the position.

However, only 5 of 20 contracts (25 percent) reviewed involved competition in the contract award process and only 3 of the remaining 15 contracts were supported by the required justification for other than full and open competition. In most of the cases involving no competition, USAID/Uganda identified a specific individual to fill the position in the early stages of procurement and, except in one case, there was no indication whether multiple sources could have been considered or were contacted.

In addition to the general lack of competition when awarding PSCs, USAID/Uganda contract files provide virtually no record detailing the contract award process as required by the FAR and AIDAR. For example, only one of five contract files involving competition contained the TEC report. Documentation or evidence that these positions had been advertised was also missing. Also, none of the 20 contract files reviewed contained any indication that negotiation memoranda had ever been prepared.

USAID/Uganda's contracting official had not been given adequate time to properly perform or document the contract award process since Project Implementation Orders/Technical Services (PIO/Ts) were generally prepared by project officers just before the contractors were needed on site in Uganda — precluding any possibility of competition. In fact, some contractors had already completed making arrangements to travel to Uganda before the PIO/T for the work had been prepared. The USAID/Uganda contracting official agreed that the lack of documentation to support many of its contracting actions resulted from time constraints and placing a low priority on preparing the required justifications and negotiation memoranda.

Without negotiation memoranda — and often with no justification for less than full and open competition or other evidence detailing the competitive process in the contract files — we could not determine whether USAID/Uganda expended USAID funds for PSCs at the most advantageous cost to the U.S. Government.

Mission officials stated that the missing contract documentation to support these past contracting activities was presently being prepared and placed in the contract files. Although this is a positive step, the value of this documentation is questionable since many of these contracts have been completed and inactive for several months and the individual who negotiated and awarded the contracts is no longer at post. The focus of our audit recommendation is on present and future USAID/Uganda contracting actions.

Management Comments and Our Evaluation

USAID/Uganda concurred with our findings regarding missing documentation to support the contract award process and stated its commitment to strengthening this internal control weakness. The Mission is in the process of amending its Mission Order 7-91 to include time parameters for the submission of procurement requests that include the required documentation and justifications to ensure adequate time for the contracting

officer to execute the contracts in compliance with Federal and USAID regulations. During the next annual Federal Managers' Financial Integrity Act reporting cycle, USAID/Uganda will test its internal controls over the contract award process and report the weakness to the Assistant Administrator for the Bureau for Africa if the weakness still exists.

Recommendation Nos. 1.1 and 1.2 are resolved and can be closed when Mission Order 7-91 has been reissued with the necessary changes and when the next assessment of the Mission's internal controls has been completed.

Questionable Benefits Provided to Third Country Nationals

USAID/Uganda did not always ensure that benefits granted under PSCs for third country nationals (TCNs) were allowable in accordance with the AIDAR. In addition, salary levels of some TCNs were not properly justified or explained. It was also noted that hardship differentials paid to resident hire TCN PSCs were not provided to similarly hired American citizens. These problems occurred because USAID/Uganda contracting officials were not familiar with the guidelines on benefits allowable under various types of PSCs and did not have an established Mission policy for negotiating and preparing TCN personal services contracts. As a result, TCNs have received unallowable and questionable benefits of approximately \$68,000 since 1990. Also, annual savings of approximately \$2,400 could be realized if benefits not authorized by the AIDAR for resident hire TCN PSCs were discontinued in future contracts and another \$24,100 could also be saved if hardship differentials for these individuals were discontinued in future contracts.

Recommendation No. 2: We recommend that USAID/Uganda establish a mission order detailing USAID/Uganda's position and policies regarding the negotiation of third country national personal services contract compensation packages. This policy should: (a) be in conformity with the USAID Acquisition Regulation, (b) provide for consistency in the benefits and allowances offered third country nationals, (c) detail how the market value of positions will be determined and require that this procedure be used in negotiating salary levels, and (d) be coordinated with the U.S. Embassy in Kampala in order to standardize salary, benefits and allowances policies.

Appendix J of the AIDAR sets forth the policy and procedures under which USAID contracts with TCNs for personal services abroad. Various provisions in Appendix J include:

(1) TCN PSC compensation is normally based on the local compensation plan for FSNs to the extent it covers employees of the type being employed or unless the Mission Director determines this would be inappropriate. In such case, the salary of the position should be based on the market value of the position being recruited for and should be consistent with the foreign service grade level the position would

normally warrant. This is also described and detailed in USAID Contract Information Bulletins (CIBs) 91-24 and 91-28.

(2) The costs of transporting effects for TCNs will only be paid for shipment from the contractor's residence in *the country of recruitment* to the post of duty. There is no provision in the AIDAR for transportation of effects for resident hire TCNs.

(3) Allowances including hardship differentials may be granted to resident hire PSCs (TCN or American) as authorized by the Mission Director if payment of such benefits would be consistent with the Mission's policy and practice and would be in the interests of the U.S. Government; or, if the PSC received these allowances from a previous employer.

We reviewed five personal service contracts for TCNs currently or formerly employed by USAID/Uganda. The existence of TCN PSCs at USAID/Uganda suggests the unavailability of Ugandan personnel to perform these jobs, however, there was no documentation in the contract files for the three currently employed TCNs to justify or explain why TCNs were hired for the positions. There was also no documentation or record of the contract negotiation and award process in the contract files as required by the AIDAR (and discussed previously in this report). For two of the current TCN positions, there was no evidence that the market value of the positions was determined or considered as part of the contract negotiation process as required by the AIDAR.

