December 30, 2002

MEMORANDUM

FOR: Dawn Liberi, Mission Director, USAID/Nigeria

FROM: Nancy Toolan, Acting-RIG/Dakar Nancy Toolan

SUBJECT: Risk Assessment of USAID-Financed Assistance to Nigeria (Report No. 7-620-03-002-S)

This report presents the results of our Risk Assessment of USAID-Financed Assistance to Nigeria. This is not an audit report and does not contain any recommendations for your action. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II of the final report.

I appreciate the cooperation and courtesy extended to my staff during the survey.

Background

Nigeria is in the midst of a difficult political transition after 40 years of ineffective and often corrupt civilian regimes and military dictatorships. With the May 1999 transition from a military to an elected civilian government, Nigeria took a major political step. The Government of the Federal Republic of Nigeria (GFRN) continues to rebuild government and social institutions, as well as attempting to revitalize its economy. The political and economic transition has been difficult, and the challenges ahead are significant. Nigeria's development is hampered by an over-dependence on oil (about 46 percent of its gross domestic product and 85 percent of the country's foreign exchange earnings), limited foreign and domestic investment, ineffective economic management, high population growth rate, an overburdened and ineffective education system, ethnic and religious conflict, a history of weak governance and corruption and an increasing HIV/AIDS prevalence rate.

Since the democratic transition, USAID's assistance to Nigeria has evolved from a small limited assistance program focused on non-governmental organization projects in health and governance to the largest USAID program in sub-Saharan Africa. The USAID transition strategy, approved in 1999, was originally intended to end in December 2001, but has been extended until December 2003. This strategy addresses the key elements of a poverty reduction program: democratic governance, economic management and agriculture, basic education and youth workforce development, health, and infrastructure and energy. The Mission's accomplishments in 2001 have primarily focused on strengthening key governance institutions and improving the delivery of social services. The Mission supports four Strategic Objectives (SOs) and one Special Objective (SPO). USAID assistance for these objectives since fiscal year (FY) 1999 is shown in the following table.

		Millions of Dollars			
	Strategic Objective	*FY99 Actual*	*FY00 Actual*	*FY01 Estimate*	*FY02 Request*
SO1	Sustaining the Transition to Democratic Civilian Governance	$ 10.9	$ 10.4	$ 17.8	$ 16.4
SO2	Economic Reform and Agricultural Growth	3.5	10.0	21.1	18.3
SO3	Education Reform		5.5	8.2	7.6
SO4	Health and Child Survival	9.3	19.0	32.3	36.7
	Special Objective				
SPO1	Infrastructure and Energy		12.6	0.4	
	Total	$ 23.7	$ 57.5	$ 79.8	$ 79.0

Source: USAID's Congressional Budget Justification

During 2001 the Mission completed a comprehensive Performance Monitoring Plan (PMP) for each of the sectors. The PMP is required by the Automated Directives System (ADS) 201.3.4, and forms the basis upon which the Mission will manage for results and monitor the impact of programs. It is a tool used by USAID operating units to plan, document and manage the collection of performance data. Per ADS 201.3.4.13, the PMP should contain, at a minimum: (1) a detailed definition of each performance indicator, (2) the source, method, frequency and schedule of data collection; and (3) the office, team or individual responsible for ensuring data are available on schedule.

In 2001, the OIG conducted an audit of USAID/Nigeria's operating expenses for FY2000. The audit report provided recommendations to strengthen and improve management controls over payroll disbursement for Foreign Service National employees, non-expendable property, monetary advances, mission vehicles, and the petty cash account. The audit report also discussed a number of risk factors which increase the vulnerability of USAID/Nigeria's large rapidly expanding program, namely:

- The relocation of the Mission from Lagos to Abuja;
- A substantial increase in the size of Mission staffing, with new employees to be hired in Abuja;
- A significant increase in the Mission's operating and program budget; and
- The remote location of the USAID/Nigeria's Mission's Accounting Station at USAID/Ghana.

