

Regional Inspector General for Audit
Dakar

AUDIT OF USAID'S MANAGEMENT OF
PROJECT-FUNDED COMMODITIES IN NIGER

Audit Report No. 7-683-95-001
October 21, 1994



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

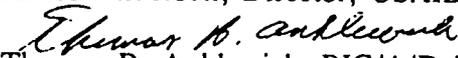
UNITED STATES ADDRESS
RIG / DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20521 - 2130

October 21, 1994

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

MEMORANDUM

TO: James Anderson, Director, USAID/Niger

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

SUBJECT: Audit of USAID's Management of Project-Funded Commodities in Niger,
Audit Report No. 7-683-95-001

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

The report contains six recommendations. Recommendation Nos. 1, 2.1, 2.2, 3.1, 4, 5 and 6 are resolved and can be closed upon receipt of evidence that planned actions have been completed. Recommendation No. 2.3 is now closed while Recommendation No. 3.2 is unresolved pending agreement of actions to be taken.

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

I appreciate the cooperation and courtesies extended to the audit team during the audit.

EXECUTIVE SUMMARY

This is an audit of USAID's management of project-funded commodities. Directed by RIG/A/Dakar, it forms part of an agency-wide effort in this area. USAID defines commodities as "any material, article, supply, goods or equipment." As of April 30, 1994, USAID/Niger had committed \$7.7 million for the purchase of commodities under 16 projects (See *Appendix III*).

The audit reviewed commodities under the projects entitled Family Health and Demography, Sahel Water Data and Management, and Disaster Preparedness Mitigation to determine whether (1) Agency-financed commodities arrived on time, (2) commodity procurements complied with source, origin and eligibility requirements, and (3) USAID/Niger followed applicable policies and procedures to ensure that commodities were being used as intended. Commodities under these three projects accounted for \$5 million in commitments, or 65 percent of the Mission's total commodity commitments.

The audit reviewed non-expendable property (NXP) under the three projects. NXP is defined as property which is "complete in itself, does not lose its identity or become a component part of another article when put into use, is durable, with an expected service life of two years or more, and which has a unit cost of more than \$500." Under the three projects, NXP mainly consists of computer, telecommunication and office equipment, vehicles, and household furnishings for U.S.-based contractors working in Niger.

Moreover, because contraceptives procured under the Family Health project are a significant portion of USAID/Niger's commodity universe, the audit included testing of contraceptives to check their condition under storage. Finally, because of sensitive environmental and safety concerns, the audit also reviewed one other category of expendable commodities: pesticides.

Agency-financed commodities generally arrived on time to meet project needs. However, under the Family Health project, contraceptive arrivals in-country were not coordinated with delivery schedules within Niger. This resulted in termite damage to contraceptives costing \$10,000 and also placed other contraceptives at risk (see page 4). Further, receiving and inspection reports were not prepared for commodities costing \$2.2 million received in-country (see page 6).

Commodity procurements did comply with source, origin and eligibility requirements, except for pesticides. The Mission did not ensure that pesticides procured by its Executive Office and the Family Health project contractor were approved by the Environmental Protection Agency (EPA). It also did not verify whether fumigation services were carried out by reputable companies. At least eight pesticides were used by four Nigerien companies. We were able to determine that only one was approved by the EPA and at least one was prohibited (see page 9).

Finally, although most commodities were being used as intended, the Mission did not generally monitor commodities closely. As a result, (1) inventory records were neither complete nor accurate for commodities totaling \$1.3 million (see page 13), (2) obsolete computer equipment costing over \$100,000 under the Sahel project and defective or damaged contraceptives under the Family Health project were not disposed of on time (see page 15), and (3) contraceptives in Niger, costing approximately \$500,000, have not been periodically tested to determine whether their indicated shelf life has been affected by storage, and consequently, whether they are fit for use (see page 18).

We believe that the Mission needs to ensure that pesticide procurements comply with Agency requirements. USAID/Niger should also make sure that Agency-financed commodities are properly received, controlled, tested, and disposed of. This report makes six recommendations to address the problem areas mentioned above. RIG/A/Dakar plans to prepare a summary report based on the results of this audit and the audits performed by other Regional Inspector General Offices.

In response to our draft report, USAID/Niger submitted written comments which are included in their entirety as Appendix II. The Mission responded positively to our report. USAID/Niger agreed with our findings and six recommendations except for Recommendation No. 3.2 which we have revised based on the comments.

Office of the Inspector General
Office of the Inspector General
October 21, 1994

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USAID-financed commodities generally arrived on time to meet procurement plans and implementation schedules, although **3**

Contraceptive procurements under the Family Health project need to be coordinated with distribution schedules in Niger, and **4**

Proper receiving/inspection reports need to be prepared **6**

Objective 2: Were the commodity procurements made in accordance with U.S. Government and USAID source, origin and eligibility requirements, unless waived for good reason?

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USAID/Niger followed some USAID policies and procedures to ensure that commodities are being used as intended, except that USAID/Niger needs to ensure that: **11**

- Contractors and grantees maintain complete and accurate inventory records, **13**
- Contractors and grantees dispose of unneeded, obsolete, damaged and defective commodities timely, and **15**
- Contraceptives are periodically tested. **18**

APPENDICES

I Scope and Methodology

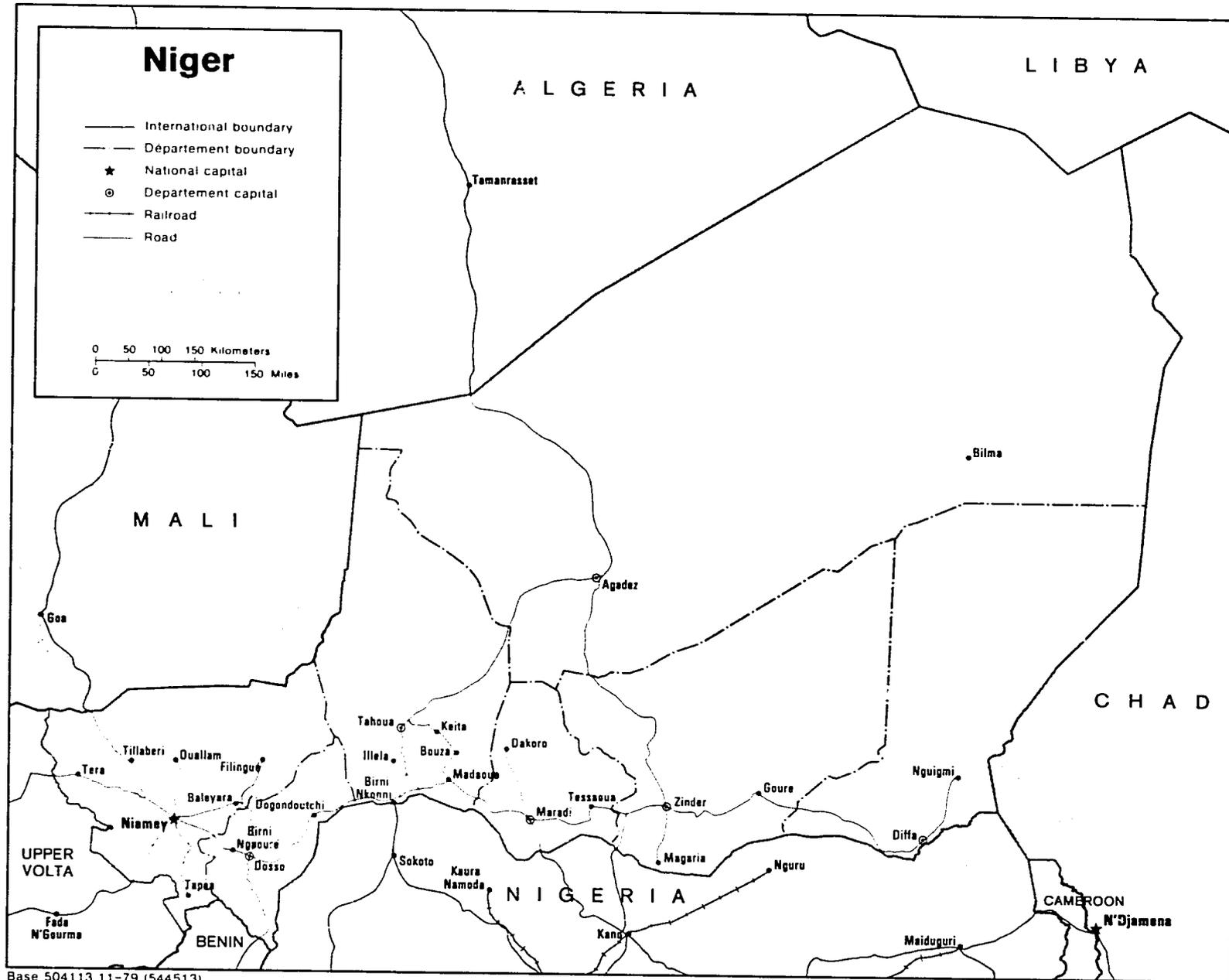
II Management Comments and Our Evaluation

III Listing of USAID/Niger's Commodity Portfolio by Project

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INTRODUCTION

Background

This audit is part of an agency-wide effort directed by RIG/A/Dakar of USAID's management of project-funded commodities. RIG/A/Dakar plans to prepare a summary report based on the results of this audit and the audits performed by other Regional Inspector General Offices. USAID defines commodities as "any material, article, supply, goods or equipment."¹ As of April 30, 1994, USAID/Niger had committed \$7.7 million for the purchase of commodities under 16 projects (See *Appendix III*).

The audit reviewed commodities under the projects entitled Family Health and Demography, Sahel Water Data and Management, and Disaster Preparedness Mitigation. Commodities under these three projects accounted for \$5 million in commitments, or 65 percent of the Mission's total commodity commitments.

The audit reviewed non-expendable property (NXP) under the three projects. NXP is defined as property which is "complete in itself, does not lose its identity or become a component part of another article when put into use, is durable, with an expected service life of two years or more, and which has a unit cost of more than \$500." Under the three projects, NXP mainly consists of computer, telecommunication and office equipment, vehicles, and household furnishings for U.S.-based contractors working in Niger.

Moreover, because contraceptives procured under the Family Health project are a significant portion of USAID/Niger's commodity universe, the audit included testing of contraceptives to check their condition under storage. Finally, because of sensitive environmental and safety concerns, the audit reviewed one other category of expendable commodities: pesticides.

