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Auditor General

REPORT ON EXAMINATION OF AID PROGRAMS

ADMINISTERED AT THE

REGIONAL DEVELOPMENT OFFICE/NIAMEY

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REPORT ON EXAMINATION OF THE AID PROGRAMS ADMINISTERED AT THE REGIONAL DEVELOPMENT OFFICE/NIAMEY

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I. INTRODUCTION

AID-financed programming in the countries of Niger, Benin and Togo are administered from a Regional Development Office located in Niamey, Niger. As shown in Exhibit A, we reviewed eleven projects and/or loans, plus support activities of the Mission, to determine if the programs were effectively managed and to identify any problem areas requiring management attention. Most of our audit efforts were concentrated on programs and support operations conducted in Niger because AID activities in the other two countries are relatively limited. Only limited inquiries were made on Entente Fund activities because of a recent review by the Inspector General of Foreign Assistance. Our audit covered AID expenditures totalling about $19,619,000 made since the time of our previous audit and the period through September 30, 1976. We covered program activities from dates of previous audits through December 31, 1976.

II. SUMMARY

Our review of RDO/Niamey controller operations revealed a need for improved supervisory direction and improvement in practices and procedures. We noted problems experienced in control over allotments, lack of documentation for Section 1311 reviews, inadequate property records, poorly maintained miscellaneous obligation files, and lack of follow-up on airline ticket refunds. Financial control over housing allowances, advance rental payments, TCN employee benefits, and contract housing costs should also be improved. In a number of instances, the controller has taken corrective action.

Management control over basic Executive Office responsibilities should be improved. We found that previous and current staffing plans have not been adequately supported by AID/W. An Executive Officer was not assigned to post until July 1976 and prompt action is needed to replace a retiring General Services Officer. At the time of our audit, adequate redelegations of authority and written policies and procedures to control procurement, staff housing, property accountability and vehicle management were not available. Progress is being made but we noted problems in the areas of property and vehicle accountability, lack of vehicle maintenance records, weak procurement practices, and questionable contracting authority. Section III of the report includes details of our findings and seven recommendations for corrective action.

AID and GON development strategies were found to be compatible but AID has not considered major policy decisions of the GON relating to land tenure. We recommended a review of GON agricultural land policies to determine the impact, if any, they will have on future AID programming.

Section III C, Program Planning Implementation and Monitoring, includes details concerning a $35,000 advance of funds authorized for use to procure personal vehicles for contract employees, non-utilization of $51,276 of AID grant financed equipment, and a discussion of GON failure to comply with agreements relating to reporting, accounting and use of local currency proceeds under a Title II grain stabilization and drought emergency program. Three recommendations for corrective action are included.

The draft copy of this report was reviewed by the Regional Development Officer/Niamey and his comments are reflected herein.

III. STATEMENT OF FINDINGS AND RECOMMENDATIONS

A. Management and Direction of Mission Support Activities

During our review of the RDO/Niamey support operations we found a variety of management problems ranging from minor discrepancies to a more significant lack of records, procedures, and control mechanisms. Viewed individually, the management slippage in any one given area cannot be construed as a major breakdown of routine AID management practices but, from a collective standpoint, we view the overall situation as a serious lack of management control which has resulted in misuse of Government funds, poor accounting, procurement violations, inadequate planning and a lack of program direction. Details of our findings to support these conclusions follow.

Controller Operations

Our review of the practices and procedures followed by the Regional Controller's Office indicates that adequate control was not exercised over dollar funds allotted to RDO/Niamey. A detailed description of some of the deficiencies follows:

1) The Controller and Regional Development Officer have failed to maintain the integrity of AID's allotment control system. As a result, AID funds have been used for purposes not specified in the allotment advice. In May 1976 RDO/Niamey requested $94,000 to finance pre-project costs for personnel and commodities for the planned Niger Range and Livestock Project. On June 17, 1976 AID/W allotted the $94,000 and specifically provided in the allotment advice that the funds were provided solely for pre-project costs as requested. On June 30, 1976 RDO/Niamey obligated the entire allotment, but not for the purposes specified. A total of $37,326 was obligated and expended for lease costs on a new office building, another $37,500 was obligated for extension of an existing contract, and the other $19,174 was used for various purchases.

In answer to our draft report, the RDO disagreed with the above conclusion and advised that "The allotment was received near the end of the fiscal year for pre-project costs. A major part of these were envisioned to be foreign-made vehicles. The necessary waiver for their purchase promised by AFR/SFWA was not forthcoming despite cable and telephonic follow-up. Finally, we were told by the Niger desk officer, if it was possible, to obligate the funds for other project purposes. I told the audit team during the exit interview that this was a management decision, that we felt it had the support of the bureau and the officer who drafted the Advice of Allotment, and we have received no subsequent objection to it on their part."

We believe the RDO's explanation reveals a lack of understanding of the restrictive nature of AID's allotment control system by all parties concerned. Allotted funds cannot be used for purposes other than that specified in the allotment advice and any deviation must be properly authorized by the Controller's Office of Financial Management. Any consistent practice to do otherwise could eventually completely disrupt AID's system of control.