For one of these TCN positions — the Mission's Assistant Executive Officer — we reviewed salaries of similar and comparable positions at USAID missions in Eastern and Southern Africa and also U.S. Embassies in Kenya and Uganda. The salary level for this TCN position was in excess of and often considerably higher than the salary levels of all of these positions and in some cases these positions involved greater responsibilities and much larger workloads. For example, this TCN had a base pay 43 percent higher than a comparable TCN position at the U.S. Embassy in Kampala (78 percent higher if one considers the Embassy does not give TCNs a hardship pay differential). In fact, this TCN's base salary was even slightly higher than that of his immediate supervisor — the Mission's Executive Officer. The basis for the TCN PSC salary was not fully justified and explained and the contract file did not provide a complete accounting of the contract negotiation and award process.

Also, some fringe benefits provided TCNs were not authorized by the AIDAR and were not consistently granted to all USAID/Uganda TCNs. Although the AIDAR does not contain provisions for shipment of personal effects for resident hire TCN PSCs, USAID/Uganda authorized two resident hire TCNs to ship personal effects as part of their compensation packages. One TCN, who had lived in Uganda for three years prior to his employment, was authorized shipment of 7200 pounds of effects from his native country — India. Although reduced to 250 pounds in recent years, another resident hire TCN was previously authorized 1000 pounds of air freight each year. The contract files did not provide any explanation why the shipment of personal effects was authorized contrary to Appendix J of the AIDAR.

The latter TCN contract also includes a benefit entitled "repatriation *and return*" travel which does not exist in the AIDAR. An allowance for repatriation travel is commonly included in TCN contracts to provide a *one-way* return to the TCN's native country at the *completion* of employment. Only one current resident hire TCN PSC was receiving these unallowable fringe benefits. Potential annual savings of \$2,400 — based on the amount budgeted for these benefits in this TCN's current contract — could be realized if these benefits were discontinued in future contracts.

Another inconsistency in allowances given to USAID/Uganda's PSCs was that resident hire TCN PSCs received hardship pay differentials but resident hire American PSCs did not. Although the AIDAR allows the Mission Director to authorize hardship pay differentials for resident hire TCN and American PSCs when in the best interests of the U.S. Government and consistent with Mission policy, this benefit was only authorized for TCNs. Most USAID missions and U.S. embassies — including the U.S. Embassy in Kampala — have not authorized hardship pay differentials for any resident hire PSCs. While it is clear that USAID/Uganda can authorize hardship pay differentials (25 percent of base pay in Uganda) for its resident hire TCN PSCs, it is difficult to understand why American citizenship should preclude similarly hired Americans from receiving the same benefit. Documentation in contract files showed that USAID/Uganda itself recognized the desirability of uniformity in benefits to its PSCs. We believe all resident hire PSCs should receive the hardship differential or none of them should. Potential annual savings of \$24,100 — based on the amount budgeted for differentials in current resident hire TCN contracts — could be realized if this benefit was discontinued in future contracts.

Finally, it should be noted that in most areas of personnel compensation in Uganda such as salaries and benefits paid to Americans and local nationals, USAID/Uganda and U.S. Embassy/Kampala use the same compensation plans and schedules. However, based on discussions with the U.S. Embassy/Kampala administrative officer, there are major differences between the TCN salary and benefit compensation policies of USAID and the State Department in Uganda although some of the TCNs employed by both hold similar positions. We believe it would be in the interest of the U.S. Government for these two organizations to coordinate their TCN compensation policies and identify appropriate salary levels and benefits for TCN PSCs in Uganda.

These problems with TCN PSCs occurred, in part, because USAID/Uganda had not developed and implemented a written policy for negotiating these contracts that identified which benefits could and would be provided and the rationale for each. Also, unfamiliarity with some of the differences in AIDAR provisions between TCN and American PSCs and limitations on benefits paid to resident hire PSCs was also a contributing factor to a pattern of inconsistency or even errors in applying benefits to resident hire TCN PSCs over a period of ten years.

As a result of the problems discussed above, TCNs have received unallowable and questionable benefits of approximately \$68,000 since 1990. Savings of approximately \$2,400 per year could be realized if the unallowable travel and transportation benefits discussed above were discontinued for resident hire TCN PSCs. Annual savings of approximately \$24,100 could also be realized if hardship differentials were discontinued

for resident hire TCN PSCs. Additional savings connected with possible revisions in salaries — if salaries are negotiated within an established market value for the positions — can not be accurately estimated.

Management Comments and Our Evaluation

USAID/Uganda agreed that the contract files for its third country national (TCN) personal services contractors do not include justifications for the compensation provided and that inconsistencies exist in the benefits and allowances provided to these contractors. USAID/Uganda will issue a Mission Order that sets forth policies and procedures for justifying TCN positions, establishing market values for positions, and providing allowances in accordance with regulations. The Mission is consulting with the U.S. Embassy in Kampala and will execute a memorandum of understanding governing TCN compensation and allowances.

We believe the actions described by USAID/Uganda should correct the problems identified in this audit concerning personal services contracts with TCNs. Recommendation No. 2 (a consolidation of the three-part recommendation in the draft report) can be resolved when USAID/Uganda indicates whether or not it concurs with the corresponding amount of potential savings presented in the audit report. The recommendation can be closed upon issuance of a mission order and memorandum of understanding that satisfactorily addresses the problem area discussed in the audit report.

