
Audit of
USAID/Malawi's Accountability of Project-Related
Commodities During an Emergency Evacuation

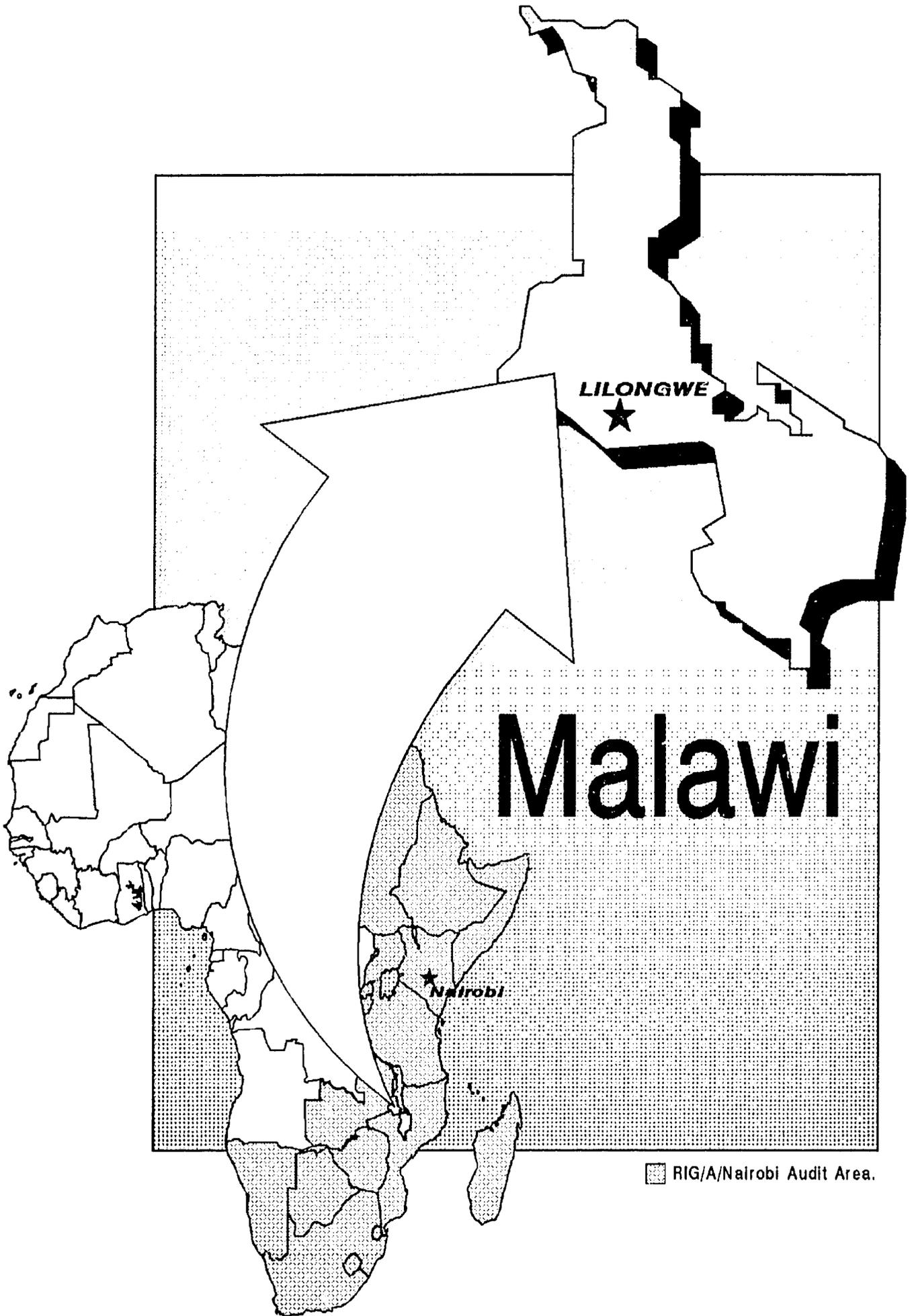
Audit Report No. 3-612-95-001
November 7, 1994



INSPECTOR
GENERAL

**Audit of
USAID/Malawi's Accountability of Project-Related
Commodities During an Emergency Evacuation**

**Audit Report No. 3-612-95-001
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LILONGWE



Malawi

Nairobi

■ RIG/A/Nairobi Audit Area.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 7, 1994

MEMORANDUM

TO: USAID/Malawi, Cynthia Rozell

FROM: RIG/A/Nairobi, Everette B. Orr *Everette B. Orr*

SUBJECT: Audit of USAID/Malawi's Accountability of Project-Related
Commodities During an Emergency Evacuation

*Regional
Inspector General
for Audit/Nairobi*

This memorandum is our report on the "Audit of USAID/Malawi's Accountability of Project-Related Commodities During an Emergency Evacuation", Report No. 3-612-95-001. We considered your comments on the draft report and have included them as Appendix II to this report. Based on the results of our audit, the report contains one recommendation. Please respond to the report within 30 days indicating any actions planned or taken to implement the recommendation contained in the report.