2) We found no evidence that paragraph 8C of Handbook 19 relating to the Section 1311 review required by the Supplemental Appropriation Act of 1955 had been complied with. There were no worksheets indicating that the review had been performed nor was there any indication that the RDO had either participated in or required that the review, be performed. We were informed by the Controller and the Regional Development Officer that worksheets had been prepared but they were lost during a move to new office facilities. However, our testcheck of 24 unliquidated obligations over six months old indicated that the validity of all of them was questionable. In some cases there clearly was no doubt that the obligations were invalid thus placing in question the controller's end certification of their validity. The RDO has since advised that deobligation of these prior year funds was initially deferred and then overlooked but that corrective action has now been taken.

3) Adequate financial records of non-expendable property were not maintained. We were told that the property ledgers were not established because there were no property records in the Executive Office from which the controller could ascertain a beginning balance. However, we found no evidence that any effort was made to establish or post current documents to a property ledger. We were informed that the controller has advised and offered to help the GSO in establishing non-expendable property records but we believe more effort is needed in this area.

4) Preparation and upkeep of Miscellaneous Obligation (MOD's) files needs improvement. For example, during our test-checks of obligation files we found twelve files which did not contain supporting documentation. Another five files were noted that required upward adjustment prior to the end of the transitional quarter but as of December 10, 1976 the controller had not made the necessary adjustments. We found one other instance where disbursements of $9,000 under a current contract were transferred to an expired contract in which there was an unliquidated balance. The controller corrected the situation after the auditors discussed it with him. In general, we found the MOD files were somewhat disorganized and not neatly maintained.

5) Controller follow-up and file maintenance relating to redemption of unused airline tickets has also been inadequate. We found that the redemption file contained a total of 73 claims including 39 issued between March 1, 1975 and June 30, 1975 but there is no indication for most of them of whether or not refunds have been collected. From review of 27 of the more recent claims, we could trace only nine instances where refunds had been obtained. There is a need for the Controller to follow-up and determine which claims have been paid and where further collection effort is necessary.

6) During our review, we also found that housing allowances paid to contract employees were paid in the maximum amount allowed under the contracts but the employees were not required to submit supporting receipts. The Controller has already taken action to correct this situation and is now requiring documentation to support future requests for payment.

7) Finally, in several other cases we found additional indication where financial control needed strengthening. For instance, annual advance rental payments have been made to fund landlord construction programs for buildings the RDO had leased subject to completion. The RDO indicated that "Advance rental payments to landlords have been authorized by the Administrative Officer and/or Executive Officer as necessary in order to secure adequate housing to support our program. Lease terms do not begin to run until acceptance of the building."

   Contrary to regulations, one third country national employee has also been granted what amounts to a Rest and Rehabilitation (R&R) allowance. The Mission feels this is justified in that "Payment of costs of periodic travel home for TCNs is in accordance with host country practice." However, pertinent AID Handbooks do not provide for this type of benefit.

   Last, we noted that the accounting for housing costs provided for a project contract team were incorrectly charged to operating funds instead of project funds. The Mission took the position that "We do not believe it has been determined to be incorrect to charge contractor support costs to operating expense. It was done so at AID/W direction since funds were not provided in the project agreement. If your contention is upheld and additional project funds are allotted, we will transfer such charges."

As the foregoing indicates, there is a need for the Controller to improve office procedures and practices. Work performance of his subordinate staff should be closely reviewed on a daily basis, at least until most of the problem areas reported herein are corrected. At present, the Controller's staff consists of five American direct hire employees including an International Development Intern and one American direct hire who recently arrived in Ouagadougou. In addition, one Third Country National (TCN) from another African country and three local employees are on board. The Controller's Office in Niamey is responsible for the financial management of RDO/Niamey and CDO/Ouagadougou. Present staff should be adequate to accomplish that purpose even though local employees are still at the training stage. Although there are areas where the TCN employee can be used productively, he is not being fully utilized. Thus, a review of his duties should be made to ensure that he is occupied full-time.

Recommendation No. 1

The Regional Development Office/Niamey should ensure that action is taken by the Controller to complete corrective action for those deficiencies noted in [illegible] one through seven above.

Executive Office Operations

Overall, the Executive Office in Niamey cannot be considered an effective smooth running organization. Management control over the basic responsibilities of the office is limited. This condition has existed for at least three years in spite of the fact that SER/MO, AID/W has provided TDY assistance on several occasions to help with provision of services and development of an adequate management system.