¹USAID Handbook 1, Supplement B.

Audit Objectives

The Office of the Regional Inspector General for Audit, Dakar completed a performance audit of USAID/Niger's management of project-funded commodities as provided in its approved fiscal year 1994 audit plan. The audit was designed to answer the following three objectives:

- **Did USAID/Niger-financed commodities arrive on time to meet project procurement plans and implementation schedules?**
- **Were USAID/Niger-financed commodities procured in accordance with U.S. Government and USAID source, origin and eligibility requirements, unless waived for good reason?**
- **Did USAID/Niger follow USAID policies and procedures to ensure that USAID-financed commodities are being used as intended?**

Appendix I describes the audit's scope and methodology.

REPORT OF AUDIT FINDINGS

OBJECTIVE 1: Did USAID-financed commodities arrive on time to meet project procurement plans and implementation schedules?

Agency-financed commodities generally arrived on time to meet procurement plans and implementation schedules for the three projects tested. However, under the Family Health project, contraceptive arrivals in-country were not coordinated with delivery schedules within Niger, thus resulting in termite damage to some contraceptives. Also, receiving and inspection reports were frequently not prepared for commodities received.

Commodities under the Disaster Mitigation project arrived on time. For example, four vehicles, household furnishings, and office equipment, totaling \$336,000, were available when the contractor team implementing the project arrived in March and April 1994. (Note: Due to delays in the contracting process, the contractor team's arrival in Niger was approximately seven months later than planned.) Also, office equipment, vehicles and motorcycles under the Family Health project totaling \$278,000 arrived on time to meet the project's needs.

Computer equipment procured under the Sahel project totaling \$300,000 also arrived on time to support the activities of the Agriculture, Hydrology and Meteorology Center (AGRHYMET) in Niamey.² However, telecommunications equipment totaling \$426,000, did not arrive when needed. This equipment was intended to establish a link between the regional AGRHYMET center in Niamey and national AGRHYMET centers in nine CILSS³ countries so that data could be transmitted promptly and efficiently.

According to Agency officials, the equipment was needed immediately after the signing of the project paper supplement in March 1992. Nevertheless, the procurement process took approximately two years. The equipment was finally received between February

²The AGRHYMET center provides agrometeorological and hydrological services such as data collection, analysis and diffusion to national centers (called NACS) in nine Sahelian countries.

³The Permanent Inter-State Committee for the Control of Drought in the Sahel.

and May 1994. This delay was mainly the result of two factors: first, given the complexity of the procurement, the equipment specifications took time to define and develop; second, the project officer assumed that the USAID Office of Procurement in Washington⁴ would purchase the equipment. However, this office advised the Mission in March 1993 that due to insufficient resources and their current workload, it would not be able to procure the equipment promptly. The Mission then gave this responsibility to the World Meteorological Organization.

As a result of this delay, data could not always be transmitted to/from the nine national AGRHYMET centers on time. For example, satellite maps of plant distribution need to be transmitted rapidly so that cattle can be moved to greener pastures. The telecommunication equipment is also needed as part of an early warning system to transmit information regarding droughts, locusts and crop planting. Because the delay was primarily due to circumstances outside of the Mission's control, we do not make any recommendations pertaining to procurement in this report. Instead, we may address this issue in the Agency-wide summary report.

Contraceptive Procurements Under the Family Health Project Need to be Coordinated with Distribution Schedules in Niger

USAID guidance⁵ states that timely and appropriate use of project assistance commodities means prompt delivery and use in accordance with project purposes and implementation plans.

Niger's contraceptive needs are determined by the Ministry of Health (MOH), the institutional contractor (URC⁶) and the Mission. Then, contraceptives (procured through OYB⁷ transfers) are air shipped to Niger and stored in a MOH warehouse in Niamey. Afterwards, the contraceptives are distributed to distant regions of the country twice a year (in January and July), and the regions near Niamey four times a year (in January, April, July and October).

⁴Bureau for Management, Office of Procurement, Contract Information Management Systems (M/FA/OP/CIMS).

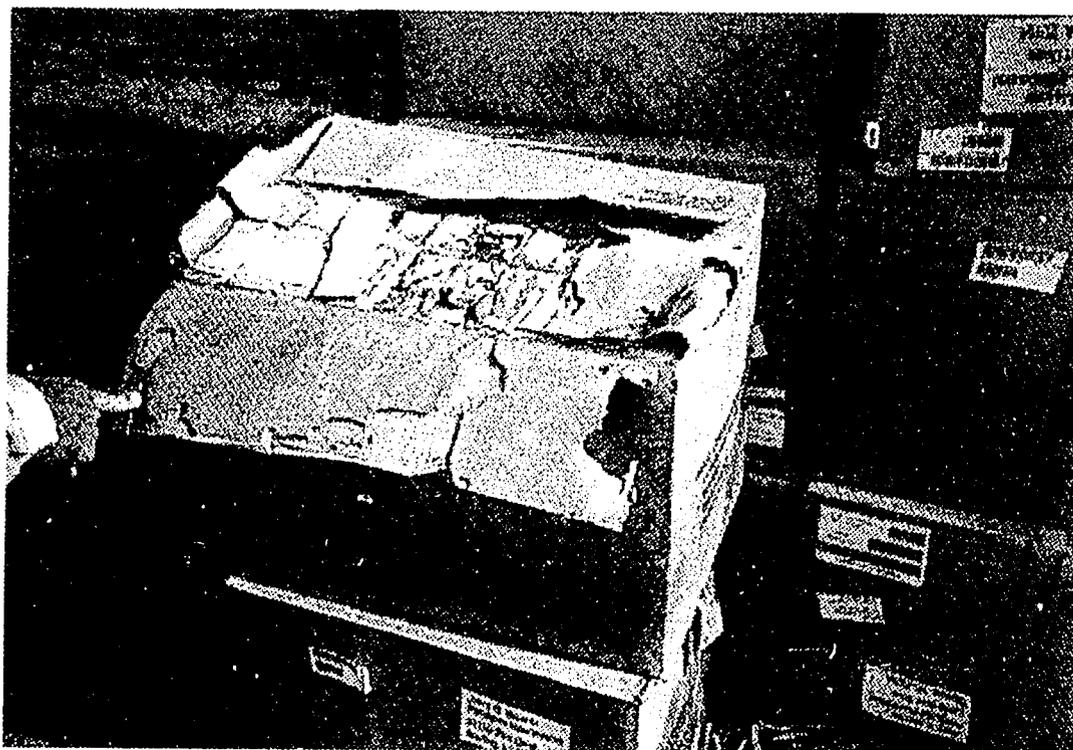
⁵See policy number 1 in Appendix IV.

⁶University Research Corporation.

⁷Contraceptive procurements are funded through USAID's central "Operating Year Budget". These funds are managed by USAID offices in Washington and are then transferred to missions.

However, contraceptives arrive in-country at various times throughout the year. This can result in wide fluctuations of stock at the main warehouse. Two examples of this are as follows:

- An air shipment of contraceptives arrived in Niger in early February 1994. The shipment was comprised of 17 pallets with 334 cartons containing 2,004,000 condoms worth \$175,000. Because the January distribution operations were still in progress, and not enough space was available at the main storage facility, these contraceptives were released to the ministry warehouse in two partial deliveries of four and 13 pallets on February 10 and March 11, 1994, respectively. In the interval, the goods were stored outside the Mission's Executive Office warehouse for seven and 36 days after arrival, respectively. The grantee later discovered that 114,000 condoms (approximately 6 percent of the order) costing \$10,000, were infested with termites and needed to be destroyed.



Several cartons of condoms infested with termites.
(Niamey, Niger, June 1994)

An air shipment of contraceptives for the Social Marketing Program arrived in July 1994. The shipment was comprised of eight pallets totaling 167 boxes, containing 1,002,000 condoms valued at \$89,000. Again, the main warehouse was already full so many of the cartons had to be stored in the adjacent MOH offices. These offices were not an optimal storage area in terms of security, access, or physical conditions.

This occurred because contraceptive procurements and arrivals are not adequately coordinated with distribution schedules within Niger. In addition, although the Mission is in possession of the contraceptives' shipping schedule well in advance, it does not inform the Ministry Warehouse Manager of the contraceptives' arrival date, type and quantity until the contraceptives actually arrive.

Recommendation No. 1: We recommend that USAID/Niger, along with the University Research Corporation and the Ministry of Health, develop a procurement plan to coordinate arrivals of contraceptives with distribution schedules.

Proper Receiving/Inspection Reports Need to be Prepared

USAID guidance requires missions, contractors and grantees to document the receipt of commodities.⁸ For example, Handbook 15⁹ requires the host country or grantee to maintain records documenting the arrival of Agency-funded commodities. The recording system must, among other things, provide evidence to show whether commodities are received in the quantity and condition for which payment was made. It must also provide a record of adjustments resulting from importers' claims for loss, shortages, or damage to commodities. However, proper receiving and inspection reports were frequently not prepared for commodity arrivals as follows:

- Under the Sahel project, receiving and inspection reports were not prepared for computer and telecommunications equipment worth \$233,000. Moreover, a receiving report was prepared for computer equipment costing \$138,000; however, the document only identified the *total number* of cartons received at the AGRHYMET center which does not necessarily have any relationship with the actual type and quantity of computer equipment in hand. In addition, the document did not state whether all items acquired were in good working

⁸See policy numbers 3 and 6 in Appendix IV.

⁹See policy number 3 in Appendix IV.

condition. In fact, one of the Gateway computers received was defective and no action had been taken to send it back for repair. This computer costing \$4,300, was received in March 1994 and is still under warranty.

- Under the Family Health project, no receiving and inspection reports were completed for any of the contraceptives costing \$1.7 million that arrived in Niger between 1987 and 1994. Moreover, while we have come across an isolated attempt to reconcile, there is no systematic reconciliation of the quantity of contraceptives received to the quantity of contraceptives procured and shipped.
- The USAID Executive Office (EXO) assists projects in clearing commodities through customs and in delivering the items to project sites. In addition to receiving household furnishings in its warehouse, it sometimes receives and stores other project-funded commodities until the projects are ready to take delivery. The EXO did not always document when items were temporarily stored in its warehouse and subsequently transferred to projects. For example, it did not document the receipt and storage of 22 computers and accessories costing \$131,000 that were bought under the Family Health project. One of these computers was later found missing, but because proper records were not kept, the Mission was unable to determine what happened to it.