Did USAID/Uganda follow USAID policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner and obligating and spending project funds?

As discussed on page 4, we cannot fully answer the audit objective. However, contractor payment vouchers and Mission Accounting and Control System financial reports provided by USAID/Uganda indicated that vouchers were properly reviewed before payment, contractor payments were made in a timely manner and project funds were generally obligated and spent in accordance with USAID policies and procedures. However, as discussed below, unliquidated obligations of \$297,709 were identified for possible deobligation.

USAID Handbook 19 details USAID requirements concerning processing and making payments to contractors and the obligation and expenditure of project funds. We reviewed payment vouchers for four technical assistance contracts with non-governmental organizations with total expenditures of \$1.43 million as of March 1, 1993. Our tests showed that payment vouchers and contractor invoices were reviewed and approved by project officers before payment. USAID/Uganda also maintained a voucher log to monitor the timely processing of contractor invoices in compliance with the Prompt Payment Act. Three short-term technical assistance personal services contracts (PSCs)

were similarly reviewed and payments were made in conformance with the contracts. USAID/Uganda also used valid and appropriate documents — such as project agreements, project implementation orders, contracts and payment vouchers — for recording transactions.

However, our audit identified \$297,709 in unliquidated obligations that were of questionable validity. This problem is discussed in more detail below.

Obligations for Expired Contracts Should Be Liquidated

USAID policy requires missions to review and identify surplus project funds to deobligate or decommit or channel them to other priority needs to better utilize scarce Agency resources. Although USAID/Uganda generally reviewed its unliquidated obligations and decommitted or deobligated excess project funds, we identified obligations of questionable validity totaling \$297,709 under 14 expired contracts. The USAID/Uganda Controller believed some of these obligations were still valid pending a possible additional payment. However, many of these obligations were for personal services contracts where multiple obligations had been established for the same individual making it difficult to identify the obligations in need of liquidation during a routine review of unliquidated obligations. As a result, unliquidated funds totaling as much as \$297,709 were idle and could have been better utilized.

Recommendation No. 3: We recommend that USAID/Uganda review the unliquidated obligations of \$297,709 identified in the audit and deobligate funds as appropriate.

USAID Handbook 19, Chapter 2 requires missions to periodically review their unliquidated obligations and commitments to determine the validity of fund balances. These reviews are important because missions can identify funds which can be timely deobligated/decommitted and released for other priority needs, thus achieving a better utilization of USAID resources.

Obligations for technical assistance totaling \$55.3 million with unexpended balances of \$31.8 million were reviewed to determine the validity of the unliquidated amounts and USAID/Uganda's system of reviewing and deobligating unliquidated obligations was generally effective. However, \$297,709 in unliquidated obligations associated with 14 expired contracts were identified that could possibly be deobligated. Many of these obligations were for personal services contracts where multiple obligations had been established for the same individual making it difficult to identify the obligations in need of liquidation during a routine review of unliquidated obligations. For example, one PSC had been awarded a new contract effective December 1992 but salary and other contractual charges were still being charged against his previous contract that had an outstanding unliquidated balance of \$145,905 as of March 1, 1993. While

acknowledging that some of these obligations had been mistakenly overlooked in earlier reviews of unliquidated obligations, the USAID/Uganda Controller believed that some of the obligations were still valid pending an additional payment or that the final payment had only recently been made. Details of these unliquidated obligations were presented to the Mission Controller and we are recommending that USAID/Uganda review these obligations and deobligate where appropriate. Depending on the results of this review, funds totaling as much as \$297,709 could have been released for other purposes, resulting in a more efficient and economical use of scarce U.S. Government funds.

Management Comments and Our Evaluation

USAID/Uganda stated that it decommitted \$139,806 of the \$297,709 in questioned unliquidated obligations during the fiscal year end close-out in September 1993. The remaining \$157,903 is still unliquidated due to posting errors and outstanding reconciliation items with the Regional Financial Management Center. USAID/Uganda hopes to resolve these items and decommit these funds by March 1994. Recommendation No. 3 is resolved and can be closed when the remaining unliquidated obligations have been decommitted.

Did USAID/Uganda follow USAID policies and procedures for monitoring contractor performance and ensuring that technical assistance projects and programs accomplished desired developmental objectives?

As discussed on page 4, we cannot fully answer the audit objective. However, USAID/Uganda contract and project files and discussions with cognizant Mission and contractor officials showed that USAID/Uganda did not always follow USAID policies and procedures in monitoring contractors' performance to ensure that technical assistance projects and programs accomplished desired developmental objectives. Mission files and discussions with Mission and contractor officials did show that USAID/Uganda successfully assessed the performance of the short-term technical assistance element or portion of each of the four tested contracts. Contract records showed that these short-term components were characterized by well-defined work statements with specific and measurable work objectives and the written reports or studies prepared by these short-term contractors appeared to have met the objectives contained in the work statements.

However, the overall work statements for three of the four (75 percent) non-governmental organization (NGO) contracts reviewed were not adequately defined and did not include performance indicators for measuring contractor progress that would permit USAID to objectively evaluate contractor performance. In addition, work plans and progress reports submitted by two of these contractors did not contain the data necessary to measure contractor performance. The problem with work statements, work plans and progress reports is discussed below.