The Office of the Regional Inspector General in Dakar conducted this survey to obtain an overview of USAID/Nigeria programs, and to assess the risk exposure of activities funded under the SOs and three functional offices. The General Accounting Office (GAO) has stated in the *Standards for Internal Control in the Federal Government* that internal controls are an integral component of an organization's management. They should provide reasonable assurance that the following objectives are being met: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Internal controls consist of five interrelated components, one of which is risk assessment. GAO has stated that internal control should provide for an assessment of the risks the agency faces from both external and internal sources. This survey focused on the risk assessment component of internal controls. The GAO standards note that the specific risk analysis methodology used can vary because of differences in agencies' missions and the difficulty in qualitatively and quantitatively assigning levels of risk. Appendix I describes in detail our scope and methodology.

Discussion

USAID/Nigeria programs support four strategic objectives (SOs): Sustaining the Transition to Democratic Civilian Governance; Economic Reform and Agricultural Growth; Education Reform; and Health and Child Survival. We assessed the risk associated with each of these objectives, as well as for three functional offices that directly impact the operation of these programs – the Program and Project Development Office (PPDO), the Executive Office, and the Controller's Office. Our risk assessment focused on activities and functions receiving funding in Fiscal Year (FY) 2002; for that reason, we did not perform a risk assessment for the Special Objective for infrastructure and energy. Our assessment for each objective and functional office area is described in the following pages.

Function Description	Risk Exposure
SO1 – Sustaining the Transition to Democratic Civilian Governance: Strengthen rule of law, human rights, transparent governance, credible political and electoral processes, and promote politically active civil society.	High

Risk Assessment Factors

- USAID/Nigeria is providing assistance under a transition strategy until December 2003.
- Although completed and submitted on time, USAID/Nigeria's Performance Monitoring Plan (PMP) is considered in transition as the team struggles to refine program result indicators through experience and experiments.
- The SO1 team is comprised of an experienced U.S. direct hire, two highly qualified U.S. personal services contractor staff, and several competent Foreign Service National staff, who, however, lack experience in USAID procedures and processes.
- The FY2002 funding level is $16.4 million, ranking third of the four SOs.
- The absence of a Contracting Officer in Abuja until recently, coupled with the Mission Accounting Station located in Accra, Ghana, created a backlog in expending obligated pipelines.
- The new civilian Government of the Federal Republic of Nigeria (GFRN) is grappling with rebuilding civil society and institutions after 15 years of military dictatorship.
- The political will of the GFRN to undertake reform is good but uncertainties remain, due to continued incidents of political violence and disputes, and a continuing societal presence by the military.
- The lack of strong social and government institutions has created difficulties in establishing reliable program indicators, and the SO teams continue to develop these measures.
- The Chief of Party for a significant implementing partner has left Nigeria for an indefinite period of time due to illness, leaving a key vacancy in the organization.
- The Mission's Federal Managers' Financial Integrity Act (FMFIA) review did not disclose material weaknesses in this area, although the backlog in obligating funds might cause inefficiencies in program implementation.

The overall vulnerability to failure for SO1 has been assessed as high. Although the Mission and its implementing partners are dedicated to the refinement and attainment of the intermediate results, outside factors beyond their control increase the exposure to risk. These risks are due largely to the continued social and political strife between ethnic and religious groups that can quickly escalate, coupled with weak and long neglected socio-political institutions that cannot effectively mitigate the conflicts. Additionally, there are uncertainties underlying the timing of the upcoming national elections and whether or not they will result in a successful transition from the first civilian democratic government in fifteen years to the next. The vulnerabilities of the Mission's other SOs are linked to this SO, and their success will depend largely on the success or failure of SO1.