We appreciate the cooperation and courtesies extended to us during this audit.

Background

The ultimate responsibility for emergency planning of USAID missions abroad is vested in the Department of State and carried out by the U.S. mission in the country where an emergency occurs. An emergency includes a threat to American lives, property, or interests demanding immediate attention. Consequently, we believe when an emergency does arise it is important to protect project-related commodities to the extent possible. It is essential for the USAID Mission Director or designee to participate fully in emergency planning at post.

USAID operates in the developing world, often in countries which are politically unstable. Due to the increasing incidences of political crisis and civil unrest worldwide--particularly in the Middle East and Africa--emergency evacuations have occurred in such countries as Yemen, Somalia and

Rwanda. Although the safety and protection of lives is of utmost importance during an emergency evacuation, the storage and protection of millions of dollars of U.S. Government equipment should also be planned in advance.

In April 1994, the USAID Regional Inspector General for Audit, Nairobi (RIG/A/N) assessed USAID/Yemen's preparedness to safeguard and account for project-related equipment before, during and after that mission's emergency evacuation during the Gulf War Crisis of 1991. During the course of that work, the auditors found that before the evacuation, USAID/Yemen had no contingency plans to safeguard and account for the equipment. Because such planning did not occur, project equipment valued at about \$8.9 million could not be fully accounted for. Therefore, RIG/A/Nairobi decided to carry out similar work at three other missions within our region. This report is one of three we plan to issue on contingency planning at those missions.

Audit Objective

The USAID Regional Inspector General for Audit, Nairobi conducted an audit at USAID/Malawi to answer the following objective:

Does USAID/Malawi Have a Plan to Protect and Account for Project-Related Commodities During an Emergency Evacuation?

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

Audit Findings

Does USAID/Malawi have a plan to protect and account for project-related commodities during an emergency evacuation?

USAID/Malawi does not have a plan to protect and account for project-related commodities during an emergency evacuation.

Emergency planning should include the safeguarding of USAID project-related commodities during emergency evacuations.

USAID Handbook 23, Chapter 12, prescribes procedures for emergency planning at missions. Although the guidance requires planning for emergencies involving threats to American lives, *property* and interests, it does not specifically mention project-related commodities. However, we believe protecting American *property* includes protecting American financed project-related commodities and therefore the intent of the guidance requires missions to have a plan to safeguard project commodities during emergency situations.

At USAID/Malawi, there were no specific plans to account for project-related commodities in the event of an emergency situation. This was confirmed by the USAID/Malawi Controller and the U.S. Embassy Post Security Officer. According to the USAID/Malawi Controller, the Mission does not have a contingency plan in place to safeguard project-related commodities during an emergency evacuation because there is no specific requirement for such a plan. The U.S. Embassy Post Security Officer stated that the Embassy emergency evacuation plan is primarily concerned with the safety of U.S. citizens. She said that the plan does not include the safeguarding of USAID project-related commodities nor was she aware of any requirement to do so. However, they agreed that such advance planning for the protection of project-related commodities is necessary.

Without a proper contingency plan in place, the ability to safeguard and account for at least \$3.7 million of USAID-financed project-related commodities could be limited in the event of an emergency situation in Malawi.

Accordingly, because of the increasing incidence of crises in developing countries and the relative risks and vulnerabilities associated with these potential situations, we believe that USAID/Malawi should develop and document a contingency plan for the protection and accountability of project-related commodities during an emergency situation. This contingency plan should consider provisions, such as:

- transferring of property to secure facilities;

- appointing Foreign Service Nationals as de facto mission representatives with responsibility over project-related commodities during absence of U.S. direct hire employees;
- requiring contractors to maintain back-up inventory records outside the country; and
- establishing procedures to ensure physical inventories are taken, reconciliations performed, and missing property written-off as soon as practical following the resumption of program activities.

Recommendation No. 1: We recommend USAID/Malawi develop contingency plans to safeguard and account for project-related commodities during an emergency evacuation.

Management Comments and Our Evaluation

USAID/Malawi concurred with our recommendation. However, the Mission stated it did not believe it would be feasible or cost-effective to relocate project-related commodities to secure facilities during an emergency evacuation. The Mission said the consolidation of commodities may actually facilitate, rather than hinder, their loss. Additionally, the Mission said the appointment of a Foreign Service National as de facto Mission representative during periods of national insurrection, when loyalties are tested to their fullest, would place too much temptation, combined with peer pressure and threats, on the individual to dispose of millions of dollars of commodities.

USAID/Malawi said it did not believe all suggestions in this report would be applicable to all missions and that USAID/Washington should provide guidance to missions on standard procedures for emergency evacuations.

We agree that some suggestions in this report may not be applicable to a particular locale. Mission management with USAID/Washington will need to determine the appropriate management tools to best protect project-related commodities during an emergency.