During calendar years 1975-76 there was a large increase in Mission personnel. This was done without adequate planning and without ensuring that adequate Executive Office personnel were on board. Senior AID/W officials made several trips to Niamey and discussed the increase of personnel with RDO and Embassy staff but, in spite of this they did not assign sufficient Executive Office staff to RDO/Niamey at the critical period needed. During this period, five or six General Service Officers (GSO) were sent to Niamey on TDY to work with the Embassy's first tour GSO but this turned out to be merely a stop-gap measure that had no real long-term effect on system development nor was there any plan to ensure that work done by these persons was continued after they departed. Responsible personnel in AID/W were aware of the general lack of management controls and the need for strong GSO personnel in order to correct the situation. However, when action was finally taken to assign GSO personnel to RDO/Niamey, an employee who had only one year before mandatory retirement was assigned. He will retire in May 1977, and as of April 5, 1977 no replacement has been nominated.

An Executive Officer was assigned to the Mission in July 1976 and charged with the responsibilities of providing program support activities for AID and supervision of General Service Office (GSO) operations for the entire Mission including the US Embassy. This arrangement has not been covered by a written agreement. In January 1976 the Embassy was requested to draft an interagency agreement but at the time of our audit there was no such agreement available at post. Hence, GSO operations have been conducted more or less on an informal basis. The Executive Officer has identified many problem areas and has taken action to improve the situation but further assistance is still needed.

From our observation of the work to be performed and the personnel assigned to this task we do not believe that the GSO operations will be operating on a normal basis within a reasonable period of time. For example, local hire personnel clearly are not capable of carrying out GSO activities without additional training and an inordinate amount of supervision. This in turn has required that the two American GSO employees work in excess of a normal 40 hour work week, both in the evening and week ends, in trying to keep up with the day to day operations, making changes to the warehouse facilities and trying to devote some time to those areas which have been neglected. However, we observed that much of their time was spent in physical work rather than supervision which we believe has tended to perpetuate the problem. The Executive Officer indicated that he was requesting TDY assistance to help correct the situation. We strongly support that request and suggest that the following discussion of problem areas noted during the audit be used as a guide in determining the extent and type of TDY assistance needed by the Mission.

Attention should also be given to providing on a timely basis a replacement for the GSO assigned to RDO/Niamey on a one year tour.

Recommendation No. 2

SER/MO should give priority consideration to the needs of RDO/Niamey and promptly assign a replacement for the retiring General Services Officer for a full two year assignment.

In our review of the Executive Office function we found several other problem areas requiring priority attention. For example, at the time of our audit the Mission was still operating virtually without any written redelegations of authority from the Regional Development Officer. The Executive Officer planned to develop at least 16 Mission Orders detailing policy and procedures to control procurement, staff housing, property accountability, vehicle management and redelegations of authority but only three of these were completed. We were told that eight were in process of being drafted and have since been advised that these are now going through the clearance process.

Some of the Mission Orders planned, but not initiated, related to some of the more difficult problem areas the Executive Office is confronted with. For instance, procedures concerning procurement, property control, contracting and vehicle use/maintenance had not been started. In view of the deficiencies we noted in these areas, priority attention should be directed to completing the Mission's directive system as soon as possible.

Recommendation No. 3

The Regional Development Officer, Niamey, should require completion of the planned Mission Orders (and other Mission Orders as deemed necessary) on a priority basis.

The Mission has not maintained adequate control over either expendable or non-expendable property. There are no non-expendable property records therefore there is no way to determine if all property is accounted for or its value. A physical inventory was taken in October 1976 but there are no prior records to compare the inventory results to and we found no evidence that any such records were ever established. The situation with expendable property accountability is about the same. No stock records have been maintained, ownership between agencies is unknown, and storage practices were inadequate. The GSO is currently trying to record expendable property on stock cards and plans to construct a section within the warehouse to provide protection for the stock. However, priority attention should be given to establishing an adequate property control system, including verification or reconciliation of the non-expendable property inventory.

Recommendation No. 4

The Regional Development Officer, Niamey should require preparation of adequate property records.

We also found that Mission property accountability and maintenance records for vehicles were inadequate. Vehicle maintenance records have not been maintained and we were unable to determine from available records, and conversation with responsible officials, the number and type of vehicles the Mission was authorized. There were 18 vehicles in the general motor pool, and we were told that replacement vehicles were being ordered. We also found that adequate attention was not given to disposal of vehicles for which replacements were received. For instance, the Regional Development Officer's car, for which a replacement was purchased locally in 1975, along with other vehicles for which replacements have been received are still in the motor pool.

A Peugeot Sedan was purchased locally for use by the Regional Development Officer but, from our observation of conditions in Niamey, it did not appear that there was any reason or basis for purchasing a non-American vehicle for the Regional Development Officer. We also found that 5 Toyota Sedans were purchased by AID for the use of American staff working on the Niger Cereals Production Project in Niamey. Although AID/W authorized a waiver to purchase the vehicles, we found no need for the procurement of foreign made vehicles particularly when the primary use is for city driving. Overall, from our observations of the use of vehicles in the general motor pool, we question whether there is justification for procuring most of the nine non-American vehicles presently in the motor pool.

Recommendation No. 5

AFR/SFWA should review and determine the number and types of vehicles authorized for RDO/Niamey use and require that all excess vehicles be disposed of and all future replacement vehicles be of US manufacture unless the Mission can clearly justify a need for foreign made vehicles.