To track progress made in achieving this SO, three intermediate results have been established. The first intermediate result is that Nigerian government institutions demonstrate increased transparency and responsiveness. The SO team is still grappling with the selection and refinement of appropriate indicators to measure this result. Experience with selected indicators suggests that outputs are either difficult to measure or require additional qualitative assessment to determine if they contain the desired attributes. Three indicators to measure intermediate results in the Legislature, the Judiciary and the Court System have each been modified, but a fourth indicator for the Executive branch has yet to be determined.

The second intermediate result is establishing the foundation for a fair and competitive electoral system. A major concern regarding this result is that a key implementing partner, the International Foundation for Electoral Systems, needs immediate staffing to replace its Chief of Party. The previous Chief of Party has returned to the United States due to illness and is not expected to return before the campaign for the upcoming national elections begins. Otherwise, indicators for this result seem clear and outputs reasonably measurable.

The third intermediate result is increased participation by civil society in conflict management, public deliberations and oversight of the government. Indicators for this result have been less easy to define and outputs are less measurable. For example, one indicator for this result is measuring the number of conflict management networks and forums established. This measure may provide an indication of the extent of civilian society participation in conflict resolution, but does not necessarily measure the effectiveness of that participation. This result has also been difficult to manage because of its highly political nature. Nigeria is a large complex country comprised of 36 states, with regional, ethnic and religious differences. Many violent conflicts arise from these differences, exacerbated by land disputes and youth/political violence. The administrative structure of the democratic government institutions is still in repair and the concept of oversight of the government by civil society might be premature.

Function Description	Risk Exposure
SO2 - Economic Reform and Agricultural Growth: Strengthen institutional capacity for economic reform and enhance capacity to revive agricultural growth.	Moderate
Risk Assessment Factors	
• SO2 team was the first USAID/Nigeria team to return after the civilian government took power. • SO2 team is comprised of experienced and well-trained specialists in macro- and micro-economics, as well as business development experts. • The SO2 team has been working closely with the economic, agriculture, energy and infrastructure sectors of the Nigerian governments, including the Economic Policy Coordinating Committee chaired by the Vice President of GFRN. • With a FY2002 planned funding level of $18.3 million, SO2 is the second largest commitment of Mission's program funds. • The SO2 team has organized its strategy into manageable themes, with distinct quantitatively measurable result indicators. • Some SO2 projects are implemented through inter-agency agreements with other U.S. government agencies. • Measurable results have been achieved in agriculture and economic projects, such as the restructuring of the Nigerian Electrical and Power Authority for privatization. • In some projects, it is still difficult to establish a direct causal link between USAID efforts and intended results. • The Mission's FMFIA review did not disclose material weaknesses in this area.	

This strategic objective is organized under themes that are manageable and for which measurable indicators can be developed – economic reform and agricultural growth. For example, indicators for measuring economic growth include the number of inquiries on investment opportunities, the number of key policy reform papers presented for adoption by Nigerian Federal Executive Council and the number of companies readied for privatization. Indicators for measuring growth in the agricultural sector include the number of improved agricultural technologies extended to farmers and the number of additional retail outlets distributing fertilizer.

The success of this strategic objective is largely dependent on the success of SO1. If there is a successful transition from the current democratic civilian GFRN to the next, this objective is more likely to be achieved.

However, some SO2 projects are implemented through interagency agreements with other U.S. government entities, including the Departments of Commerce, Agriculture, Transportation and Energy. Under these agreements, USAID provides funding and monitoring while the agencies provide the expertise, such as upgrading the aviation system. However, some of these agencies, such as the Department of Transportation, do not maintain an ongoing presence in Nigeria, and only send staff periodically to directly manage or supervise the projects. This creates opportunities where interagency agreement funds, especially with regard to non-U.S. government personnel, might not always be fully accountable for or used for eligible expenditures.