The above-mentioned problems occurred for several reasons. First, contractors and grantees either were unaware of the requirements or did not believe it was necessary to prepare receiving and inspection reports. Second, USAID/Niger's project officers did not provide the necessary oversight to ensure that contractors and grantees prepared the reports. Finally, there is no clear policy at the Mission outlining responsibility to prepare the receiving and inspection reports when (i) the commodities are procured outside of Niger by entities such as USAID/Washington offices or the Regional Contracting Office (RCO) at REDSO/WCA¹⁰ in Abidjan, and (ii) the EXO is involved in temporarily storing commodities.

Without proper receiving and inspection reports, the Mission, contractors and grantees cannot assure that commodities are received in the quantity and condition for which payment was made. Consequently, it is difficult to take prompt action to file claims for items that do not arrive or which arrive damaged.

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

2.1 require project officers to ensure that proper receiving and inspection

¹⁰Regional Economic Development Services Office for West and Central Africa.

reports are completed by contractors and grantees for all USAID-financed commodities;

- 2.2 establish a written policy which spells out whose responsibility it is to prepare the receiving and inspection reports when (i) items are procured outside the Mission by the Regional Contracting Office at REDSO/WCA or USAID/Washington for example, and (ii) the EXO is involved in temporarily storing the commodities; and
- 2.3 require the grantee under the Sahel Water Data and Management project (no. 625-0973) to either repair the defective Gateway computer locally, send it back to the supplier for repair under warranty, or claim a refund.

Management Comments and Our Evaluation

USAID/Niger concurred with the findings under Objective 1 and agreed to take the actions spelled out in Recommendation Nos. 1 and 2. With regard to Recommendation No. 2.2, the Mission stated that it has drafted a mission order. This order states responsibilities of all parties concerned for the preparation of receiving and inspection reports for items not procured by the Mission directly. The order also covers the temporary storage of project commodities by the Executive Office. As far as Recommendation No. 2.3 is concerned, USAID/Niger stated that the grantee has ordered a new power supply unit that would render the computer operational. Based on actions taken, Recommendation No. 2.3 is now closed. Recommendation Nos. 1, 2.1 and 2.2 are resolved and can be closed when USAID/Niger provides evidence that the agreed actions have been taken.

OBJECTIVE 2: Were the commodity procurements made in accordance with U.S. Government and USAID source, origin and eligibility requirements, unless waived for good reason?

Commodity procurements complied with U.S. Government and USAID source and origin requirements for all three projects tested. In addition, the procurements complied with eligibility requirements except that USAID/Niger did not ensure that pesticides procured by the EXO and the Family Health project were EPA-approved and bought from a reputable and competent company.

Practically all of USAID/Niger's projects are funded through the Development Fund for

Africa (DFA). Recognizing the difficulty in procuring, maintaining and repairing U.S. commodities in countries funded with DFA appropriations, Congress included a blanket waiver from the standard "Buy America" source and origin requirements. Instead, commodities procured under USAID/Niger projects are generally allowed to be made in (origin) and shipped from (source) any "free world" country.¹¹ All of the \$1.3 million worth of commodities tested complied with this requirement.

USAID/Niger Needs to Ensure that Pesticides are Suitable and Used Properly

U.S. Government regulations and USAID policies and procedures point out that any pesticides purchased must be eligible for Agency financing and be used properly. Moreover, the regulations stipulate that any missions that buy and use pesticides should determine their environmental impact, including any toxic human or environmental hazards associated with their use.¹²

However, we found that the Mission's Executive Office and the contractor under the Family Health project did not follow these stipulations. The EXO/Office of Residence Support (ORS)D procures pesticide services for the fumigation of U.S. direct hire and contractor residences, EXO warehouses, the USAID main annex, and the EXO service center. The EXO/ORS)D used four Nigerien companies/individuals for this job (Koura, Agrimex, Distropro, and Enitrait). These companies were employed without verifying whether the pesticides used were authorized for use by USAID.¹³ In addition, these companies were hired without determining whether they were properly trained to use the pesticides.

In a State Department cable (no. 011071) issued in January 1993, U.S. embassies and USAID missions were warned of the potential safety, health and environmental concerns related to pesticide use. Several EPA-registered pesticides were recommended for fumigation purposes. The EXO compared the pesticides listed in the cable to the pesticides used by Koura¹⁴ and found it necessary to order some pesticides from the Defense General Supply Center. However, the Mission has not yet received the ordered

¹¹As listed in USAID Geographic Code 935.

¹²See applicable regulations at number 11 in Appendix IV.

¹³Generally, pesticides used must be approved and registered by the U.S. Environmental Protection Agency (EPA).

¹⁴ In January 1993, the EXO almost exclusively used Koura for fumigation services.

pesticides and the EXO has not followed up on the order.

Of the at least eight pesticides used by the four companies, we could only verify that one was approved by the EPA while at least one of the remaining seven was banned.

The contractor (URC) for the Family Health project procured pesticides twice: once in March 1994 to spray the cartons of condoms damaged by termites and once in June 1994 to fumigate the main contraceptive warehouse. Again, pest companies were used without first determining whether the pesticides were safe, and whether the companies hired were capable of doing the job properly. Of the five pesticides used by the two companies, we determined that one was approved by the EPA and at least one was prohibited.

The above instances occurred because the EXO did not follow up on its procurement of EPA-registered pesticides. Both the contractor and some of the EXO staff responsible for procuring fumigation services were not aware of these requirements. As a result, ineligible pesticides were used. Fumigation operations could also have been improperly conducted, with severe health consequences. For example, a USAID/Egypt employee recently died in Egypt allegedly after receiving a lethal dose of an unapproved fumigant in her government apartment. In addition, using unapproved pesticides could result in negligence damage claims against the U.S. Government if employees' health was proven to be affected later on.

Recommendation No. 3: We recommend that the Director of USAID/Niger:

- 3.1 require the USAID/Niger Executive Office to immediately ensure that any companies or individuals employed for fumigation purposes (i) use U.S. Environmental Protection Agency-approved pesticides, and (ii) are qualified to use the pesticides; and**
- 3.2 inform its main contractors and grantees of the need to obtain prior written approval from the Mission before any pesticides are procured with USAID funds.**

Management Comments and Our Evaluation

USAID/Niger concurred with the findings under Objective 2 and agreed to take the actions spelled out in Recommendation No. 3.1. Recommendation No. 3.1 is resolved and can be closed when the Mission provides evidence that the agreed actions have been taken.

The Mission did not concur with Recommendation No. 3.2. The Mission pointed out

that as stated in STATE Cable 011071, the improper selection and misuse of pesticides in overseas posts is an ongoing problem. It also said that officials are sometimes confused about which office to contact for technical assistance on pest control problems. USAID/Niger mentioned that contractors and grantees who procure pesticides should have specific directives and/or guidance from the USAID Office of Procurement that explains pesticide procurement requirements. This is why the Mission believes that the USAID Office of Procurement and not project officers, contractors and grantees, should ensure compliance with USAID pesticide requirements.

We plan to review this issue with the USAID/Washington Office of Procurement and this issue may be addressed in the Agency-wide summary report. Nevertheless, we believe that something should be done at the mission level to help ensure that contractor and grantee pesticide procurements comply with U.S. Government and USAID requirements. Currently, there are provisions in contract and grant agreements which require the written approval of USAID before procuring certain restricted commodities including pesticides. These provisions also state that Agency pesticide requirements should be followed. We believe USAID/Niger should inform its main contractors and grantees of the need to obtain prior written approval from the Mission before any pesticides are procured with USAID funds. When approval is sought by contractors and grantees, the Mission can review the proposed procurement and make any information on approved pesticides available to contractors and grantees. As a result, we have revised Recommendation No. 3.2 to stress that contractors and grantees obtain prior written approval from the Mission before any pesticides are procured. Recommendation No. 3.2 remains unresolved pending agreement of actions to be taken.

OBJECTIVE 3: Did USAID/Niger follow USAID policies and procedures to ensure that USAID-financed commodities are being used as intended?

USAID/Niger followed some Agency policies and procedures to ensure that USAID-financed commodities were used as intended. This included incorporating the appropriate clauses in contracts and agreements as well as performing site visits.

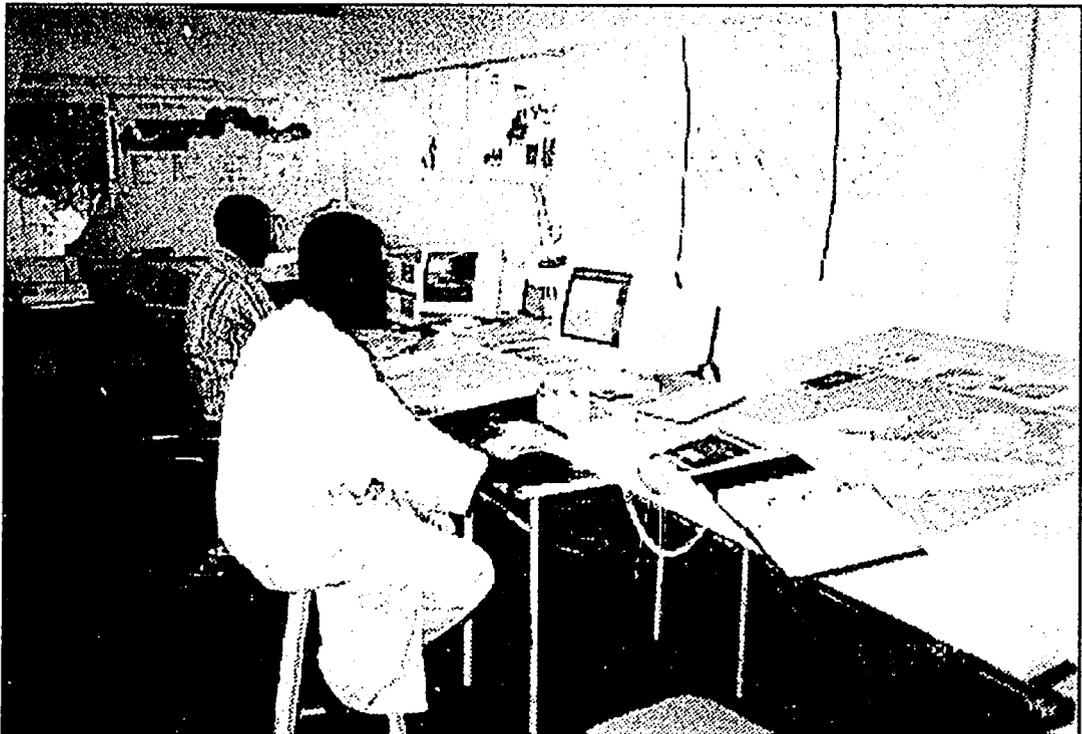
For example, the Mission included the following clause in all three project agreements tested: "Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project."

