THE INSPECTOR GENERAL

MEMORANDUM ON AUDIT OF LOCAL CURRENCY EXPENDITURES - FOOD CROP PROTECTION & INTEGRATED PEST MANAGEMENT PROJECTS IN THE GAMBIA

Audit Report No. 0-635-S1-61

March 27, 1981

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We performed a limited scope review of three AID grant-funded regional projects being implemented in The Gambia. The audit was performed in response to a request received from the AID Representative to The Gambia who was concerned about the use of the AID-financed local currency funds provided to the government through these projects.

Background

The common goal of the three regional grants is to improve the standard of living of subsistence farmers in the eight West African countries comprising the Sahel. This goal is to be achieved by reducing crop losses through better control of insect pests, diseases and weeds. AID funding of these grants is expected to total $37.7 million from inception in August 1976 through completion in December 1982.

The original Food Crop Protection (Phase I) project agreement provided $4.1 million in assistance to the eight countries. The second project, Integrated Pest Management, was initiated in February 1978 and is to furnish an additional $25.3 million. A third agreement, Food Crop Protection (Phase II), which was signed in June 1979, will provide $8.3 million more.

As of September 30, 1980, $1,216,675 had been obligated for The Gambia. Of this amount, $564,108 had been disbursed or committed:

Agreement	Project No.	Obligations	Accrued Expenditures
Food Crop Protection	625-0916.4	$ 565,000	$475,000
Integrated Pest Management	625-0928.4	115,675	19,108
Food Crop Protection (Phase II)	625-0928.4	536,000	70,000
Total		$1,216,675	$564,108

Of the $564,108, AID advanced the equivalent of $412,156 in Gambian dalasis directly to the Government of The Gambia (GOTG) for local currency purchases. The GOTG disbursed $377,905 of this amount, leaving an outstanding balance of $34,251 as of the cut-off date of our review. Details are as follows:

	Food Crop Protection	Integrated Pest Mgt	Total
Advances	$393,048	$19,108	$412,156
Disbursements			
11-24-76 to 2-23-80	$344,908	$ -0-	$344,908
2-24-80 to 9-30-80	14,260	18,737	32,997
Total	$359,168	$18,737	$377,905
Balance	$ 33,880	$ 371	$ 34,251

At the time of our review, the GOTG had submitted vouchers in support of expenditures under the Food Crop Protection Project through February 23, 1980, for which AID liquidated advances totaling $344,908. Expenditures after February 23, 1980, had not yet been reported to AID by the GOTG. Our review, however, covered all disbursements through September 30, 1980, in the amount of $377,905.

The three projects are being implemented in The Gambia by the Ministry of Agriculture and Natural Resources (MANR) through its Crop Protection Service. Oversight responsibilities for both phases of the Food Crop Protection Project were assigned to a USAID Regional Project Manager based in Dakar, Senegal. The Permanent Interstate Committee for Drought Control, better known by its French acronym CILSS, is responsible for monitoring the Integrated Pest Management Project. CILSS, whose headquarters is located in Ouagadougou, Upper Volta, is a regional organization created by the eight African governments to plan and coordinate regional development in the Sahel.

Purpose and Scope

Our review was initiated at the request of the AID Representative to The Gambia. The purpose of the review was to determine the propriety of all transactions involving AID funds advanced to the Government of The Gambia (GOTG) for local currency purchases under the three projects. In performing this review, we also reviewed the GOTG's project management and AID's oversight. The review covered local currency expenditures incurred from August 27, 1976, through September 30, 1980, totaling the equivalent of $377,905. The review included an examination of the projects' records, site visits and discussions with GOTG and AID officials.

THE GOTG'S PROJECT MANAGEMENT NEEDS IMPROVEMENT

Our review indicated that the GOTG's implementing entity, MANR, maintained sufficient books and records to document the use of the AID-financed local currency funds. However, the internal controls over the expenditure of those funds were inadequate. Illustrative of this was the lack of competitive bidding for the procurement of services and commodities which constituted the use of most funds. MANR's budgeting for AID-financed local currencies was also deficient. Refunds totaling $53,088 have been recommended because of these and other deficiencies. Salient comments on these deficiencies are discussed below.

The local currencies AID provided to the projects were deposited in non-interest bearing checking accounts at The Gambia Commerical and Development Bank, a commercial bank. However, according to the Accountant General of the Republic, all public funds, including those provided by AID under the projects, were to be deposited in separate accounts at the Central Bank. The deposits and disbursements to and from these separate accounts were then to be supervised by the Accountant General's office. MANR was unable to give us an explanation as to why it deviated from this procedure.