Function Description	Risk Exposure
SO3 - Education Reform: Develop the foundation for educational reform through policy action and literacy improvement and workforce development activities.	Moderate

Risk Assessment Factors

- The SO3 team is led by experienced staff and is well poised to meet upcoming challenges.
- Currently there are two program manager vacancies that will have to be filled as the education programs reach maturity.
- The FY2002 funding level is $7.6 million, less than 10 percent of the total program funding.
- As with other strategic objectives, baseline data will need to be developed due to the unreliability of Nigerian government statistics, according to the SO team.
- A data quality assessment is scheduled to be completed in September 2002.
- Preliminary indicators are in place and an assessment of the indicators is scheduled to be completed in November 2002.
- The principal cooperative agreement to develop broadcast material for the school year beginning in September 2001 is progressing on schedule after getting a late start due to initial implementation problems.
- Due mainly to initial implementation problems, there was a pipeline of over $12 million (as reported in the FY2001 Annual Portfolio Review).
- The Mission's FMFIA review did not disclose material weaknesses in the above areas.

The majority of the support is provided through the Literacy Enhancement Assistance Program (LEAP), which began in 2001. The program's major objectives include establishing educational policy support systems and improving student and teacher literacy and numeracy. Despite delays at the beginning of the agreement, the primary implementing party, the Educational Development Consortium, is on track to meet the requirements for the school year beginning in September 2002. There is strong program and financial oversight from the USAID staff who are well trained and experienced. The large pipeline for this SO is getting the needed attention at the Director level and is expected to decrease as the agreements and contracts mature.

Function Description	Risk Exposure
SO4 – Health and Child Survival: Increase use of family planning, HIV/AIDS and child survival services within a supportive policy environment.	Moderate
Risk Assessment Factors	
• Programs are led by experienced project and team leaders. • In FY2002 about $37 million is budgeted for health activities, representing almost half of the program funding. • HIV/AIDS activities were the subject of a recent OIG audit and several weaknesses were disclosed. • Majority of the activities (over $28 million) under this SO are field support arrangements with contractual responsibility in Washington – an arrangement that concerns the SO4 team. • Over $31 million was in the pipeline as of the FY2000 Annual Portfolio Review, but the Mission is conducting quarterly pipeline analysis and the issue has the attention of the Mission Director. • The SO team raised concerns about the adequacy of staffing and the need for a full-time monitoring and evaluation position. • The Mission had been concerned about the direction of a program by one of the Child Survival activity implementing partners; but a new proposal has rectified the situation. • The Mission's FMFIA review did not disclose material weaknesses in this area.	

Various SO4 staff voiced their concern over lack of control over field support activities. There was a strong sentiment against the current field support arrangements in the Child Survival area. Under these arrangements, there are inherent difficulties in aligning progress in the program's activities with financial controls and payments. The team also had been concerned about an implementing partner's Child Survival program. The program's scope and direction were not fully consistent with the Mission's objectives. However, the situation has been resolved with a new proposal from the partner.

The various weaknesses identified by the recent OIG audit of HIV/AIDS activities have been well received by the Mission and are being addressed. Due to the size of the HIV/AIDS program, the team expressed concerns over the

adequacy of the staffing, particularly noting that monitoring and evaluation function was not getting the required attention.

Function Description	Risk Exposure
Program and Projects Development Office (PPDO): - Coordinates the PMP, SO budgets, and annual reports, and develops USAID/Nigeria website.	Moderate
Risk Assessment Factors	
• USAID/Nigeria is providing assistance under a transition strategy until December 2003. • Although completed and submitted on time, USAID/Nigeria's PMP is considered in transition as the team struggles to refine program result indicators through experience and experiments. • Obtaining quality data is a problem for some SO areas and as a consequence, indicators have been changed and redefined, baselines reset, and intermediate results reassessed. • PPDO and related activities are led by well-qualified U.S. direct hire and contract personnel, in cooperation with sophisticated outside consultants and researchers. • . SO teams are comprised of members from multiple disciplines representing all Mission functions. • Mission management demonstrates a commitment to management control. • Nigerian political, civil, and legal institutions are being rebuilt after years of military rule characterized by dictatorship and neglect. • There is no bilateral agreement between the U.S. Government and the GFRN. • The country is gearing up for a political campaign in anticipation of national elections towards a second term of a new civilian democratic government.	