For its main project contractors, the Mission also included the appropriate contract

clauses¹ which require the contractor to properly control non-expendable property and to submit an annual NXP inventory report.

The Mission relied heavily on the contractors and grantees to comply with the above clauses. In addition, the Mission did some site visits to help ensure that the commodities were being used as intended.² However, the Mission did not follow policies and procedures to assure that contractors and grantees (1) maintained complete and accurate inventory records, (2) disposed of unneeded, obsolete, damaged and defective commodities timely, and (3) tested contraceptives periodically.

Nevertheless, we found that most commodities tested under all three projects were being used as intended. Under the Sahel Phase III Project, our testing of 82 items consisting of telecommunication, computer and office equipment totaling at least \$486,000 showed that 74 items or 90 percent were being used appropriately.



Computer equipment in the
Geographic Information Laboratory,
(AGRHYMET center, Niamey, Niger, June 1994)

¹AIDAR 752.245-70 and 71.

²They rarely put their findings into a report, and when they did, they seldom discussed commodities.

Our testing of contraceptives, office and computer equipment, and vehicles, totaling \$776,000 under the Family Health and Disaster Preparedness Projects also showed that most commodities were being used for their intended purposes. However, the audit discovered several areas where increased attention by the Mission is warranted, as discussed below.

**USAID/Niger Needs to Make Sure
that Inventory Records
are Complete and Accurate**

Agency policies and procedures state that missions should ensure contractors and grantees maintain commodity inventory records. These records should also be updated to show the results of periodic physical inventories. Moreover, contractors are required to submit an annual report on all non-expendable property in a form and manner acceptable to USAID. Finally, Agency guidance states that commodity inventory records should include the necessary information for each item (i.e., commodity description, manufacturer's serial number and/or model number, location, date received, acquisition cost, and condition).¹⁷

The contractor and grantee inventory records were incomplete or inaccurate in many cases as follows:

- Under the Sahel project, the inventory records for computer, telecommunications, and office equipment totaling \$900,000 had not been updated in over two years. Our physical inspection of 82 items showed that 29 items or 35 percent totaling \$164,000 did not have identification tags attached and were not included in the inventory records. Most of these items were computer equipment which could easily be misplaced or stolen. In addition, the records did not show the date received, cost or actual location of many items.
- The contractor's inventory records for office and computer equipment under the Family Health project totaling \$432,000 did not include the commodity's serial number and/or model number for any of the items, the specific location of the items, and did not always break down the commodities into their separate parts (e.g., CPU, monitor, keyboard).
- Under the Family Health project, the inventory records for contraceptives at the main warehouse were generally accurate in terms of quantity. However, because

¹⁷ See 12, 13 and 17 in Appendix IV.

the records were being kept manually, prompt management reports or instant updates are not possible. In addition, computerization can minimize mathematical errors and facilitate reconciliation. The project has spent approximately \$1,000 on a computerized inventory database package and training for the warehouse manager; however, the software is not being used.

- A physical inventory had never been performed on the project-funded household furnishings maintained by the EXO prior to the one conducted in June 1994. In addition, the inventory records were maintained manually. This makes it difficult to know what is not being used and is being stored in the warehouse. For example, we noted two air conditioning units received in December 1989 that have never been used. In addition, we noted several washing machines received in March 1990 that are still in the warehouse. A computerized system would be beneficial in making decisions on procurement, sale, disposal, etc.
- The contractor has not yet tagged and prepared inventory records for office furniture and equipment totaling approximately \$10,000 under the Disaster Preparedness project.

The inventory records were not always accurate because the contractors and grantees did not generally perform periodic physical inventories nor record complete information in their commodity records. Project officers did not generally obtain copies of the commodity records for the three projects, nor review the inventory records during site visits to ensure that they were accurate and comprehensive.

Without complete and accurate commodity accounting records and periodic physical inventories, commodity losses may occur without timely detection. Precise inventory records are also needed so that management can make informed decisions on procurement, utilization, sale, and disposal of commodities.

Recommendation No. 4: We recommend that the Director of USAID/Niger:

- 4.1 require the grantee under the Sahel Water Data and Management project to perform a physical inventory of non-expendable property and update its inventory records;**
- 4.2 require the contractor under the Family Health and Demography project (no. 683-0258) to update its commodity accounting records by including serial numbers, specific locations and the constituent elements of the items missing this information;**
- 4.3 require the grantee under the Family Health project to computerize**

its contraceptive inventory records at the central warehouse in Niamey;

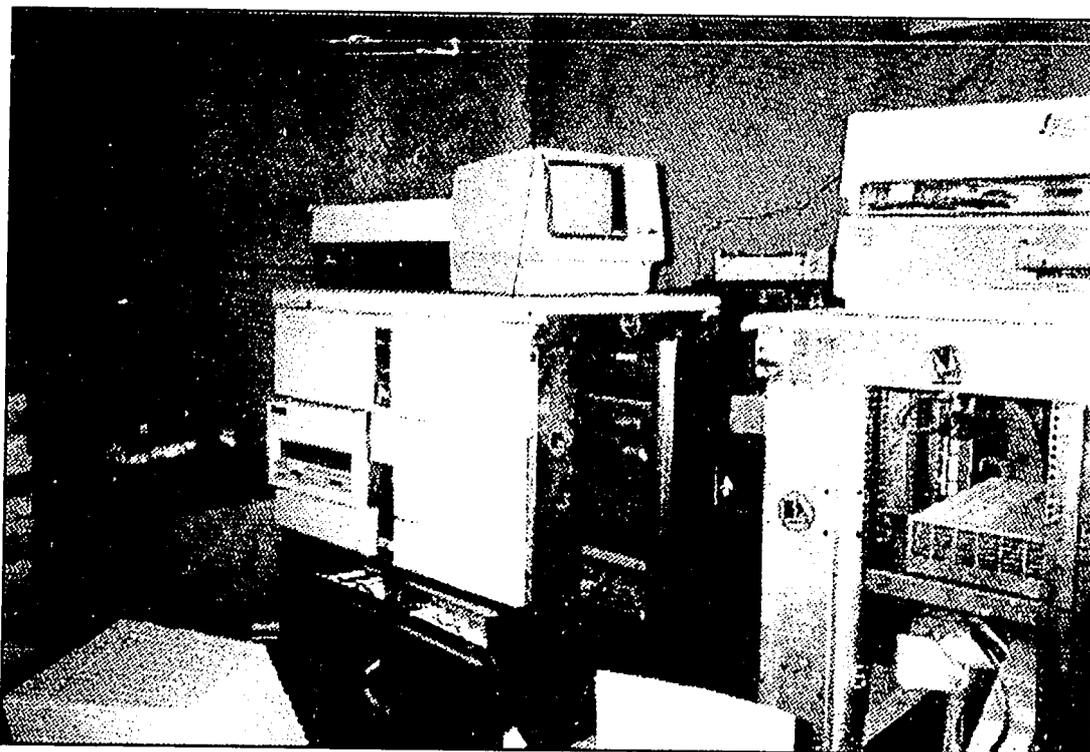
- 4.4 require the USAID/Niger Executive Office to (i) complete the physical inventory of the project-funded household furnishings, (ii) report and investigate any differences between the actual counts and the inventory records, (iii) revise its inventory records to reflect the actual counts, (iv) computerize its inventory records, and (v) submit periodic reports to project officers detailing commodities which remain idle in the warehouse and request a plan of action from them to utilize or dispose of the items;
- 4.5 require the contractor under the Disaster Preparedness and Mitigation Project (no. 683-0279) to affix identification tags and prepare inventory records for the office furniture and equipment thus far received; and
- 4.6 require project officers to ensure that contractors and grantees perform periodic physical inventories and maintain complete and accurate commodity inventory records.

USAID/Niger Needs to Ensure that Commodities are Expeditiously Disposed of

Agency guidance states that USAID is responsible for determining that commodities are being effectively used in the project or, if not, are transferred to other projects or otherwise disposed of.¹⁸ The audit found that obsolete, inoperable and defective items under the Sahel and Family Health Projects were not disposed of timely as follows.

- Under the Sahel project, numerous pieces of equipment (mainly minicomputers, tape and disk drives), were being stored in a warehouse. This equipment worth well over \$100,000, was purchased in the 1980s under Phases I and II of the project. According to grantee officials, most of the equipment had been put into the warehouse at least four to five years ago. Some of the equipment was operable when placed in the warehouse, but it is now obsolete and would be too costly to maintain and repair. The storage conditions in the warehouse are not good as there were dust and cobwebs all over the equipment.

¹⁸See number 18 in Appendix IV.



Obsolete computer equipment that
should be sold or disposed of,
(Niamey, Niger, June 1994)

- In addition to the damaged condoms discussed in Objective 1, there were also several cartons of condoms just outside the main contraceptive warehouse in Niamey. These Sultan-brand condoms were returned to the main warehouse in December 1993 from outlying regions in Niger because they were thought to be defective.



Defective condoms that should be disposed of,
(Niamey, Niger, June 1994)

These projects did not expeditiously dispose of commodities because the Mission did not officially transfer the items to the grantee or give the grantee approval to dispose of them. Further, grantees and project officers did not promptly identify and take action regarding items which needed to be disposed of. As a result, equipment which is obsolete, surplus or inoperable risks further depreciation, damage, loss or theft. It also takes up valuable warehouse space. In addition, there is a risk that defective contraceptives could inadvertently be used.

Recommendation No. 5: We recommend that the Director of USAID/Niger:

- 5.1** instruct the project office concerned to officially turn over the equipment bought under the Sahel Water Data and Management Project (Phases I and II) to the grantee (AGRHYMET) and require the grantee to develop a plan of action within three months to dispose of, sell or salvage the equipment;

- 5.2 require the cognizant project office along with the grantee (Ministry of Health) under the Family Health and Demography project to expeditiously dispose (within 60 days) of the defective and damaged contraceptives; and
- 5.3 require project officers to ensure that contractors and grantees timely dispose of commodities.