Contractor Work Statements, Work Plans and Progress Reports Need Improvement

Contrary to USAID guidance, work statements for three of four technical assistance contracts reviewed were expressed in general terms and lacked specific performance indicators and time requirements. Also, work plans and progress reports submitted by two of four contractors lacked the information necessary to measure contractor performance. These conditions occurred because USAID/Uganda and the Regional Contracts Division did not require their staff to follow USAID policy on the preparation of contractual work statements. As a result, the Mission's ability to objectively monitor and evaluate the effectiveness of technical assistance contractor performance was limited.

Recommendation No. 4: We recommend that USAID/Uganda:

- 4.1 implement procedures to ensure that project officers prepare work statements for USAID-direct contracts that clearly define contract objectives and include performance indicators for measuring contractor progress and evaluating contractor performance;**
- 4.2 implement procedures to ensure that project officers require technical assistance contractors to include a comparison of completed activities against measurable targets and time frames in their progress reports in order to allow an objective assessment of contractor performance.**

Recommendation No. 5: We recommend that the Regional Contracts Division implement procedures to ensure that contracting officers include work statements in USAID-direct contracts that clearly define the contract objectives and include performance indicators for measuring contractor progress and evaluating contractor performance.

USAID Handbook 3, Supplement A states that the statement of work is the most substantive part of any contract and constitutes the essence of the agreement between the parties on what is to be done and binds the contractor to specific obligations. To make meaningful monitoring and evaluation possible, the contract should include specific indicators of progress or benchmarks which will permit measurement of the contractor's progress against expenditures of time and money. The statement of work must be as precisely defined and articulated as possible if the contractor is to understand clearly the tasks to be undertaken.

USAID Handbook 3, Supplement A, Appendix C emphasizes that although distinct differences exist between a level of effort type contract and a completion type contract, in both cases the work statement must be specific and detailed about what USAID wants the contractor to do and when USAID wants it done.

USAID Contract Information Bulletin (CIB) 91-18 disseminates Policy Letter 91-2 from the Office of Federal Procurement Policy which establishes government-wide policies for acquisition of services. The policy states a preference for performance based statements of work and the requirement to develop formal, measurable performance standards and surveillance plans for evaluation of contractor performance. If these requirements cannot be applied, the memorandum of negotiation for the contract should provide specific explanation and justification.

In a related area, USAID Handbook 3, Supplement A states that project officers are responsible for monitoring contractor performance. The project officers are to review contractors' progress reports and comment on their adequacy and responsiveness and identify the progress being achieved by the contractors against the targets prescribed in the contracts and identify problems and recommend solutions or actions to be taken. Likewise, the project officers are to bring any deficiencies in the reports to the contractors' attention. Similarly, USAID Contract Information Bulletin 85-17 indicates that project officers are to monitor contractor performance under contracts assigned to them for technical cognizance and to record written comments on that performance. The Bulletin also requires project officers to bring instances of poor performance immediately to the attention of the contractor.

The work statements for three of the four USAID/Uganda contracts (awarded by the Regional Contracts Division) reviewed did not contain well-defined work statements with specific work tasks, performance indicators or time frames. One of the three contractors subsequently prepared a detailed work plan that contained these elements and had prepared progress reports that tied performance to its specific targets. Details of these three contracts are presented below.

- A \$1.7 million contract was awarded in August 1992 to provide the Government of Uganda (GOU) with a long-term consultant to serve as a post-harvest field advisor and to assist with market contacts and facilitate trial shipments as part of USAID/Uganda's Agricultural Non-Traditional Export Promotion Program. This consultant was also to coordinate the selection and use of highly specialized advisors that would provide consulting services to the export community on a short-term basis.

The contract's work statement for the long-term consultant position provided no specific or measurable work objectives and no performance indicators or time frames for completion of tasks. The contractor had prepared a work plan for the initial phase of the project and had submitted quarterly progress reports describing work performed to date but neither provided performance indicators or related performance to a specific objective that would allow for an effective evaluation of project progress.

It should be noted that much of the work already performed included completion of a series of comprehensive baseline studies of the export potential of various agricultural products. Well-defined work statements had been prepared for each of these short-term advisors and the reports they produced met the objectives for each

study. Both the project officer and contractor thought that specific objectives for the entire contract or long-term technical assistance would have been difficult to establish during this phase of the project and could not be identified until the long-term consultant actually started work and identified what tasks had to be done. The project officer stated that the contractor had been instructed to include specific objectives, performance indicators and time frames in the annual work plan that was to be submitted in July 1993. Unless this is done, USAID/Uganda will be limited in its ability to objectively evaluate the contractor's progress.

- A \$5.2 million contract (subsequently increased to \$7.2 million) was awarded in November 1988 under the Uganda Cooperative Agriculture and Agribusiness Project to assist the GOU in its efforts to raise the standard of living through increased agricultural productivity and production. USAID/Uganda provided this assistance through support of key national institutions within the cooperative sector. The contract established three long-term technical advisory positions to assist the Uganda Cooperative Alliance (UCA) and the Uganda Central Cooperative Union (UCCU) as well as a significant amount of short-term assistance.

The work statements for the long-term advisory positions were vague and included only minimal specific tasks. No performance indicators or time frames were included in these statements that could be used to objectively measure progress or performance. Furthermore, the contract did not require, and the contractor did not provide, work plans detailing specific activities to be accomplished by the advisors. Although the contractor submitted progress reports as required by the contract, these reports only provided a description of activities carried out during the time period without relating these activities to any kind of performance indicator or objective. Although we were told that USAID/Uganda officials had frequent or almost daily contact with one advisor, we could not find any evidence of written comments prepared by USAID/Uganda on the contractor's performance. We were told by the contractor that he could not remember receiving any feedback from the project officer on the contents of the progress reports that he submitted to USAID/Uganda.