USAID/Nigeria is still in a transition stage in the implementation of its strategic objectives because of various factors, both internal and external to the Mission. The internal conditions include the Mission's relative newness, after a 15-year hiatus from Nigeria; its recent relocation to Abuja (Nigeria's new capital) from Lagos; its

accounting station being in Accra, Ghana; and the absence of a contract officer until recently.

External factors include weak or underdeveloped Nigerian institutions that are unreliable as a source of accurate statistical data for setting baselines and measuring progress towards intermediate results or achievement of the strategic objectives. Civil unrest and youth violence, along with conflicts due to land disputes and ethnic and religious differences are also external factors considered in assessing the risk.

Because of the Mission's newness, partnerships with implementers and cooperating sponsors are still in the developmental stage. The Mission's Foreign Service National staff is relatively inexperienced with USAID strategic objectives and its policies and procedures. Also, not having an in-house contract officer until recently, along with the remote accounting station and a lack of a bilateral agreement have combined to create difficulties in developing and implementing programs and projects.

The external factors related to the transition of the government and the newness of the Mission also affects data availability, collection and quality. As a result, readjustments to the PMP have been necessary. The Mission submitted the final PMP to USAID/Washington in early February 2002, thus meeting the requirements for the March 2002 reporting cycle. However, Mission personnel view the PMP as a transitional document that still requires refinement as more experience is gained with the indicators.

Function Description	Risk Exposure
Executive Office – Manages administrative functions such as personnel management, general services, and property management.	Moderate
Risk Assessment Factors	
• An experienced personal services contractor serves as the Executive Officer but will be replaced by a U.S. direct hire by the end of FY2002. • The Deputy Executive Officer is not available to support Mission requirements. • Operating expenses for the fiscal year ending September 30, 2002 is estimated to be $3.9 million with approximately 23 percent allocated for personal services contract payments. • The Mission Orders are not complete and are in the process of being developed and/or updated. • Progress has been made on the inventory reconciliation using the Barscan software, but the Mission could not provide a dollar amount for the discrepancies as reported on a previous OIG audit report. • Some residences of Mission personnel do not have the required basic safety equipment (smoke detectors and extinguishers) in place. • The Mission's FMFIA review did not disclose material weaknesses in the above areas.	

While the office is led by a seasoned personal services contractor, staffing shortages prevent adequate monitoring of all the Executive Office activities. A new Executive Officer is expected to arrive by the end of FY2002 and the current contractor will stay on in FY2003 to support operations. The Deputy Executive Officer position is currently filled but that person is out of the country due to medical reasons.

The issue with the lack of safety equipment at the residences of Mission personnel was also raised. An employee's house, which was destroyed by a fire, did not have the required basic safety equipment at the time of the fire. Although a private contractor is responsible for maintenance and ensuring that the safety equipment is in place, discussions with employees indicated that some housing still lack the required basic equipment of a fire alarm and extinguisher.

In a previous audit, the OIG recommended that the Mission conduct an inventory of non-expendable property and to resolve discrepancies accordingly. The Mission is

making progress toward meeting this goal and reported that all but 5 percent of the discrepancies between the physical inventory and their records have been resolved. The Mission could not provide a dollar value for the 5 percent discrepancy at the time of the audit, but were in the process of determining the cost basis of the discrepancies.