**USAID/Niger Needs to Ensure
that Contraceptives Under the Family
Health Project are Periodically Tested**

USAID guidance requires missions to ensure that grantees properly store commodities.¹⁹ Furthermore, because contraceptives such as condoms and intra-uterine devices are susceptible to damage, common practice is to periodically perform tests to ensure that they are fit for use. Although storage conditions in Niger are less than ideal due to extreme heat, dryness, and dust, contraceptives were not periodically tested.

Under the Family Health and Demography project, the Mission donates various contraceptives to the Government of Niger (GON) Ministry of Health for birth control and disease prevention. The contraceptives are sent to the Ministry which stores them in a central warehouse in Niamey from where they are distributed to more than 500 health centers nationwide. Although the central warehouse in Niamey represented some improvement over the norm in Niger, we found that storage conditions were not ideal there either as discussed below:

First, part of the warehouse has a non-tiled floor with cracks from which termites occasionally come out.

Second, the warehouse has no generator to ensure that the contraceptives are stored at the proper temperature levels in the event of power cuts. The electric company occasionally goes on strike which results in temperatures reaching over 40 degrees Celsius in the warehouse.²⁰ Also, because of electricity cuts and the ensuing power surges, two out of the three air conditioning units at the warehouse are broken.

Third, the warehouse does not have a full-time worker to take care of proper storage,

¹⁹See number 16 in Appendix IV.

²⁰Each carton of condoms states that condoms should be protected against exposure to extreme heat (over 40 degrees Celsius or 104 degrees Fahrenheit), moisture, direct sunlight and fluorescent light.

maintenance and cleaning. In addition, the warehouse does not have a supply of detergents and cleaning devices.

These conditions occurred due to a lack of funds. The institutional contractor (URC) does provide funds in emergency situations. For example, they helped fumigate the warehouse to eliminate termites and purchased iron pallets so that the contraceptives would not lie directly on the floor where they would be exposed to more humidity.

Despite these conditions, the Mission's actions to test the quality of the contraceptives have been sporadic and inconclusive. To illustrate, in August 1992, the Mission through Family Health International (FHI) initiated a prospective aging study of contraceptives in Niger. Contraceptive samples were placed in a storeroom deemed to be representative of the norm in Niger. The samples were to remain in storage for up to five years with annual retrievals to check their rate of deterioration. However, the annual monitoring has not taken place. At the same time as this aging study, FHI performed field surveillance activities by taking contraceptive samples at various locations for testing, but again, no follow up ensued.

According to the Mission, URC is responsible for assisting the MOH to implement the project. URC's scope of work has been extended to include a short-term consultation for the first quarter of 1995 during which they will review the conditions and stocking of the contraceptives. However, the consultation's scope of work does not specifically address storage conditions, nor does it specify tests to evaluate the quality of the contraceptives.

Due to the above factors, alongside the poor condition of the warehouse, no one knows whether the contraceptives (valued at approximately \$400,000), are fit for use or if failure rates are acceptable. In addition, because the contraceptives are distributed to health centers nationwide that generally do not have air conditioners, it is questionable whether the manufacturer's established shelf life for the contraceptives remains valid.

Therefore, while we recognize that storage conditions might not be ideal in Niger and that harsh conditions are the rule rather than the exception, we believe that this represents an even more compelling reason for the Mission to promptly assess the quality of the contraceptives, now and in the future. In addition, since large quantities of contraceptives (a sizable safety stock of eight months) are stored in the warehouse, we think that the Mission should study the cost effectiveness of its refurbishment.

Recommendation No. 6: We recommend that the Director of USAID/Niger (a) ensure that contraceptives are regularly tested to verify that they are fit for use and that their preestablished shelf life is not affected, and (b) study the cost effectiveness of refurbishing the Niamey central warehouse.

Management Comments and Our Evaluation

USAID/Niger concurred with the findings under Objective 3 and agreed to take the actions spelled out in Recommendation Nos. 4, 5 and 6.

For Recommendation No. 4, USAID/Niger has already instructed the cognizant contractors and grantees to update their inventory records and perform physical inventories. Moreover, the Executive Office has completed a physical inventory of all project-funded household furnishings and computerized its inventory records.

Regarding Recommendation No. 5, the project officer along with the grantee under the Sahel project agreed on a plan to send a list of the operable items to various Nigerien Ministries and to the University of Niger. This correspondence will also inquire as to their interest in having such equipment. Those items not desired by ministerial offices or the university will be auctioned off by sealed bids and the proceeds returned to the project. Remaining inoperable items will then be discarded.

For Recommendation No. 6, USAID/Niger will (1) require the Government of Niger to include a procedure to test contraceptives regularly in their annual workplans, and (2) request the institutional contractor to engage an expert consultant to study the cost effectiveness of refurbishing the central warehouse.

Recommendation Nos. 4, 5 and 6 are resolved and can be closed when the Mission provides evidence that the agreed actions have been taken.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Niger's management of project-funded commodities in accordance with generally accepted government auditing standards. The audit was performed from May 3, 1994 through July 22, 1994. We conducted our fieldwork at several locations in Niger including USAID/Niger offices, the AGRHYMET center, U.S. contractors' offices, and the Ministry of Health contraceptive warehouses in Niamey; and Ministry of Health clinics in Torodi and Gamkalley. The audit included an assessment of internal controls, and compliance with laws and regulations pertaining to our audit objectives. In addition, the Mission Director, USAID/Niger, made various representations concerning the management of project-funded commodities in a management representation letter provided to RIG/A/Dakar in August 1994.

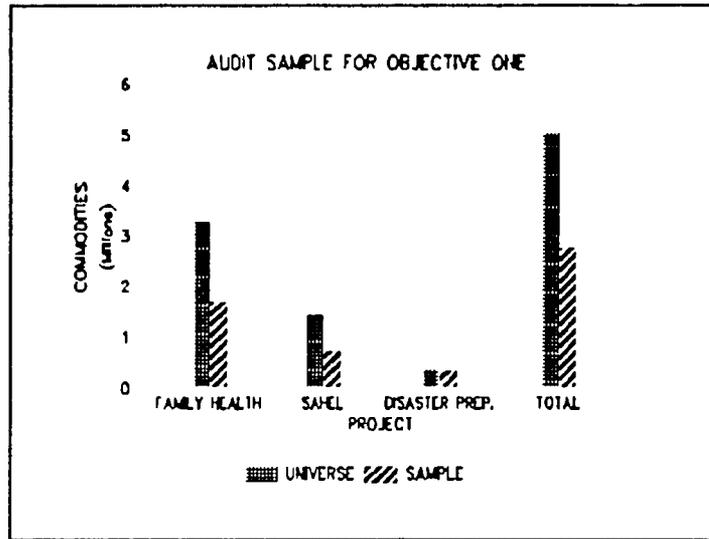
Methodology

Audit Objective One

We reviewed USAID/Niger's system of internal controls²¹ relating to commodity procurement, receipt and inspection. Based on the results of this review and an assessment of risk exposure²², we selected items worth \$2.8 million from the three projects' procurement plans, contracts and agreements. The following bar chart shows the audit sample in relation to the universe for each of the three projects.

²¹i.e. management policies and procedures to ensure that resources are used appropriately, project objectives are achieved and reliable data is obtained, maintained and disclosed in reports.

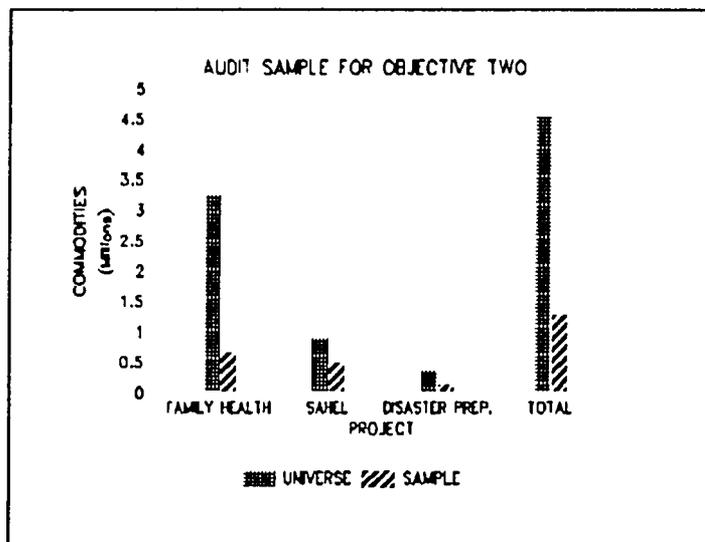
²²viz. risk of abuse, loss, damage, waste and/or misappropriation.



We then reviewed project papers, agreements, workplans, implementation schedules, delivery schedules, contracts, receiving reports, and interviewed mission officials and contractors to determine the dates the commodities were supposed to have arrived versus the date when the commodities actually arrived. Finally, we followed up with mission, grantee and contractor officials to determine the reasons for any significant delays and the consequences for the projects concerned.

Audit Objective Two

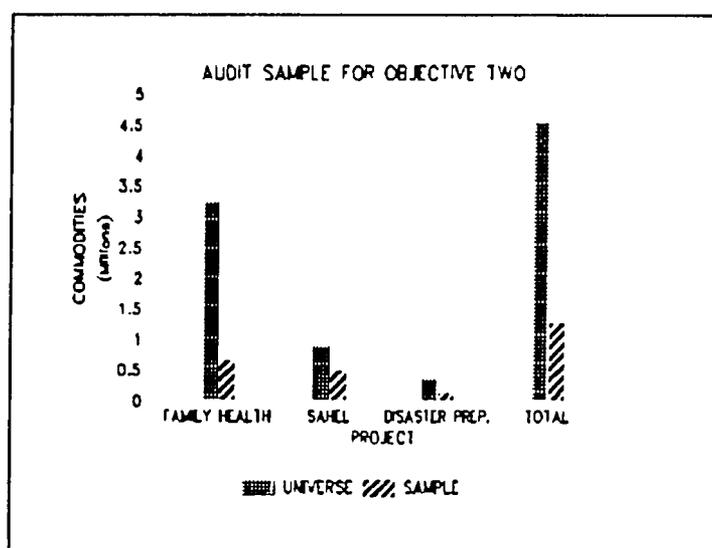
We reviewed the Mission's system of internal controls relating to the oversight of source, origin and eligibility requirements, and obtaining waivers when required. Based on the results of this review and an assessment of risk exposure relating to this objective, we selected items totaling \$1.3 million for testing. The following bar chart depicts the audit sample in relation to the universe for each of the three projects.