Management Comment: "Although this recommendation is directed to AFR/SFWA, we feel that we should comment on it. While we welcome the comments of AFR/SFWA, we believe that the Mission is in the best position to determine its vehicular needs and is capable of doing so. We have already placed an order for a new fleet, all of them being of U.S. manufacture. Our order was placed on the basis of a review of our present and projected requirements and in accordance with our approved standardization plan. We plan to dispose of our excess vehicles, but we have proceeded slowly with this plan because of the condition of our fleet. We have disposed of some vehicles and will dispose of others, but such disposition will take place only when we are reasonably certain that we will be able to continue to meet the needs of the Mission.

The five Toyota sedans were procured under an appropriate waiver in order to not delay implementation of the project. They represented a minor part of the total number of vehicles to be procured under the project, the large majority of which are American-made vehicles. Procurement of these vehicles was of necessity for early delivery and not because of terrain or local conditions as implied by the auditors...."

The absence of a clear written Mission policy and procedures for control of procurement activities has contributed to the development of several improper practices. For example, in some cases user offices place verbal orders with local vendors and then request purchase orders after the fact. In effect, procurement action was taken without proper authorization and without a certification of funds availability. In other cases, the use of purchase orders to hire personnel (mostly American dependents) to carry out regular work assignments was at one time widespread in the Mission. Recently efforts were made to stop this practice, however it still continues to some degree and is contrary to US procurement regulations. Section 1-3-600 of the Federal Regulations provides that purchase order procedures apply only to the procurement of supplies and non-personal services from commercial sources. Where an employee/employer relationship exists the services purchased cannot be considered non-personal or eligible for procurement via the purchase order route.

RDO/Niamey has also procured used property from organizations and individuals who were normally not in the business of selling these items. For example, office furniture and a truck were purchased from a company that closed its operations in Niamey. Two vehicles were purchased from a foreign Embassy in Niamey and one landrover was purchased from a Foreign Service Officer assigned to the U.S. Embassy in Niamey. In another case, a statistical typewriter was purchased from another donor organization in Niamey for about $800. The typewriter receives only limited use and we were told that it was procured primarily on the basis of an AID employee's verbal commitment that would have caused embarrassment if the purchase had not been made.

In answer to our draft report the Mission advised that they "have reduced significantly the number of purchases that have been made without proper Purchase Order documentation. A written procedure is required and will be prepared." They also indicated that "should any future procurement of used property be contemplated, the files will reflect all required justification and/or approval required. The auditor's observations concerning "used property" should be placed in context. For example, the used office furniture was, in fact, nearly brand new having just arrived in country about one month before it was procured. The Mission was growing and delivery from the U.S. would have taken on the order of 6 - 10 months. Not only did the procurement result in cost-savings (purchase was at 75 percent of cost excluding transportation) but allowed our most important project to become operational. The vehicles and typewriter fall in the same category as above. The auditors, by the way, were misinformed regarding the latter. It was procured because we knew there would be a need for it and procurement at that time was advantageous."

Recommendation No. 6

The Regional Development Officer, Niamey should prepare and circulate a staff notice specifying that (a) future U.S. Government procurement activity is to be committed only on the basis of a valid purchase order prepared by the authorized Procurement Officer, (b) personal services are not to be procured except under personal services contracts and (c) used property of any kind is not to be procured unless the files are documented with adequate justification for such procurement.

The Regional Development Office, Niamey is also procuring large amounts of support services from the American Recreation Association under what is termed a Non-Personal Services Contract. The contract was initially signed in June 1975 by the Embassy Administrative Officer, the Acting Regional Development Officer and the American Recreation Association Contracting Officer. Basically, the initial contract provided for procurement of guard, cleaning and gardener services and covered a six month period. The contract has since been renewed on an annual basis and presently covers the period October 1, 1976 through September 30, 1977 however, AID has not been a signatory party to the contract after the first period and the contract is now identified as an American Embassy contract.

In view of the above, we consider AID procurement under the contract to be somewhat questionable. In the first place, since AID is not a signatory party to the contract, we question whether there is a valid, binding agreement under which the RDO has authority to obligate and expend U.S. Government funds. If the contract is a valid basis for procurement of AID services, then AID/W approval of the contract is necessary since AID's share of its value is far in excess of the contracting amount delegated to the RDO. Based on the American Recreation Association billing for the month of October 1976, the contract will require annual AID expenditures of about $170,000. At the present time the RDO's delegation of authority for such contract procurement is limited to only $25,000.