Function Description	Risk Exposure
Controller's Office – Discharges financial aspects of the Mission operations	Moderate
Risk Assessment Factors	
• The staff is qualified and well trained. However, the office is in the process of hiring additional financial analysts to provide better program support. • The cashier maintains a large petty cash balance, but the Controller is considering reducing the amount required based on current needs. • An unannounced cash count did not reveal any discrepancies, although the cashier's documentation was not organized and readily available. • Implementing agreements and contracts initiated in Washington do not appear on the Mission Accounting and Control System (MACS) but are kept in the Phoenix financial system in Washington. At the end of each fiscal year, these funds are manually added to the figures in MACS for the purpose of pipeline analysis. • There is no mechanism to ensure a link between program activities and the financial aspects that are controlled from Washington. • For those implementing agreements initiated in Washington, computation of accruals is completed quarterly with coordination from the accounting station in Accra, Ghana. • Mission Orders are in the process of being developed to address new business requirements.	

The Mission has a large dollar amount of field support and interagency agreements that are centrally funded by Washington. HIV/AIDS and Child Survival activities under SO4 alone have over $28 million in field support activity. Currently the Controller's Office does not have a mechanism in place to link financial payments with program performance. The Controller's Office is planning to provide closer financial support to programs by assigning financial analysts to programs. At that time the Controller's Office will also be better able

to monitor program activities and better evaluate financial aspects of respective programs.

Currently, a petty cash balance of $100,000 is maintained by the cashier. The Controller agreed that the petty cash balance needs to be evaluated since the $100,000 amount was based on the requirements during the move to Abuja. Analysis of current petty cash requirements is ongoing. According to the Controller, a lower level for the petty cash fund will be decided in the near future.

Conclusion

We examined the risk associated with the various aspects of the USAID/Nigeria mission. The table below summarizes the findings.

Function	Risk Exposure		
	High	Moderate	Low
Sustaining the Transition to Democratic Civilian Government	✓		
Economic Reform and Agricultural Growth		✓	
Education Reform		✓	
Health and Child Survival		✓	
Program and Projects Development Office		✓	
Executive Office		✓	
Controller's Office		✓	

Overall, the risk exposure associated with USAID/Nigeria is moderate. The Mission's strategy is focused on assisting Nigeria's transition to economic, social and political stability with inherent challenges. The lack of reliable and useful data creates difficulty in establishing baseline conditions and determining appropriate indicators to measure the impact of the programs. However, the strategic objective teams are working to develop these measures. Generally, the strategic objective teams are staffed with competent and experienced staff. However, some newly hired Foreign Service National staff is less experienced with USAID requirements and procedures, and will need training.

The Mission Director was generally aware of the vulnerabilities we found. We suggest that increased oversight be directed towards the contractor responsible for residential safety equipment to prevent future property losses, or potential injury or loss of life.

The political and economic conditions in Nigeria affect USAID/Nigeria's vulnerability to risk. The Government of the Federal Republic of Nigeria (GFRN) has expressed good political will to undertake the reforms necessary.

However, the legacy of military dictatorships and ineffective government still lingers. Continuing social unrest and conflict impedes the smooth transition to democracy, and has a direct impact on the Mission's ability to succeed in achieving its objectives.

Scope and Methodology

Scope

The Office of the Regional Inspector General in Dakar conducted this risk assessment to gain an understanding of the programs and activities of USAID/Nigeria. This was not an audit and does not contain any formal recommendations. The risk assessment was conducted at USAID/Nigeria from July 8 – 26, 2002 with fieldwork taking place in Abuja, Nigeria.

Methodology

To perform this risk assessment, we interviewed USAID/Nigeria personnel and examined documentation to obtain an understanding of the Mission's objectives, programs and activities. We assessed selected controls at the Mission and the Strategic Objective (SO) team levels to determine if they were adequate and working as designed. We also interviewed the personnel of the implementing partners for these activities to assess their controls to determine if they were adequate. We then concluded on the level of risk (low, moderate, or high) for the programs and major functional offices of the Mission. The ultimate assignment of a risk level to an SO or functional office was judgmental, taking into consideration how sufficiently we believed the SO (including implementing partners) or office had met the prescribed regulations, operating guidelines and internal control procedures in its program, financial, accounting and administrative management. Also impacting the risk level assigned were how qualified or experienced we thought program managers and functional personnel were and to what extent a SO program might be vulnerable to external factors beyond its control.