We determined the source and origin of the commodities by physically inspecting the items and by reviewing bills of lading, airfreight bills, and vouchers. For any procurements outside the authorized geographic code, we also checked any waiver authorization documentation. For pesticides, we reviewed the EXO and contractor files (i.e., work orders, request to provide services, etc.) and compared the pesticides used to those approved by the EPA. Finally, we interviewed mission and contractor employees to ascertain whether background reviews of the fumigation companies were performed. We also assessed the reasons for any breach of U.S. government and USAID eligibility requirements.

Audit Objective Three

We reviewed the Mission's system of internal controls relating to contractors and grantees maintaining inventory records, storing and utilizing commodities. Based on the results of this review and an assessment of risk exposure relating to this objective, we selected items totaling \$1.3 million from receiving reports, inventory reports and payment records. The following bar chart illustrates the audit sample in relation to the universe for each of the three projects.



We physically inspected the items and interviewed mission, contractor and grantee individuals to assess whether the commodities were being used as intended. For any items not being utilized, we interviewed the parties concerned to find out why. We also, (1) reviewed site visit reports to see if project officers had identified the idle, obsolete, damaged and defective commodities, (2) inspected storage facilities to see if commodities were adequately stored, (3) determined whether contraceptives were periodically tested, and (4) compared items physically inspected to inventory records to check whether the records were complete and accurate.

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NIAMEY 06125

ACTION: RIG-1
INFO: DCM-1 AMB-1

DISTRIBUTION: RIG
CHARGE: RIG

VZCZCDK0609
PP RUEHDK
DE RUEHNM #6125/01 2871032
ZNR UUUUU ZZH
P 141032Z OCT 94
FM AMEMBASSY NIAMEY
TO AMEMBASSY DAKAR PRIORITY 0375
BT
UNCLAS SECTION 01 OF 04 NIAMEY 006125

RIG AIDAC

FOR RIG/A/DAKAR THOMAS B. ANKLEWICH FROM DIRECTOR JAMES
ANDERSON

E.O. 12356: N/A
SUBJECT: MISSION COMMENTS-DRAFT AUDIT REPORT OF USAID'S
MANAGEMENT OF PROJECT-FUNDED COMMODITIES IN NIGER

REF: ANDERSON/SHEPHERD MEMO DATED AUGUST 22, 1994
TRANSMITTING THE DRAFT AUDIT REPORT

1. USAID/NIGER GREATLY APPRECIATES THE TIME AND EFFORT
ON THE PART OF THE RIG/A/DAKAR AUDIT TEAM IN CONDUCTING
THE SUBJECT PERFORMANCE AUDIT. PURSUANT TO YOUR
REQUEST, MISSION COMMENTS ON THE DRAFT REPORT ARE BEING
PROVIDED FOR YOUR CONSIDERATION AND INCLUSION IN THE
FINAL REPORT.

RECOMMENDATION NO. 1: WE RECOMMEND THAT USAID/NIGER,
ALONG WITH THE UNIVERSITY RESEARCH CORPORATION AND THE
MINISTRY OF HEALTH, DEVELOP A PROCUREMENT PLAN TO
COORDINATE ARRIVALS OF CONTRACEPTIVES WITH DISTRIBUTION
SCHEDULES.

MISSION COMMENTS:
USAID/NIGER CONCURS WITH THE FINDING AND RECOMMENDATION.
BASED ON OUR CURRENT SYSTEM, THE SUPPLIES OF
CONTRACEPTIVES ARE ORDERED ON A CYCLE. EVERY YEAR WE
PROVIDE TO USAID/W THE QUANTITY OF
CONTRACEPTIVES THAT WE ESTIMATE AS NEEDED AND CONSISTENT
TO THE AVAILABLE RESOURCES. ON A TRIMESTER BASIS,
USAID/NIGER UPDATES THE CONTRACEPTIVE ORDER. AT
ARRIVAL, CONTRACEPTIVE ORDERS ARE RECEIVED BY
USAID/NIGER AND HANDED OVER TO THE GON.

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4: GDO:HBLUMHAGAN, 5. GDO: WCOLLINS, 6. GDO/DRU:CCOLLINS THEREAFTER, IT IS THE RESPONSIBILITY OF THE GON TO MAKE THE NECESSARY DISTRIBUTION. USAID/NIGER IS NOT WELL INFORMED OF HOW EFFICIENT THE GON NATIONWIDE DISTRIBUTION SYSTEM OPERATES. IT IS APPARENT THAT GON DOES DELAY IN DISTRIBUTING CONTRACEPTIVE SUPPLIES TO THE HEALTH CENTERS. IN PART, THE PROBLEM IS LINKED WITH THE GON DEPARTMENT LEVEL INABILITY TO SYSTEMATICALLY REQUEST FROM THE CENTRAL WAREHOUSE THE NEEDED CONTRACEPTIVES. CLEARLY, THERE IS A NEED FOR IMPROVEMENT. THE PROJECT OFFICER WILL INFORM THE MINISTRY WAREHOUSE MANAGER OF THE CONTRACEPTIVES' IN A TIMELY MANNER, INCLUDING THE ARRIVAL DATE, AND THE TYPE AND QUANTITY OF ITEMS BEFORE THEY ARRIVE.

RECOMMENDATION NO. 2: WE RECOMMEND THAT THE DIRECTOR, USAID/NIGER:

2.1 REQUIRE PROJECT OFFICERS TO ENSURE THAT PROPER RECEIVING AND INSPECTION REPORTS ARE COMPLETED BY CONTRACTORS AND GRANTEE FOR ALL USAID-FINANCED COMMODITIES;

MISSION COMMENTS:
USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. A MEMORANDUM WILL BE SENT TO EACH PROJECT OFFICER NOTIFYING THEM OF THEIR RESPONSIBILITY.

2.2 ESTABLISH A WRITTEN POLICY WHICH SPELLS OUT WHOSE RESPONSIBILITY IT IS TO PREPARE THE RECEIVING AND INSPECTION REPORTS WHEN (i) ITEMS ARE PROCURED OUTSIDE THE MISSION BY THE REGIONAL CONTRACTING OFFICE AT REDSO/WCA OR USAID/WASHINGTON FOR EXAMPLE, AND (ii) THE EXECUTIVE OFFICE IS INVOLVED IN TEMPORARILY STORING THE COMMODITIES.

MISSION COMMENTS:
USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. A MISSION ORDER HAS BEEN DRAFTED. IT STATES CLEARLY BOTH THE RESPONSIBILITIES FOR PREPARATION OF RECEIVING AND INSPECTION REPORTS FOR ITEMS PROCURED OUTSIDE THE MISSION AND THE TEMPORARY STORAGE OF PROJECT COMMODITIES BY THE EXECUTIVE OFFICE. A COPY WILL BE SENT TO YOUR OFFICE FOR REVIEW.

2.3 REQUIRE THE GRANTEE UNDER THE SAHEL WATER DATA AND MANAGEMENT PROJECT (NO.626-0973) TO EITHER REPAIR THE DEFECTIVE GATEWAY COMPUTER LOCALLY, SEND IT BACK TO THE SUPPLIER FOR REPAIR UNDER WARRANTY, OR CLAIM A REFUND.

MISSION COMMENTS:
USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. ON SEPTEMBER 18, 1994, THE MISSION

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DIRECTOR SENT A LETTER TO THE DIRECTOR GENERAL INSTRUCTING HIM TO IMPLEMENT THIS RECOMMENDATION AND TO PROVIDE AN OFFICIAL RESPONSE WHICH INDICATES WHAT ACTION HAS BEEN TAKEN TO RESOLVE THIS MATTER. IN THE INTERIM, THE AGRHYMET REGIONAL CENTER FOLLOWED THE MOST COST EFFECTIVE APPROACH AND ORDERED A NEW POWER SUPPLY THAT WOULD RENDER THE COMPUTER OPERATIONAL.

RECOMMENDATION NO. 3: WE RECOMMEND THAT THE DIRECTOR OF USAID/NIGER:

3.1 REQUIRE THE USAID/NIGER EXECUTIVE OFFICE TO IMMEDIATELY ENSURE THAT ANY COMPANIES OF INDIVIDUALS EMPLOYED FOR FUMIGATION PURPOSES (i) USE U.S. ENVIRONMENTAL PROTECTION AGENCY-APPROVED PESTICIDES, AND (ii) ARE QUALIFIED TO USE THE PESTICIDES; AND

MISSION COMMENTS:

US AID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. USAID/NIGER'S EXECUTIVE OFFICE WILL ENSURE THAT ITS PERSONNEL ARE AWARE OF PROCEDURES FOR THE USE OF PESTICIDES FOR THE FUMIGATION OF RESIDENCES AND OFFICES, THAT ANY COMPANIES USED HAVE BEEN PROPERLY CERTIFIED BY THE COUNTRY OF NIGER AND THAT ALL PESTICIDES SHALL COMPLY WITH EPA REQUIREMENTS. A MISSION ORDER WILL BE PREPARED AND ISSUED TO SET FORTH INSTRUCTIONS AND PROCEDURES FOR THE USE OF PESTICIDES FOR ALL STAFF, CONTRACTORS AND GRANTEEES.

3.2 OBLIGE PROJECT OFFICER, CONTRACTOR AND GRANTEEES TO ENSURE THAT PESTICIDE PROCUREMENT COMPLY WITH U.S. GOVERNMENT AND USAID REQUIREMENTS.