APPENDICES

SCOPE AND METHODOLOGY

Scope

We audited to determine whether USAID/Malawi has a plan to account for project-related commodities during a phased emergency evacuation in accordance with generally accepted government auditing standards. The audit was conducted from July 19, through July 21, 1994, at the USAID Mission in Lilongwe, Malawi. In conducting our field work, we reviewed Mission records and interviewed responsible U.S. Embassy, USAID/Malawi and contractor personnel. We also made site visits to inspect project-related commodities.

To determine USAID/Malawi's audit universe for commodities, we relied on the Mission Accounting and Control System (MACS) as of July 18, 1994. MACS reported that USAID/Malawi had disbursed at least \$3.7 million for commodities.

The audit did not assess the overall reliability of the MACS data since the data was merely used to quantify the maximum potential loss to the Mission in the event of an emergency situation.

Methodology

Our audit objective was to determine whether USAID/Malawi has a plan to account for project-related commodities during a phased emergency evacuation. To answer this objective, we reviewed mission records, including mission operating procedures, which indicated USAID/Malawi had no emergency evacuation plan in place. We also interviewed responsible U.S. Embassy, USAID/Malawi and contractor personnel and made site visits to inspect project-related commodities.



U.S. Agency For International Development
memorandum

DATE: October 12, 1994

REPLY TO
ATTN OF: USAID/MALAWI, DIRECTOR, Cynthia F. Rozell *C. Rozell*

SUBJECT: Audit of USAID/Malawi's Accountability of Project-Related Commodities During an Emergency Evacuation

TO: RIG/A/N, Evrette B. Orr

RECEIVED

25 OCT 1994

RIG/A/N

The following comments are in response to subject audit:

Mission Comment to Recommendation No. 1

The Mission concurs in the recommendation that a contingency plan to safeguard and account for project-related commodities during an emergency evacuation is necessary and such a plan will be developed. However there are several points that must be considered and for which guidance is requested.

1. The audit indicates that at least \$22.7 million of USAID financed project-related commodities could be at risk. This figure was determined by adding the PIO/Cs from MACS reports. The figure is misleading since many of the commodities purchased are expendables, such as drugs or have long since been turned over to the GOM or are no longer under the purview of USAID. A more realistic figure of approximately \$3.7 million should have been used and was available to the auditor from various project inventories of commodities. We therefore request that the \$22.7 million figure in the report be reduced to \$3.7 million.
2. The audit recommends that in case of an emergency evacuation commodities should be transferred to secure facilities. Such a provision sounds reasonable until one considers that project commodities are spread over various parts of the country, many of which are difficult to access. In addition, no such secure facility exists at this time of sufficient size to cope with the many vehicles, hardware and supplies in the custody of

ACTION COPY

Action taken _____
Date _____
No action necessary _____
(Initials) (Date)

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contractors and grantees, nor would it be cost effective to obtain or construct such a facility. And certainly, in the event of an emergency evacuation, time would preclude its construction. Mission therefore requests that USAID/W provide guidance for standard procedures to the field missions.

3. The recommendation to appoint Foreign Service Nationals as the de facto Mission representatives to have "responsibility" for commodities during absence of U.S. direct hire employees is, assuming secure facilities could be developed in the time allowed, tenuous at best. Experience has shown that during periods of national insurrection loyalties of foreign nationals are tested to their fullest. Certainly the temptation of such a custodian to dispose of many millions of dollars worth of equipment during a period when the future is uncertain, combined with peer pressure and threats, is almost too much to put in front of anyone. While this may be the only alternative, the gathering of all commodities into a central location may actually facilitate, instead of hinder the loss of the commodities as recent experience in Zaire has shown. Mission, therefore, believes that such a recommendation should be made to USAID/W for consideration and that USAID/W provide guidance for standard procedures to the field missions.
4. Requiring contractors to maintain current inventories and keep back-up records outside the country is no problem and Mission welcomes formalizing this suggestion. In fact, the Mission has fairly complete inventories from most contractors at this time.

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American Ambassador to Malawi	1
Director, USAID/Malawi	5
AA/AFR	1
AFR/CONT	1
AFR/SA/MBZ	1
LPA	1
LPA/PA/PR	1
GC	1
AA/M	1
AA/PPC	1
M/FM	1
AA/G	1
PPC/CDIE/DI	1
M/MPI	1
M/FM/FS	2
M/FM/PPC	1
REDSO/ESA	1
REDSO/RPMC	1
REDSO/Library	1
AIG/A	1
D/AIG/A	4
IG/LC	1
IG/RM	12
AIG/I&S	1
IG/I/NFO	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Singapore	1
RIG/A/San Jose	1
RIG/A/EUR/W	1
RIG/A/Bonn	1

APPENDIX IV

Major Contributors to this Report

Regional Inspector General
for Audit, Nairobi, Kenya

Peter Greene, Audit Manager
Sheldon Schwartz, Auditor-in-Charge
Sam Kariuki, Referencer
Derald Everhart, Editor