We are also concerned over two other aspects of AID's procurement under this contract. The October 1976 billing amounted to $14,120 and covered the services of 66 guards, 2 drivers and 5 persons for a secretary pool and warehouse staff. In addition, AID paid 54% of the cost of the maintenance crew and 49% of the cost of contract administrative staff. Although the contract is identified as a non-personal services contract, many of these persons are under the direct control and supervision of AID personnel. Thus, to some degree an employee/employer relationship exists. It should also be noted that the contract provides for fairly strict control by the U.S. Government over the contractor's employee salaries and benefits. Any disputes under the contract are settled solely by the U.S. Government contracting officer except that appeals are allowed to the Ambassador whose decision is final and binding. In view of this, it does not appear the contractor has any independence what-so-ever in determining his operational activities or staffing and thus, to a large degree, the contract can be considered as merely an extension of routine U.S. Government activities normally conducted by local hire employees.

Finally, the contract is placed with an organization composed of and organized solely for the benefit of U.S. Government employees. In effect, we have U.S. Government employees negotiating and directing a contract with their own employee organization. In view of the possibility that such an arrangement could raise questions of conflict of interest, we believe AID's procurement under the contract should be cleared by the General Counsel's Office.

Recommendation No. 7

The Regional Development Officer, Niamey should obtain a legal opinion from the Office of the General Counsel to determine (a) if AID has a legal basis for obtaining services under the present Embassy contract with the American Recreation Association, (b) whether the contract must be approved by AID/W because AID's share exceeds the contracting authority delegated to the RDO, (c) whether the contract substance is essentially for procurement of non-personal services and (d) if any conflict of interest problems are evident due to the relationship of the contract parties.

Management Comment: "We believe that the Recreation Association is a proper vehicle for the employment of certain kinds of personnel. AID has encouraged the use of contractors to provide such things as guard service, drivers, maintenance service, etc. Through the use of the Recreation Association, we have saved the U.S. Government the profit that such contractors would properly realize. It has also given us a flexibility that we would not enjoy with independent contractors. Under the independent contractor approach, while the contractor is theoretically the supervisor of his employees, in practice these people are often supervised by Mission direct-hire personnel, either U.S. or local. We will include this question for a legal opinion with the other question referred to in Recommendation No. 7".

B. GON Development Strategy

Our review of the Government of Niger's (GON) three year development plan for the 1976-1978 period showed that the country's development goals are generally compatible with AID interests except in the area of land tenureship. The Government's goals are (a) to free Niger's economy from the influence of natural factors, (b) to establish a developing society and (c) to seek economic independence. The percentages of total budget funds (including foreign donors) allocated by category for these purposes are:

Infrastructure, Public Works and Water Resources	46.8%
Rural Production	33.6%
Human Resources	15.3%
Industry, Mining and Commerce ..	4.3%

The GON has placed a high priority on the development of irrigation facilities in order to reach its goal in agriculture production while AID's assistance in agriculture is mainly directed toward rainfed agriculture. In the livestock area, the GON is committed to replacing the number of animals destroyed by the drought and the first phase of a proposed AID project is aimed at improving range lands. The second phase of the AID financed program will be devoted to increasing livestock production. Thus, there is a compatibility of goals but AID has not considered major policy decisions of the GON relating to land tenure.

It is the policy of the GON to claim all agriculture land as the property of the State as evidenced by the following statements extracted from the GON's January 1976 three year plan:

"The legislation relative to irrigation projects will be updated. The principle is that lands developed for irrigation by the State are the property of the State, and that traditional rights will be terminated. The users will be treated on the basis of equal rights. The new criteria for distributing the land plots are:

- -- effective capacity to directly farm the land.
- -- the commitment to personally farm the land and to respect the conditions of use established by the supervising (state) agency.

"Based on old laws, a project of regulations has been prepared (for the agrarian reform). The spirit of the regulations aims at asserting the just principle that all agricultural land be property of the State, and that all users have an area proportional to their needs and to their working capacity."

We found no evidence that AID considered this policy in planning an expansion of the AID program in Niger. In fact, our discussion with principal AID and U.S. Embassy personnel in Niger revealed that they were not aware of the GON's position on agriculture land. Since a policy of this nature could have a significant effect on AID's interests and emphasis, a thorough analysis of the GON position should be undertaken to determine the impact on AID programming. As necessary, the Development Assistance Program document should be amended to reflect the impact this Government policy is expected to have.

Recommendation No. 8

The Regional Development Officer, Niamey should (a) make a full scale review and analysis of the GON's agriculture land policy to determine what effect, if any, it may have on AID assistance and (b) amend the Development Assistance Program Document to reflect the GON policy and the impact it is expected to have on AID programming

Management Comment: "We have no problem with this recommendation, and plan to include a review of GON agricultural land policy as part of an agricultural sector policy assessment which we plan to carry out with the Niger Government this year. Moreover, we plan a similar survey of land tenure as it relates to rangelands in the pastoral zone, as part of the rangeland and livestock project. Having said this, I would not want to subscribe to what I believe was a firm (and mistaken) conclusion of your auditors -- namely, that the country's development goals are incompatible with AID's interests. Virtually, all farm land in Niger is farmed by small farmers. There are no large holdings. While in theory the land may belong to the State, in practice farmers appear to be able to pass on their farming rights to their children, and even to be able to buy and sell farming rights."