The risk assessment focused primarily on fiscal year (FY) 2002 data and, as necessary, from previous years. Given the broad scope of the programs and the limited review envisioned for such activities, the risk assessment was designed to assess the vulnerability within certain focus areas. We did not assess the risk for the Special Objective as it did not receive funding for FY2002.

In summary, the general methodology for the survey included the following:

a) Reviewed applicable laws, regulations, policies, and guidance.

b) Met with USAID/Nigeria officials to gain an understanding of the breakdown of responsibilities and monitoring of the programs, and assessed which controls were being used for the various programs.

c) Performed site visits with implementing partners, and determined if the controls were in place and working as intended for their activities.

Management Comments

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MEMORANDUM

To: Lee Jewell III, RIG/Dakar

From: Sherry Suggs, Ag. Mission Director, USAID/Nigeria

Date: November 7, 2002

Subject: **Survey of USAID-Financed Assistance to Nigeria (Report No. 7-620-03-00X-S).**

On behalf of USAID/Nigeria, I would like to thank you and your team for conducting the program review of USAID assistance to Nigeria.

The findings of the survey were well received by our mission and will help to strengthen and improve our management and program controls as we implement the program and plan our new long-term strategy.

Your report was discussed with the SO team leaders and other members of our management staff, and the following steps have been or will be taken to strengthen the identified weaknesses.

Issues:

1. Staffing - A large scale staff recruitment program is currently being implemented to fill staff vacancies. As we move towards

implementing the new strategy, we want to ensure that we have the required number and caliber of staff to implement the program.

2. Training - We recognize the importance of training and retraining programs to update the skills of our staff on basic USAID processes and procedures. We will continue to expose our staff to both local and US-based training opportunities. In the first half of FY03, we identified seven mission-wide training opportunities that cut across the professional and non-professional cadre of our staff.

3. Staffing Position in the office of our Partner - This situation arose as a result of the sudden illness of the Chief of Party of International Federation for Electoral System. We would like to report by the end of FY02 a suitable replacement was recruited and assumed duty.

4. Coordination of Reporting and Contractual Responsibilities between our Mission and DC-based activities and reporting guidelines on IAAs - We are addressing the coordinating/financial reporting processes between the mission and the WDC coordinating units that have contractual responsibility over some of our activities. We recognize the fact that the present reporting arrangements are not adequate for control purposes and we hope to record significant improvements as we fine-tune the reporting processes.

5. Executive Office:

5.1 Security Office and Residential Premises - Significant improvements have been made to physical security at both the office and residences. Fire extinguishers and smoke detectors have been installed in all the residences. Work on the security up grades which started before the end of FY02 will be completed by the end of the first quarter FY03.

During a recent USAID/W/SEC review, several new recommendations were made to improve security. These recommendations are being acted on.

5.2 Mission Orders - The issuance of Mission Orders is progressing. Twenty four (24) Mission Orders were signed and circulated as of October 31, 2002. It is hoped that an additional 45 mission orders will be issued by the end of second quarter FY03.

6. Controller's Office:

6.1 Cashiering Duties - We note the comments on documentation by our cashier. We have commenced the strict adherence to the cashiers operating hours that will ensure the cashier has more time to balance the books and to eliminate backlog in documentation.

6.2 Staffing - Staff strength has increased with the recruitment of a new Financial Analyst.

7. Program and Project Development:

7.1. The peculiar situation of the political development has made the refinement of our Performance Monitoring Plans (PMP) and program result indicators an ongoing exercise. However, as we move from the transition strategy to a long term strategy and with the consolidation of democracy in Nigeria, more measurable indicators will evolve, especially in the Democracy and Governance strategic objective.

USAID/Nigeria will continue to monitor situations that heighten our risk exposure. We appreciate the support and cooperation of the RIG Office and wish to assure you that we will do our best to reduce the risk levels identified in this report.