MISSION COMMENTS:

US AID/NIGER DOES NOT CONCUR WITH THIS RECOMMENDATION. AS STATED IN STATE CABLE 011071 DATED JANUARY 13, 1993, THE IMPROPER SELECTION AND MISUSE OF PESTICIDES AT OVERSEAS POSTS IS AN ONGOING PROBLEM. THIS CABLE ON PEST CONTROL SUPPORT ALSO POINTS OUT THAT POST OFFICIALS ARE SOMETIMES CONFUSED ON WHICH OFFICE TO CONTACT FOR TECHNICAL ASSISTANCE ON PEST CONTROL PROBLEMS. WHY DOES RIG/A/DAKAR REQUIRE PROJECT OFFICERS, CONTRACTORS AND GRANTEEES TO MONITOR VENDORS OF PESTICIDES? WE ARE OF THE OPINION THAT THE PROCUREMENT OFFICE SHOULD ENSURE COMPLIANCE WITH U.S. GOVERNMENT AND USAID REQUIREMENTS. IF WE UNDERSTAND THE CONCERN OF THIS AUDIT, CONTRACTORS AND GRANTEEES WHO WILL BE PROCURING PESTICIDES SHOULD HAVE SPECIFIC PROVISIONS AND OR GUIDANCE FROM THE PROCUREMENT OFFICE THAT ADDRESS PESTICIDE PROCUREMENT

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REQUIREMENT OF THE USG AND POSSIBLE DANGERS WHICH COULD RESULT IN HEALTH RISKS OR POSSIBLE LIFE THREATENING CONDITIONS. THERE IS NO TRAINING AVAILABLE TO CONTRACTORS AND GRANTEES THAT WOULD MAKE THIS RECOMMENDATION VALID. THIS RECOMMENDATION SHOULD BE MODIFIED OR DELETED FROM THE AUDIT REPORT.

RECOMMENDATION NO. 4: WE RECOMMEND THAT THE DIRECTOR OF US AID/NIGER:

4.1 REQUIRE THE GRANTEE UNDER THE SAHEL WATER DATA AND MANAGEMENT PROJECT TO PERFORM A PHYSICAL INVENTORY OF NON-EXPENDABLE PROPERTY AND UPDATE ITS INVENTORY RECORDS.

MISSION COMMENTS:
US AID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. ON SEPTEMBER 18, 1994, THE MISSION DIRECTOR SENT A LETTER TO THE DIRECTOR GENERAL INSTRUCTING HIM TO IMPLEMENT THIS RECOMMENDATION AND TO PROVIDE AN OFFICIAL RESPONSE WHICH INDICATES WHAT ACTION HAS BEEN TAKEN TO RESOLVE THIS MATTER.

4.2 REQUIRE THE CONTRACTOR UNDER THE FAMILY HEALTH AND DEMOGRAPHY PROJECT (NO.683-0258) TO UPDATE ITS COMMODITY ACCOUNTING RECORDS BY INCLUDING SERIAL NUMBERS, SPECIFIC LOCATIONS AND THE CONSTITUENT ELEMENTS OF THE ITEMS MISSING THIS INFORMATION.

MISSION COMMENTS:
US AID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. ON AUGUST 30, 1994, THE PROJECT OFFICER INFORMED THE CONTRACTOR, UNIVERSITY RESEARCH CORPORATION TO UPDATE ITS COMMODITY ACCOUNTING RECORDS. ON SEPTEMBER 1, 1994, THE CONTRACTOR ADVISED THE MISSION THAT IT WILL MAKE THE NECESSARY CORRECTIONS AND WILL PROVIDE REPORTS WHEN REVISIONS TO THE COMPUTERIZED INVENTORY DATABASE HAVE BEEN COMPLETED.

4.3 REQUIRE THE GRANTEE UNDER THE FAMILY HEALTH PROJECT TO COMPUTERIZE ITS CONTRACEPTIVE INVENTORY RECORDS AT THE CENTRAL WAREHOUSE IN NIAMEY;

MISSION COMMENTS:
US AID/NIGER CONCURS WITH FINDINGS AND RECOMMENDATION. AS STATED IN THE DRAFT REPORT ON PAGE 10, THE PROJECT HAS FINANCED THE ESTABLISHMENT OF A COMPUTERIZED INVENTORY DATABASE PACKAGE. THE PROJECT OFFICER HAS DISCUSSED THIS ISSUE WITH THE CONTRACTOR AND AN AGREEMENT HAS BEEN MADE TO COMPLETE THE TRAINING OF LOGISTICS PERSONNEL WITHIN THE NEXT THREE (3) MONTHS.

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4.4 REQUIRE THE USAID/NIGER EXECUTIVE OFFICE TO (i) COMPLETE THE PHYSICAL INVENTORY OF THE PROJECT-FUNDED HOUSEHOLD FURNISHINGS, (ii) REPORT AND INVESTIGATE ANY DIFFERENCES BETWEEN THE ACTUAL COUNTS AND THE INVENTORY RECORDS, (iii) REVISE ITS INVENTORY RECORDS TO REFLECT THE ACTUAL COUNTS, (iv) COMPUTERIZE ITS INVENTORY RECORDS, (v) SUBMIT PERIODIC REPORTS TO PROJECT OFFICERS DETAILING COMMODITIES WHICH REMAIN IDLE IN THE WAREHOUSE AND REQUEST A PLAN OF ACTION FROM THEM TO UTILIZE OR DISPOSE OF THE ITEMS.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. AN INVENTORY OF ALL PROJECT-FUNDED HOUSEHOLD FURNISHINGS HAS BEEN RECONCILED, COMPUTERIZED AND COMPLETED. A COPY OF THE REPORT WILL BE FORWARDED FOR YOUR REVIEW.

4.5 REQUIRE THE CONTRACTOR UNDER THE DISASTER PREPAREDNESS AND MITIGATION PROJECT NO. 683-0279) TO AFFIX IDENTIFICATION TAGS AND PREPARE INVENTORY RECORDS FOR THE OFFICE FURNITURE AND EQUIPMENT THUS FAR RECEIVED; AND

MISSION COMMENTS:

USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. BECAUSE OF THE POSITIVE INTERACTION BETWEEN THE AUDIT TEAM AND MISSION MANAGEMENT STAFF ALL MATERIALS WERE CORRECTLY AFFIXED WITH IDENTIFICATION TAGS PRIOR TO THEIR DEPARTURE. PHOTOGRAPHS CAN BE PROVIDED ACCORDINGLY. THE PROJECT OFFICER IS STILL PREPARING INVENTORY RECORDS FOR OFFICE FURNITURE RECEIVED. A COPY OF THE REPORT WILL BE FORWARDED FOR YOUR REVIEW.

4.6 REQUIRE PROJECT OFFICERS TO ENSURE THAT CONTRACTORS AND GRANTEEES PERFORM PERIODIC PHYSICAL INVENTORIES AND MAINTAIN COMPLETE AND ACCURATE COMMODITY INVENTORY RECORDS.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH FINDINGS AND RECOMMENDATION. EACH PROJECT OFFICER HAS DISCUSSED THIS ISSUE WITH THE VARIOUS CONTRACTORS AND GRANTEEES. AN OFFICIAL LETTER FROM THE MISSION DIRECTOR WILL BE SENT TO EACH CONTRACTOR AND GRANTEE TO REMIND THEM OF THEIR RESPONSIBILITY TO MAINTAIN ACCURATE COMMODITY INVENTORY RECORDS. WE WILL ALSO RECOMMEND TO THE GRANTS AND CONTRACTS OFFICERS TO INCLUDE A CLAUSE IN THE CONTRACT AND OR AGREEMENT WHICH REQUIRES THE CONTRACTOR AND

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GRANTEE TO PERFORM PERIODIC PHYSICAL INVENTORIES AND MAINTAIN COMPLETE AND ACCURATE COMMODITY INVENTORY RECORDS. WE ARE OF THE OPINION THAT THE DISCUSSION OF THIS PROCEDURE SHOULD BE AN INTEGRAL PART OF THEIR NEGOTIATION PROCESS.

RECOMMENDATION NO. 5: WE RECOMMEND THAT THE DIRECTOR OF USAID/NIGER:

5.1 INSTRUCT THE PROJECT OFFICE CONCERNED TO OFFICIALLY TURN OVER THE EQUIPMENT BOUGHT UNDER THE SAHEL WATER DATA AND MANAGEMENT PROJECT (PHASE I AND II) TO THE GRANTEE (AGRHYMET) AND REQUIRE THE GRANTEE TO DEVELOP A PLAN OF ACTION WITHIN 3 MONTHS TO DISPOSE OF, SELL OR SALVAGE THE EQUIPMENT.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. THE PROJECT OFFICER HAS PREPARED A LETTER WHICH WILL BE SENT WITHIN THE WEEK TO THE DIRECTOR GENERAL OF AGRHYMET OFFICIALLY TURNING OVER THE EQUIPMENT PURCHASED UNDER PHASE I AND II TO THE SUB-GRANTEE AGRHYMET, AND REQUESTING AGRHYMET TO DEVELOP A PLAN OF ACTION TO DISPOSE OF, SELL OR SALVAGE THE EQUIPMENT. INFORMALLY, AGRHYMET HAS BEEN MADE AWARE THAT THE LETTER IS FORTHCOMING. AGRHYMET'S PLAN FOR PROPER DISPOSAL OF THE EQUIPMENT HAS BEEN DISCUSSED INFORMALLY WITH THE USAID PROJECT MANAGER AND CONSISTS OF THE FOLLOWING: (A) A COMPREHENSIVE LIST WILL BE MADE OF EQUIPMENT AND COMMODITIES IN THE WAREHOUSE, CATEGORIZING ITEMS AS INOPERABLE, OPERABLE, AND OPERABLE BUT OBSOLETE, (B) THE INOPERABLE ITEMS WILL BE DISCARDED, (C) A LIST OF THE OPERABLE ITEMS, INCLUDING THE OBSOLETE ONES WILL BE SENT TO VARIOUS NIGERIESE MINISTRIES AND TO THE UNIVERSITY OF NIGER, INQUIRING AS TO THEIR INTEREST IN HAVING SUCH EQUIPMENT FOR APPROPRIATE ACTIVITIES INCLUDING COMPUTER TRAINING, AND (D) THOSE ITEMS NOT DESIRED BY MINISTERIAL OFFICES OR THE UNIVERSITY WOULD BE AUCTIONED OFF BY SEALED BIDS AND THE PROCEEDS RETURNED TO THE PROJECT. ANY ITEMS REMAINING WHICH ARE OPERABLE WILL BE DONATED TO SCHOOLS,

INTERESTED ORGANIZATIONS OR PERSONS. ESSENTIALLY AN INFORMAL PLAN EXISTS ALREADY. HOWEVER, BECAUSE THE DIRECTOR OF THE OPERATIONS AND MAINTENANCE DIVISION IS PRESENTLY WITHOUT ANY ASSISTANCE AND WILL BE OUT OF THE COUNTRY FOR ONE MONTH, BEGINNING ON SEPTEMBER 26, 1994 THE LIST OF EQUIPMENT WILL NOT BE READY TILL NOVEMBER 1994.