C. Program Planning, Implementation and Monitoring

In our review of the eleven RDO/Niamey programs listed in Exhibit A we found several instances requiring corrective action and improved monitoring. For example, in one case we found where a Contracting Officer authorized an improper $35,000 advance of funds for the procurement of personal automobiles for the contractor's employees. Under the Recovery and Rehabilitation (R&R) programs we found instances of poor planning, accounting errors and a lack of compliance with reporting requirements. We also noted that reports, deposits, and utilization of local currency generated under the Drought Emergency Food Program has been inadequate. Specific details of our findings follow.

The Niger Cereals Production Project is being implemented through use of a contract with the Consortium for International Development (CID). The contract was signed on May 25, 1976 on the basis of a sole source procurement waiver authorized by AID/W due to the consideration that CID had the predominant capability in this area. On the same day, the Contracting Officer from REDSO/WA also signed a side agreement with CID authorizing the use of contract advance funds to buy six non-American personal automobiles. The text of the Agreement is:

> "In our discussions leading to the execution of subject contract, it was agreed that CID would purchase vehicles in Niger for the personal use of the field staff, to be provided under the Niger Cereals Project and that such vehicles will be sold at the end of the contract. Purchase price of the vehicles is estimated to be approximately $35,000. CID is authorized to use funds from the advance payment authorized in Article III of contract for the purchase of the vehicles. However, CID remains responsible for the complete repayment of the advance pursuant to the terms of the contract. The authorization is in the express return for CID's agreement not to ship personal vehicles to or from Niger at contract expense.
>
> In the event that at the end of the contract, CID can clearly show that they have suffered a loss by providing their personnel with private transportation, AID hereby authorize CID to include a maximum of $7,000 of the loss in the general administrative cost pool. In the event CID generates income in excess of the purchase price of the vehicles, such income shall be entered as a credit under the cost accounting for this contract.
>
> It is agreed that CID assumes complete responsibility and liability for the purchase of the vehicles, their operation and maintenance in Niger, and their subsequent disposition. The United States Government assumes no responsibility or liability for the vehicles in any manner whatsoever."

In our draft audit report we recommended that the Regional Contracting Officer, REDSO/WA repudiate the side agreement and require the contractor to redeposit all advance funds expended for the personal automobiles. Both RDO/Niamey and REDSO/WA disagreed with our position. REDSO indicated they felt the use of advance funds for procurement of personal automobiles was appropriate because it was more beneficial to the interest of the Government than any other method of financing. Their justification was that this method would result in a maximum of $7,000 cost to the U.S.G. whereas, if the contractors employees shipped their own personal automobiles, the cost would approximate $70,000. In light of this, the contracting officer concluded that financing the POV's through the advance mechanism was more beneficial to the USG than available alternatives and that Federal Procurement Regulations (FPR) did provide for administrative determinations of this nature.

We do not agree with REDSO's analysis of this situation for a number of reasons. First, we do not believe the intent of the FPR's concerning advance payments was to allow the use of advance funds for the personal purposes of employees if such was determined administratively to be financially advantageous to the USG. Conversely, we believe such a decision would be precedent setting and that if the USG finances personal auto's for contractor personnel on an interest free basis, plus agrees to absorb personal losses of up to 20 percent of their cost, this would pave the way for the many thousands of direct hire employees to request similar treatment rather than ship their own personal vehicles. In effect, we do not accept that such a result would be advantageous to the USG.

Secondly, we do not agree with REDSO's above determinations of cost to the USG. For instance, we estimate the cost to ship the five POV's in question (one-way) at about $10,000; not $70,000 as indicated by REDSO. The interest cost to the USG for the use of $35,000 of advance funds over the four-year life of the contract must also be considered. Interest cost alone, at 8%, would amount to a cost of about $11,200 even if the contract is not extended. This, combined with the possible loss cost of up to $7,000 indicates that the cost to the USG is likely to be excessive. In view of this, we are retaining our recommendation for corrective action.

<u>Recommendation No. 9</u>

The Contracting Officer, REDSO/WA, should (a) obtain a legal opinion from the General Counsel's Office supporting his position or (b) repudiate the above cited side agreement and require CID to redeposit all advance funds expended for personal automobiles to the special bank account required under the contract terms. If a deposit is made, the Contracting Officer should also collect an appropriate interest charge for the use of these funds through the time of redeposit.

Of the 15 Recovery and Rehabilitation Program projects in Niger, eight were satisfactorily completed, one was discontinued, and progress in the remaining six has generally been slow. The planning for one project was especially poor. Based on a request from the GON, AID agreed to finance the services of a crop spraying aircraft from the United States to spray 145,000 hectares of farm land, crop spraying equipment to be used by the GON on its own aircraft, and training for GON personnel in the use of the equipment. The aircraft left the United States on August 7, 1975. It was not until August 21, 1975, two days after the aircraft arrived in Niamey that RDO/Niamey staff delivered the Activity Implementation Letter to the GON. The GON was not prepared to implement the project. The contract with the U.S. firm and the GON was not signed until September 13, 1975 and work started on September 14, 1975. The cost to the U.S. Government for non utilization of the aircraft from August 20 through September 13, 1975 was over $86,000 and only about 12% of the planned area was sprayed at a total cost of $238,513. Furthermore, the crop spraying equipment for the GON, procured at a cost of $51,276 arrived on the crop spraying aircraft but has never been used.