The project officer expressed satisfaction with most facets of the contractor's performance but admitted that his assessment for the most part was based on subjective criteria. We noted that the short-term technical assistance provided as part of this contract was supported by well-defined work statements and performance indicators. We also noted that when specific tasks were prescribed in the contract for the long-term positions, it could generally be demonstrated that the contractor had accomplished the task. For example, the contractor established an external auditing entity to provide auditing services to cooperative societies as required by its contract.

In contrast with these examples of specific work statements, the long-term advisory position assigned to the UCCU was characterized by a poor work statement with no performance indicators or time frames and no work plan detailing specific accomplishments to be achieved. This assistance was not a success as after approximately three and one half years of USAID-funded advisory assistance, UCCU

was placed under caretaker management in March 1993 and was facing possible liquidation due to financial and management problems. The advisor's progress reports listed numerous services and activities that he was involved with but the reports did not provide any indication whether his services were making any impact, did not relate his activities to any kind of objective, and did not address the seriousness of the cooperative's financial status. Although we were told that the project officer monitored the contractor's performance, we found no documentation in the files showing USAID/Uganda's review or analysis of the contractor's performance or intervention in his activities. USAID/Uganda wisely chose not to extend project assistance to UCCU after December 1992. We believe that the establishment of specific tasks, performance indicators and time frames would have enabled USAID/Uganda to assess the contractor's ongoing progress and timely redirected or terminated the advisor's activities.

The lack of specific criteria to measure the progress of the above two contractors was contrasted with a third project, described below, where we found well-defined tasks and time frames contained in a detailed work plan prepared shortly after the contractor began work.

- A \$2.2 million contract was awarded in September 1992 to provide technical assistance to the GOU in developing and implementing its National Environmental Action Plan (NEAP) over a two year period. The contract called for three long-term advisors to provide assistance in areas such as developing and organizing the NEAP, developing community conservation efforts and establishing financial reporting systems and procedures. A significant amount of short-term assistance was also to be provided.

The work statement in the contract was vague and contained neither performance indicators nor time frames for measuring contractor performance and progress. For example, many of the work objectives for the long-term advisors simply called for the advisor to "assist" in various areas. However, we noted that the contractor had prepared a detailed work plan for the first year of work — as called for in the contract — that provided specific tasks for each advisor with projected completion dates. The contractor's quarterly progress report also tied specific accomplishments to the stated tasks and reflected a well-planned implementation effort that mitigated concerns with the vagueness of the contract. Discussions with government officials and the contractor and review of some of the contractor's initial work indicate that this relatively new project is moving toward meeting its objectives and USAID/Uganda can effectively monitor the contractor's performance.

The problems with vague contract work statements described above occurred because USAID/Uganda and the Regional Contracts Division did not require their staff to follow USAID policy on the preparation of contractual work statements. Project officers stated that performance indicators and even specific well-defined tasks could not always be included in work statements for long-term technical assistance because of the complexity of the projects and the number of unknown factors at the start of each project. Project officers and contractors also stated that specific indicators and work tasks that could be

realistically used in evaluating performance generally could not be identified until after the contractor had actually begun work. The Regional Contracts Division negotiated and awarded the contracts containing the work statements initially prepared by USAID/Uganda officials. Contracts Division officials stated that USAID generally used level of effort type contracts because of the difficulty in identifying specific performance objectives and that USAID had never issued guidance explaining how they were to prepare contracts with performance based work statements as called for in CIB 91-18.

Although it may be difficult to establish specific targets and time frames before technical assistance contracts are awarded, this is what is required by existing USAID policies and procedures for USAID contracts — including level of effort type contracts. In addition, while it may be beneficial to contracting officials to have additional or more specific guidance on preparing performance based work statements, there is no suggestion in CIB 91-18 or Handbook 3 that implementation of this requirement will depend on further guidance. If contractual work statements cannot be prepared in the detail required, CIB 91-18 requires documentation of the reasons in the memorandum of negotiation.

In summary, USAID/Uganda and the Regional Contracts Division did not require their staff to ensure that the work statements associated with the long-term technical assistance element of these contracts or the NGO contracts themselves were properly defined. Also, USAID/Uganda did not ensure that the contractors' work plans and progress reports were tied to specific objectives and performance indicators. As a result, its ability to monitor the effectiveness of these contractors or the progress of the project was limited. Three of the four NGO contracts tested did not include specific time frames and performance based objectives in the contract work statements and two of these contracts — with technical assistance totaling \$8.9 million — were characterized by work plans and progress reports that lacked the information necessary to measure contractor performance. Although it is difficult to definitively separate all contract costs into short-term and long-term activities, at least one-half of these costs could be associated with the long-term technical assistance where an objective assessment of contractor progress or performance could not be made.

Management Comments and Our Evaluation

USAID/Uganda stated that it will issue a Mission Order or amend an existing Mission Order to clarify and set forth the responsibilities of project officers in establishing performance indicators for measuring contractor performance in their work statements. The Mission also stated that it will develop guidance requiring contractors to submit progress reports comparing completed activities against measurable targets and time frames in the work statements.