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5.2 REQUIRE THE COGNIZANT PROJECT OFFICE ALONG WITH THE GRANTEE (MINISTRY OF HEALTH) UNDER THE FAMILY HEALTH AND DEMOGRAPHY PROJECT TO EXPEDITIOUSLY DISPOSE (WITHIN 60 DAYS) OF THE DEFECTIVE AND DAMAGED CONTRACEPTIVES.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. NO ACTION HAS BEEN TAKEN BY THE MISSION. THE PROJECT OFFICER WILL COORDINATE THIS ISSUE WITH BOTH THE MINISTRY OF HEALTH AND THE INSTITUTIONAL CONTRACTOR.

5.3 REQUIRE PROJECT OFFICERS TO ENSURE THAT CONTRACTORS AND GRANTEES TIMELY DISPOSE OF COMMODITIES.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH FINDINGS AND RECOMMENDATION. A MISSION ORDER WILL BE ISSUED.

RECOMMENDATION NO. 6: WE RECOMMEND THAT THE DIRECTOR OF USAID/NIGER (A) ENSURE THAT CONTRACEPTIVES ARE REGULARLY TESTED TO VERIFY THAT THEY ARE FIT FOR USE AND THAT THEIR PREESTABLISHED SHELF LIFE IS NOT AFFECTED, AND (B) STUDY THE COST EFFECTIVENESS OF REFURBISHING THE NIAMEY CENTRAL WAREHOUSE.

MISSION COMMENTS:

USAID/NIGER CONCURS WITH THE FINDINGS AND RECOMMENDATION. USAID/NIGER WILL REQUIRE THE GON TO INCLUDE IN THEIR ANNUAL WORK PLANS A PROCEDURE AND OR ACTIVITY TO TEST CONTRACEPTIVES REGULARLY.

WE WILL REQUEST THE INSTITUTIONAL CONTRACTOR, UNIVERSITY RESEARCH CORPORATION TO ENGAGE AN EXPERT CONSULTANT TO STUDY THE COST EFFECTIVENESS OF REFURBISHING THE NIAMEY CENTRAL WAREHOUSE. DAVISON

BT
#6125

NNNN

UNCLAS RIG AIDAC FOR RIG/A/DAKAR USAID NIAMEY 06125

LISTING OF USAID/NIGER COMMODITY PORTFOLIO BY PROJECT AS OF APRIL 30, 1994*

<u>ITEM NUMBER</u>	<u>PROJECT NUMBER</u>	<u>PROJECT TITLE</u>	<u>START DATE</u>	<u>PACD</u>	<u>COMMITMENTS</u>	<u>EXPENDITURES</u>
1	683-0258	FAMILY HEALTH AND DEMOGRAPHY	08/16/88	07/31/95	\$3,256,004	\$3,183,100
2	625-0973	SAHEL WATER DATA AND MANAGEMENT III	09/01/87	12/31/94	**1,408,632	**1,408,632
3	683-0256	NIGER APPLIED AGRICULTURAL RESEARCH	06/10/87	05/01/97	800,988	689,345
4	683-0279	DISASTER PREPARATION AND MITIGATION	09/29/92	12/31/97	364,000	364,000
5	683-0265	AGRICULTURE SECTOR DEVELOPMENT GRANT II	08/24/90	12/31/95	393,544	384,085
6	683-0260	RURAL ORGANIZATIONS DEVELOPMENT	08/25/89	09/01/94	387,310	387,310
7	683-0254	NIGER HEALTH SECTOR SUPPORT	08/28/86	08/31/95	387,269	356,586
8	683-0269	NIGER CREDIT UNION DEVELOPMENT II	09/01/92	08/31/97	172,706	172,706
9	625-0517	EMERGENCY LOCUST/GRASSHOPPER ASSISTANCE	06/06/87	12/31/94	172,317	124,902
10	683-0278	GOURE NATURAL RESOURCE MGMT INTERVENTIONS	08/26/92	6/30/96	166,386	166,386
11	698-0466	FAMINE EARLY WARNING SYSTEMS	05/31/90	12/31/94	77,325	52,597
12	683-0266	POLICY ANALYSIS AND MONITORING	06/01/90	06/30/96	40,187	20,265
13	698-0462	FAMILY HEALTH INITIATIVES	05/20/88	09/30/94	38,229	28,328
14	683-0272	MARADI MICRO ENTERPRISE DEVELOPMENT	07/31/91	07/01/96	31,719	31,719
15	683-0263	NIGER ECONOMIC POLICY REFORM PROGRAM	08/29/88	12/31/94	16,040	3,616
16	698-0541	DEMOCRACY AND HUMAN RIGHTS	03/05/92	07/31/94	5,000	4,233
TOTAL					<u>\$7,717,656</u>	<u>\$7,377,810</u>

*Source: Unaudited MACS (Mission Accounting Control System) reports and project records.

** Amount represents total commodities procured under the project, including commodities in countries other than Niger. Commodities in Niger are estimated to be worth \$900,000.

RELEVANT REGULATIONS, POLICIES, AND PROCEDURES

OBJECTIVE 1:

1. *Handbook 1*, Supplement B (Procurement Policies) Chapter 24, Section A1 states that timely and appropriate use of project assistance commodities means delivery and use of the commodities in accordance with the purpose of the project and project implementation plans.
2. *Handbook 3*, Appendix 11C includes various references for monitoring commodities including the need to review the status of the procurement of goods and services and to confirm the installation and effective utilization of major pieces of equipment.
3. *Handbook 15*, Chapter 10(B)(2) requires the host country or grantee to maintain records documenting the arrival and disposition of Agency-financed commodities. The system must: (1) identify the parties to the transaction and provide other data necessary for end-use investigation; (2) provide evidence to show whether commodities are received in the quantity and condition for which payment was made; and (3) provide a record of adjustments resulting from importers' claims for loss, shortages, or damage to commodities.
4. *Handbook 15*, Chapter 10D4 suggests the performance of end-use checks on a sample of arrival/releases with selective follow-up to the point of utilization in order to evaluate the continued effectiveness of recipient import systems.
5. *Handbook 15*, Chapter 10(E) titled "Description of Procedures" states that the Mission should maintain a current description of the recipient's commodity arrival and disposition system, the mission evaluation of the system, and the monitoring procedures established.
6. *USAID Acquisition Regulation 752.245-71* requires contractors to prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody, and care of non-expendable property for which the contractor has custodial responsibility.

OBJECTIVE 2:

7. Section 604(a) of the *Foreign Assistance Act (FAA)*, as amended in October 1992, is the basic regulation for source and origin policies. Section 604(a) requires procurements outside the United States to be generally limited to goods and services from the United States (Code 000), the recipient country and low-income developing countries (Code 941).
8. Section 496, Chapter 10(4) of the *Foreign Assistance Act of 1961 (P.L. 87-195)* states that funds provided by the Development Fund for Africa (DFA) are exempt from Section 604a.
9. *DFA Procurement Guidance* issued in April 1988 and the revised guidance issued in State cable 044619 in February 1993.
10. *Handbook 1*, Supplement B, Chapters 4 and 5 on source, origin and eligibility requirements. The approval of the Assistant Administrator or his/her designee is necessary before waiving a source, origin or eligibility requirement (Note: any waivers are normally included in the project paper as annexes).
11. USAID Regulation 16 (22 CFR Part 16), in *Handbook 3*, Appendix 2D, Section 216.3 (b) stipulates that any projects that procure and use pesticides should determine their environmental impact, including any human or environmental toxicological hazards associated with the proposed use.

OBJECTIVE 3:

12. USAID *Acquisition Regulation 752.245-70* requires an annual report by contractors of property. In this report, contractors are required to certify that physical inventories are periodically performed and the inventory records are adjusted to reflect the actual counts.
13. USAID *Acquisition Regulation 752.245-71* requires contractors to prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody, and care of non-expendable property for which the contractor has custodial responsibility.
14. USAID standard clause in project agreements (Annex 2, Section B.3) states that "any resources financed under the Grant will, unless otherwise agreed in writing by USAID, be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project".

15. *Handbook 3*, Appendix 11C, includes various references for monitoring commodities including the need to review the status of the procurement of goods and services and to confirm the installation and effective utilization of major pieces of equipment.

16. *Handbook 3*, Appendix 11E, "Specific Monitoring Responsibilities", states that project officers should review borrower/grantee commodity storage and warehousing methods to ensure safekeeping of goods.

17. *Handbook 13*, Chapter 1 states that commodity inventory records should include the necessary information for each item.

18. *Handbook 15*, Chapter 10(D) states that USAID is responsible for determining that commodities are being used effectively in the project or, if not, are transferred to other projects or otherwise disposed of.

19. *Handbook 23* requires missions to keep records for each vehicle showing how it was used and how much fuel it consumed (Appendix 6A, paragraph 228.7). Paragraph 228.6-1 prescribes the use of a "Daily Vehicle Usage Report."

GLOSSARY OF TERMS

AGRHYMET - The Agriculture, Hydrology and Meteorology Center in Niamey, Niger. The AGRHYMET center provides agrometeorological and hydrological services such as data collection, analysis and diffusion to national centers (called NACS) in nine Sahelian countries.

CILSS - The Permanent Inter-State Committee for the Control of Drought in the Sahel.

COMMODITIES - Any material, article, supply, goods or equipment.

DFA - Development Fund for Africa.

eligibility - Whether the commodity is suitable for USAID financing.

EPA - Environmental Protection Agency.

EXO - USAID/Niger's Executive Office.

FHI - Family Health Initiatives.

GON - Government of Niger.

MOH - Ministry of Health.

NACS - National AGRHYMET Centers.

NXP - Non-expendable property is property which is "complete in itself, does not lose its identity or become a component part of another article when put to use, is durable, with an expected service life of two years or more, and which has a unit cost of more than \$500."

origin - The country where the commodity is made.

ORSD - Office of Residence Support.

OYB - Operating Year Budget.

RCO - Regional Contracting Office.

REDSO/WCA - Regional Economic Development Services Office for West and Central Africa.

source - The country from where the goods are shipped.

URC - University Research Corporation.

WMO - World Meteorological Organization. WMO is a grantee under the Sahel project.

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