Recommendation No. 10

RDO/Niamey should require prompt utilization of the crop spraying equipment by the GON or make the equipment available for sale or use in AID financed projects in other areas.

In accordance with the agreements between the USG and GON for the transfer of Title II grains under the grain stabilization and drought emergency programs, the GON established two counterpart accounts as repositories for local currency proceeds from sales of grains not required for free distribution to the needy. The proceeds were to be used to pay local handling and transportation costs of commodities distributed directly to the needy or for relief projects which would assist in alleviation of the effects of the drought and in increasing food supplies within Niger. The Niger Cereals Office (OPVN) was responsible for grain sales. The status of counterpart funds as of September 30, 1976 is as follows:

	Grain Stab. Account	Emergency Account	Total
		(In thousands of CFA)	
Cash in Niger Development Bank (BDRN)	179,903	391,324	571,227
Counterpart Deposits Outstanding 1/	-	267,746	267,746
	179,903	659,070	838,973
Committed 2/	(31,801)	(42,632)	(74,433)
Available for Programming	148,102	616,438	764,540
Potential Generations 3/ ..	-	250/300,000	250/300,000

(Exchange Rate: CFA 250 = $1)

1/ Net proceeds from sales made during the period October 1974/September 1975, according to OPVN.

2/ Committed for four individual activities jointly agreed upon by RDO/Niamey and GON between November 1975 and August 1976. The GON had not yet withdrawn these funds from the special accounts.

3/ Auditors' estimate of net proceeds from sales OPVN made during the period October 1975/December 1976.

The transfer agreements provide for the GON to submit to RDO/Niamey by November 30, of each year, a report accounting for Title II grain receipts, losses, distribution, sale proceeds, distribution costs and net proceeds to be deposited in the special accounts, for the year ended on the preceding September 30. At the close of our review (late December 1976), the GON had not yet submitted the reports for the years ended September 30, 1975 and 1976.

Recommendation No. 11

The Regional Development Officer, Niamey, should require the GON (a) to submit the overdue annual reports required under the agreements between the USG and the Republic of Niger for the transfer of Title II grains; and (b) to deposit into the Counterpart Special Account any net sales proceeds due thereto, within 30 days of RDO/Niamey's approval of the reports.

We noted that the GON will contribute CFA 12 million to each of the two current AIP Projects from Title II counterpart funds. Because of the substantial amount of local costs involved in the present AID program in Niger, we recommended in our draft audit report that RDO/Niamey attempt to arrange a significant increase in GON local currency contributions for support of programs in which AID is making a substantial contribution. We were informed by RDO/Niamey that the balance in the Title II counterpart funds was earmarked for GON contributions to various AID supported programs in Niger and therefore are not repeating our recommendation.

IV. BACKGROUND AND SCOPE

Background

The AID Regional Development Office in Niamey, Niger is responsible for the administration of AID financed bilateral programs in Niger, Benin (formerly Dahomey), and Togo. Nominal AID assistance to these countries was started in 1961 under the auspices of an AID Affairs Officer located in Abidjan, Ivory Coast. The office was later moved to Niamey and established as a Regional Development Office in 1967.

In the recent past, AID has provided massive levels of grant assistance, primarily food grains, to alleviate hunger in Niger. AID's assistance in Niger continued under the Recovery and Rehabilitation Program and the Accelerated Impact Program. In September 1975 the Niger Cereals Production Project started in Niamey. This project is the first of AID's efforts to significantly increase its assistance to Niger. This $5.9 million project is directed toward increasing food production crops. AID is also providing a Transportation Economist to the Niger River Commission to assist in the preparation of a plan for the development of the water and related resources of the Niger River Basin. Additional assistance is planned for Niger.

AID's bilateral assistance in Benin consisted of two loans and Catholic Relief Services (CRS) activity. The Parakou-Malanville Road (Loan No. 625-H-002 and 625-W-008) which was signed on July 28, 1972 provides $12 million to assist in the reconstruction and upgrading of a two lane road connecting the northern railhead of the Benin railroad at Parakou to the Benin/Niger border. The road is expected to be completed in January 1977. The Cotonou Bridge and Dam (Loan No. 625-W-009) was signed on September 12, 1974 and provides $10.9 million to assist in the construction of a new bridge across the Cotonou lagoon. Implementation was delayed at the request of AID because of the Government of Benin's take over of U.S. companies, however, this problem has since been resolved.

There are presently no bilateral AID programs in Togo. RDO/Niamey was responsible for AID assistance to the Entente Fund but REDSO/WA now has this responsibility.