We believe USAID/Uganda's planned actions will address the problems with contractual work statements and contractor work plans and progress reports identified in the audit. Recommendation Nos. 4.1 and 4.2 are resolved and can be closed upon issuance of a Mission Order and guidance, as described above, that satisfactorily address the problem area discussed in the audit.

The Regional Contracts Division stated that CIB 91-18 and USAID Handbook 3 are very vague documents that call for performance based scopes of work without providing any details or guidance on how this should be done. The Contracts Division reports that Handbook 3 is currently being rewritten to add guidance on performance based contracting and expects that the revised handbook and subsequent training on the handbook changes will bring their contracts into compliance with CIB 91-18.

As noted above in the report, there is no suggestion in CIB 91-18 or Handbook 3 that additional or more specific guidance is necessary to implement their requirements. However, we believe the Regional Contracts Division's planned actions will eventually address the problems with contractual work statements identified in the audit. Recommendation No. 5 is resolved and can be closed when Handbook 3 is revised and evidence is provided that regional contracting officers have been trained on the details of the handbook changes.

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

Scope

We followed generally accepted government auditing standards except that USAID/Uganda's management would not provide us with a representation letter confirming information essential to fully answer the audit objectives. Management's refusal to make such representations constitutes a limitation on the scope of the audit. The information that USAID/Uganda's management would not confirm, *to the best of their knowledge and belief*, follows:

1. whether they are responsible for the internal control system, compliance with applicable laws and regulations, and the fairness and accuracy of the accounting and management information for the organization under audit;
2. whether they have provided us with all the financial and management information associated with the activity or function under audit;
3. whether they know of any irregularities in the activity;
4. whether they know of any material instances in which financial or management information has not been properly and accurately recorded and reported;
5. whether they are aware of any instances of noncompliance with USAID policies and procedures or violations of laws and regulations;
6. whether they have complied with contractual agreements; and
7. whether they know of any events subsequent to the period under audit that could affect the above representations.

The answers to the above questions are so fundamental to the basic concepts of auditing that it is not possible to render a positive conclusion without them. Thus, if managers will not answer these basic questions and will not confirm their answers in writing through a representation letter, then we cannot risk giving a positive conclusion when managers will not even confirm to us what they know.

While we cannot render a positive conclusion without such representations, this lack of a management confirmation does not preclude us from reporting on any problem areas that came to our attention, and we have done so.

Our audit was conducted from March 29 through June 18, 1993. According to information in the Mission Accounting and Control System (MACS), USAID/Uganda's project portfolio included 19 projects — ongoing or completed within the preceding 3 years — that included the procurement of technical assistance. We did not verify the MACS data. As of March 1, 1993, these projects had cumulative obligations and disbursements of \$62.82 million and \$31.06 million respectively related to technical assistance activities. These obligations included contracts with non-governmental organizations (NGOs), universities, and independent contractors as well as personal services contracts (PSCs), cooperative and grant agreements, buy-ins to USAID/Washington contracts and participating agency service agreements. The focus of this audit was on USAID-direct contracts prepared by USAID/Uganda or the USAID Regional Contracts Division. Accordingly, the contracts reviewed under each of our audit objectives were selected from an audit universe restricted to the 38 contracts with NGOs and independent contractors and for personal services in 8 projects that were awarded by USAID/Uganda and the Contracts Division. These contracts had obligations and disbursements totaling \$16.66 million and \$11.27 million respectively. See page 29.

Our audit was conducted in the offices of USAID/Uganda and the USAID Regional Contracts Division in Nairobi, Kenya. We also held discussions with contractors and host government officials; however, we did not audit these entities since this was outside our objectives and scope. The audit evidence gathered included oral explanations and documentary evidence provided by USAID/Uganda officials, Contracts Division officials, host government officials and contractors. We performed analyses of the documentation provided by those officials and this is discussed in detail under the methodology for each audit objective below.

As part of this audit, we examined USAID/Uganda's and the Contracts Division's internal controls related to USAID-direct contracts for technical assistance. We also reviewed two prior Office of Inspector General audits of the Uganda Manpower for Agricultural Development Project (Report No. 3-617-91-10, dated July 19, 1991) and USAID/Uganda's Management of Commodities (Report No. 3-617-92-11, dated July 9, 1992).

Methodology

The methodology for each audit objective follows.

Audit Objective One

The first audit objective was to determine if USAID/Uganda and the USAID Regional Contracts Division followed U.S. Government and USAID policies and procedures in

procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors. To accomplish this objective, we selected 26 of 38 contracts (68 percent) for technical assistance from our audit universe for review. These 26 contracts had obligations and disbursements of \$14.05 million and \$8.71 million, respectively, and represented 84 percent of obligations and 77 percent of disbursements in our audit universe. Contracts selected for review included all active contracts in excess of \$100,000 awarded by the USAID Regional Contracts Division, all PSCs in excess of \$25,000 awarded by USAID/Uganda, and three smaller USAID/Uganda contracts chosen at random.

For the contracts selected, we determined whether USAID/Uganda and the Contracts Division followed the Federal Acquisition Regulation (Parts 4, 5, 6, 9, 15, 16, and 42); USAID Handbook 1, Supplement B; USAID Handbook 14, Appendices D and J; and Contract Information Bulletins 90-25 and 91-18 to: (1) select the appropriate type of contract; (2) provide for full and open competition; (3) select qualified contractors; and (4) ensure the reasonableness of negotiated prices. We reviewed the contract files and documents maintained by USAID/Uganda and the Contracts Division including notices to prospective offerors, lists of qualified offerors, requests for technical and cost proposals, technical selection panel results, prospective contractors' cost proposals, contractor biographical data sheets and memoranda of negotiations. We also interviewed the contracting officers and USAID/Uganda officials.

Audit Objective Two

The second audit objective was to determine whether USAID/Uganda followed USAID policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner and obligating and spending project funds. To accomplish this objective, we judgmentally selected 4 of 8 (50 percent) technical assistance contracts with NGOs in our audit universe and tested all of the corresponding payment vouchers. The four contracts reviewed had disbursements of \$1.43 million or 89 percent of the disbursements to NGOs processed by USAID/Uganda. It should be noted that payments totaling \$5.86 million for 2 of 8 contracts (25 percent) were actually processed by USAID/Washington. We also tested payments processed by USAID/Uganda for 3 of 30 (10 percent) personal services contractors and independent contractors in our universe with expenditures of approximately \$101,000 or 3 percent of expenditures for PSCs. We also reviewed USAID/Uganda's procedures for obligating and spending project funds for technical assistance including a 100 percent review of the validity of \$31.76 million in unliquidated obligations for technical assistance.

We also reviewed the status of related open recommendations from an earlier Office of the Inspector General audit of the Uganda Manpower for Agricultural Development Project (Report No. 3-617-91-10, dated July 19, 1991). In this audit, RIG/A/N took exception to USAID/Uganda's system of allocating certain general management support costs between the mission operating expense budget and project funds. Some of these costs included personal services contracts for an accountant and the deputy executive

officer; costs that have been classified as technical assistance and are included in this audit.

USAID/Uganda officials disagreed with RIG/A/N's recommendation to reimburse the audited project for the costs RIG/A/N believed were strictly operating expenses. USAID/Uganda stated that it was awaiting guidance from USAID/Washington concerning the future allocation of logistical support costs to project funding. The unresolved recommendation was referred for resolution to the Assistant Administrator of the Bureau for Africa in February 1992. RIG/A/N is not presenting any new recommendations concerning this issue in this audit report.

Audit Objective Three

The third audit objective was to determine whether USAID/Uganda followed USAID policies and procedures for monitoring contractor performance and ensure that technical assistance projects and programs accomplished desired developmental objectives. To accomplish this objective, we judgmentally selected 4 of 8 (50 percent) technical assistance contracts with NGOs for review. These contracts represented the largest active contracts with NGOs that have a primary role in implementing USAID/Uganda projects. The contracts had \$8.35 million and \$5.0 million in obligations and disbursements, respectively, and represented 74 percent of obligations and 67 percent of all technical assistance disbursements to NGOs.

We used the criteria established in USAID Handbook 3, Supplement A in determining whether: (1) contractor work statements and work plans were well-defined; (2) progress reporting complied with contract requirements and were adequate for measuring contractor progress and evaluating contractor performance; (3) controls over USAID-funded property were adequate; and (4) site visits were documented. We interviewed Mission and contractor officials and reviewed applicable files and records including project papers, contract files and related documents, work plans and progress reports submitted to USAID/Uganda by contractors, and site visit reports.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID KAMPALA
Agency for International Development
Washington D.C. 20521 - 0000



UGANDA ADDRESS
USAID Mission to Uganda
P. O. Box 7007, Kampala, Uganda

MEMORANDUM

DATE: October 15, 1993

TO: Everette B. Orr, RIG/A/Nairobi

FROM: Keith W. Sherper, *K. Sherper* Director, USAID/Uganda

SUBJECT: Audit of USAID/Uganda's and the A.I.D. Regional Contracts Division's Controls Over A.I.D.-Direct Contracts for Technical Assistance

Listed below are our comments on your report. We have only addressed Recommendation Nos. 1, 2, 3 and 4 that pertain to USAID/Uganda operations.

Recommendation No. 1.1:

USAID/Uganda concurs with the observations arising from the tests performed by RIG/A/N staff on the 20 contracts. We believe that without appropriate documentation in the contract files (e.g. memorandum of negotiation, class justification for other than full and open competition or a justification for sole source procurement) reflects, as stated by RIG/A/N, the time constraints placed on the Executive Officer during that period. More recent contracts reflect more attention being paid by the Executive Office to the documentation requirements set forth in the FAR and AIDAR. We fully support the recommendation of setting time parameters for the submission of procurement requests with appropriate documentation and justifications prior to contract award to enable the contracting officer to execute the contract in full compliance with federal and agency regulations. We have begun the process of amending Mission Order 7-91 to include these time parameters and update other information that has changed since its original issuance. We expect to re-issue this Mission Order and close this recommendation by November 15, 1993.

Recommendation No. 1.2:

USAID/Uganda is fully committed to strengthening this internal control weakness and believes that recent contract files will support this statement. Appropriate checklists have been instituted and a contract negotiator has been trained to enable the Executive Office to fully comply with FAR and AIDAR procurement policies and procedures. During the next annual Federal Managers' Financial Integrity Act reporting cycle, we will test these internal controls and make a determination. If an internal control weakness is still found then a report will be made to the AA/AFR.

Recommendation No. 2.1:

USAID/Uganda recognizes that the files for its current third country national personal services contractors are less than clear as to the prior residency status of the contractor and does not provide justifications for the compensation and allowances provided. We recognize that over the past decade this has created apparent inconsistencies over the benefits and allowances provided to these contractors. We concur with this recommendation and will issue a Mission Order no later than December 15, 1993 that sets forth USAID's policies and procedures for justifying TCN PSC positions, establishing market values for positions, and providing allowances in full compliance with agency regulations.