Scope

We have examined the AID program administered by RDO/Niamey to (a) determine whether the Mission's programs have been managed effectively and efficiently, (b) learn the extent of compliance with applicable laws and Agency policies and regulations, and (c) identify problem areas which require management's attention. Particular attention was given to the overall management of RDO/Niamey's program and support operations including the Controller's functions.

We reviewed RDO/Niamey's current activities including the management in Niger of the Drought Emergency Food Relief, R&R and AIP. We reviewed appropriate records at the RDO/Niamey Office in Niamey and Cotonou and REDSO/WA. We made only limited inquiries on Entente Fund activities because the Inspector General for Foreign Assistance had recently completed a review of these activities. Individual activities reviewed during this audit are shown in Exhibit A. Our audit covered the period from the cut-off dates of prior audits and/or inception of the project through December 31, 1976 and covered AID expenditures totaling about $19,619,000.

EXHIBIT A

REPORT ON EXAMINATION OF AID PROGRAMS ADMINISTERED AT THE REGIONAL DEVELOPMENT OFFICE/NIAMEY

Program Financial Status As of September 30, 1976

(Thousands of Dollars)

Project/Activity	Obligations	Expenditures	Audit Coverage Current	Audit Coverage Prior
Niger Cereals Production 683-11-130-201	$ 5,976	$ 234	$ 234	$ -
Parakou Malanvile Road				
Loan No. 625-H-002	8,000	4,155	4,155	-
Loan No. 625-W-008	4,000	645	645	-
Cotonou Bridge and Dam Loan No. 625-W-009	10,900	18	18	-
Support to Regional Organizations (Niger River Commission) 625-11-755-506	145	114	114	-
Drought Emergency Food	13,000	13,000	13,000	-
Recovery and Rehabilitation	2,500	2,295	1,145	1,150
Accelerated Impact Program	350	-	-	-
Administrative Management (EXO)	-	-	-	-
Financial Management (CON)	-	-	-	-
Surveyed				
Malanville-Gaya Bridge/Port Loan No. 625-H-005	525	99	99	-
Fada N'Gourma Road 625-12-310-706	169	169	169	-
Niger River Development 683-11-755-915	75	-	-	-
Accra-Lome Telecom Link 625-12-225-172	212	40	40	-
Total	$45,852	$20,769	$19,619	$1,150

REPORT ON EXAMINATION OF AID PROGRAMS ADMINISTERED AT THE REGIONAL DEVELOPMENT OFFICE/NIAMEY

List of Recommendations

	Page No.
Recommendation No. 1	
The Regional Development Officer/Niamey should ensure that action is taken by the Controller to complete corrective action for those deficiencies noted in items one through seven above.	5
Recommendation No. 2	
SER/MO should give priority consideration to the needs of RDO/Niamey and promptly assign a replacement for the retiring General Services Officer for a full two year assignment.	6
Recommendation No. 3	
The Regional Development Officer, Niamey, should require completion of the planned Mission Orders (and other Mission Orders as deemed necessary) on a priority basis.	7
Recommendation No. 4	
The Regional Development Officer, Niamey should require preparation of adequate property records.	7
Recommendation No. 5	
AFR/SFWA should review and determine the number and types of vehicles authorized for RDO/Niamey use and require that all excess vehicles be disposed of and all future replacement vehicles be of US manufacture unless the Mission can clearly justify a need for foreign made vehicles.	8
Recommendation No. 6	
The Regional Development Officer, Niamey should prepare and circulate a staff notice specifying that (a) future U.S. Government procurement activity is to be committed only on the basis of a valid purchase order prepared by the authorized Procurement Officer, (b) personal services are not to be procured except under personal services contracts and (c) used property of any kind is not to be procured unless the files are documented with adequate justification for such procurement.	9

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Recommendation No. 7

The Regional Development Officer, Niamey should obtain a legal opinion from the Office of the General Counsel to determine (a) if AID has a legal basis for obtaining services under the present Embassy contract with the American Recreation Association, (b) whether the contract must be approved by AID/W because AID's share exceeds the contracting authority delegated to the RDO, (c) whether the contract substance is essentially for procurement of non-personal services and (d) if any conflict of interest problems are evident due to the relationship of the contract parties. 11

Recommendation No. 8

The Regional Development Officer, Niamey should (a) make a full scale review and analysis of the GON's agriculture land policy to determine what effect, if any, it may have on AID assistance and (b) amend the Development Assistance Program Document to reflect the GON policy and the impact it is expected to have on AID programming. 12

Recommendation No. 9

The Contracting Officer, REDSO/WA, should (a) obtain a legal opinion from the General Counsel's Office supporting his position or (b) repudiate the above cited side agreement and require CID to redeposit all advance funds expended for personal automobiles to the special bank account required under the contract terms. If a deposit is made, the Contracting Officer should also collect an appropriate interest charge for the use of these funds through the time of redeposit. 14

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REPORT ON EXAMINATION OF AID PROGRAMS ADMINISTERED AT THE REGIONAL DEVELOPMENT OFFICE/NIAMEY

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