Recommendation No. 2.2:

USAID/Uganda in consultation with the Embassy Administrative Officer has already prepared a table highlighting differences between the Embassy's and USAID's TCN compensation and allowance packages. The Embassy is seeking additional clarifications from the Department of State on establishing a compensation plan based on a market value analysis and a memorandum of understanding (MOU) with USAID governing TCN compensation and allowances. We expect this MOU to be signed by December 31, 1993.

Recommendation No. 2.3:

USAID/Uganda recognizes that certain ambiguities exist as to the residency status of two third country national contractors at the time of contract execution resulting in apparent inconsistencies that cannot be explained because of the absence of memoranda of negotiation in the contract files. We will clearly set forth a policy in the forthcoming Mission Order on TCN compensation and allowances that will preclude payment of a hardship differential resident hire TCN PSC for all new TCN contracts.

Recommendation No. 3:

USAID/Uganda does not concur with the unliquidated obligations balance of \$357,692 identified in the audit. It should be noted that \$59,983 represents funds managed by AID/W for which mission receives the disbursement via AID/W AOCs. Once the final payment against the contract, USAID/Uganda is immediately notified to decommit any remaining balances. Until this notification is received from AID/W, USAID/Uganda cannot decommit any balance from the contract.

We have decommitted \$139,806 during our fiscal year end close-out. The balance of \$157,903 is still unliquidated due to posting errors and outstanding reconciling items with RFMC. We have notified RFMC of the errors and hope we can decommit the balance by the second quarter of this fiscal year.

Recommendation No. 4.1 and 4.2:

USAID/Uganda will issue a Mission Order or amend an existing Mission Order to clarify and set forth the responsibilities of the project officer in establishing performance indicators for measuring contractor performance in their work statements. We will also develop guidance requiring technical assistance contractors to submit progress reports comparing completed activities against measurable targets and time frames as part of the work statements. Mission Order and guidance will be issued on or before March 31, 1994.

c.c. Anthony Vodraska, Executive Officer

File

UNITED STATES GOVERNMENT

memorandum

DATE: November 10, 1993

REPLY TO
ATTN OF: Richard F. Webber, Chief, Regional Contracting Office, REDSO/ESA

SUBJECT: Audit of USAID/Uganda's and the AID Regional Contracts Divisions
Controls over AID -Direct Contracts for Technical Assistance

TO: Richard Cain, RIG/A/Nairobi

Ref: RIG/A/Nairobi, Memo dated 8/26/93 (draft report)

The referenced memo requested written comments on recommendation No.5 which pertains to Regional Contracts Division operations. The recommendation is that this office establish and implement procedures to ensure work statements clearly define contract objectives and include indicators for measuring contractor progress and performance in accordance with AID Handbook 3, Supplement A, and AID Contract Information Bulletin (CIB) 91-18 entitled Service Contracting.

The auditors reviewed a universe of 38 contracts over \$100,000 issued by REDSO/ESA/CON for USAID/Uganda and cited 3 for having "vague" work statement and lacking performance indicators in accordance with the forementioned regulations.

CIB 91-18 was issued 14 May, 1991 for the Contracting Officers Guidance as a result of a Federal Procurement Policy background memo. It requests "best efforts" be used to have scopes of work be performance based. AID/W never issued implementation guidance, format, or procedures. This implementing failure was an item for discussion at the Contracting Officers conference last month. The topic was how to implement performance based contracts and how to train project officer's in writing statements of work utilizing this technique. This is an AID failure and not only USAID/Uganda's problem.

HB 3, Supplement A, basically informs the project officer on how to write a readable, logical Scope of Work but other than stating that the work statement should be specific and detailed, it contains very little concerning objectives, performance measurement, indicators, incentives, evaluation criteria, and methods of assessment. It is a "vague" document that urgently needs strengthening and detailing.

The handbook is currently being rewritten to add guidance on performance based contracting and AID/W is planning project officers/Contracting Officers training on this subject during the current fiscal year.

REDSO/ESA/CON will hold training sessions for all missions upon receipt of the revised handbook.

It is expected that with the revised handbook, implementation guidance and training writing performance based statements of work, AID's and REDSO contracts will comply with the CIB.

APPENDIX IV

LISTING OF PROJECTS WITH TECHNICAL ASSISTANCE CONTRACTS

PROJECT NAME	NUMBER OF CONTRACTS	OBLIGATIONS	DISBURSEMENTS
Cooperative Agriculture & Agribusiness Support	10	\$ 5,776,837	\$4,385,515
Agricultural Non-traditional Exports Promotion	8	\$ 2,857,647	\$ 1,459,481
Rural Economic Recovery	1	\$ 2,226,136	\$ 2,226,136
Rehabilitation of Productive Enterprises	6	\$ 1,695,881	\$ 1,140,930
Action Program for the Environment	3	\$ 1,482,290	\$ 251,012
Manpower for Agricultural Development	10	\$ 1,477,858	\$ 1,275,459
Policy Analysis & Capacity Building	4	\$ 719,000	\$ 250,560
Africa Development Support	1	\$ 425,000	\$ 279,095
TOTALS	43*	\$16,660,649	\$11,268,188

* The number of contracts reviewed totaled 38 but a number of contracts were funded under multiple projects.

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