One of the responsibilities of the Accountant General's office is to verify that all major contracts/procurements are preceded by competitive bidding. Awards should be made to the lowest bidder unless extenuating circumstances (such as short lead time or supplier's maintenance capabilities) justify otherwise. Yet, contrary to this requirement, we found only one instance of competitive bidding. In that particular case (procurement of two Mercedes Benz Unimog trucks in August 1979 under the Food Crop Protection grant), two suppliers were solicited and the award was made to the lowest bidder.

Many of the larger procurement transactions that we reviewed were effected through the local currency account at a time when AID staffing in The Gambia was inadequate. With increased AID staffing, these larger procurements are now being made by AID through PIO/C procedures. Nevertheless, since some smaller purchases are still being made through the local currency accounts, we believe that AID should require MANR to conform with the GOTG's competitive bidding procedures. In our view, this should be done by ensuring that the AID-financed local currency funds are transferred to separate accounts at the Central Bank. Presumably, when this is done, the transactions will then be subject to review by the government's Accountant General.

Recommendation No. 1

We recommend that USAID/Senegal and USAID/Upper Volta take appropriate action to have AID-financed local currency funds provided under their respective projects deposited in separate accounts at the Central Bank of The Gambia in compliance with the government's procedures.

The local currencies which AID provides to the projects are purchased with U.S. dollars. These currencies are then advanced by AID to MANR for the projects' purposes outlined in the approved budgets. In accounting for the

use of the funds, MANR is required to submit expenditure reports to AID. These reports are then used by AID to liquidate the advances.

A March 1978 implementation letter, under the Food Crop Protection Project (Phase I), required MANR to estimate its cash requirements on a quarterly basis. In this regard, the implementation letter stated that after the initial advance, MANR was to submit financial reports on a quarterly basis. A new advance was to be estimated after the liquidation of the prior advance. We found, however, that MANR consistently overestimated its cash requirements. The result was that only four financial reports were submitted during the four-year life of the project rather than the required 16. Moreover, as of September 30, 1980, when the project was to have been completed, there was a balance of $33,880 in the checking account.

U.S. Treasury regulations, as spelled out in State 273219, dated October 19, 1979, specify that:

> "Agencies will establish such systems and procedures as may be necessary to assure that balances are maintained commensurate with immediate disbursing needs, excess balances are promptly returned to the Treasury . . ."

Though Phase I of the Food Crop Protection Project is terminating, Phase II is starting up. Therefore, pursuant to Treasury regulations, AID should ensure that MANR does not estimate its cash requirements in excess of its 90-day needs. Also, in accordance with U.S. Treasury regulations, AID should ensure that the unused balance of $33,880 is returned to the Treasury account.

Recommendation No. 2

We recommend that USAID/Senegal and USAID/Upper Volta take appropriate action under their respective projects to: (1) ensure that the Government of The Gambia makes realistic estimates of its cash requirements on a quarterly basis; and (2) return the unused balance of $33,880 advanced to the Food Crop Protection Project (Phase I) to the U.S. Treasury.

Specific deficiencies relating to the projects are discussed below.

Integrated Pest Management Project (IPM)

A total of $18,737 was paid to a Government of The Gambia official for architectural services without competitive bidding or a contract.

Our review revealed that two checks totaling the equivalent of $18,737 were drawn against the AID advance for the IPM project. Both checks were drawn in payment to an architect for fees and other costs in connection with a research station to be constructed in The Gambia. The payee was the Chief Architect in the Public Works Department of the Ministry of Works and Communications, a full-time employee of the government.

Gambian regulations require that a civil servant must obtain permission from the government before undertaking outside employment. Then, if permission is granted, the employee is to rebate a percentage of the fees received to the government. The percentage is negotiable and is in consideration for the time away from regular duties and the use of government facilities (such as blueprint duplicating services) in earning the fees. In this case, permission was not requested or granted.

There were other questionable aspects regarding this transaction. Because of the substantial amount involved, the job should have been publicized for bids. Additionally, no contract was written to define the scope of work, establish a fee schedule, or serve as a basis for evaluating performance. The amount paid appears out of line since the work took less than one year, for which the architect received three times his annual government salary.

In the absence of a contract, it was not clear who was responsible for approving this arrangement. On the surface, it appeared that the Permanent Secretary of the MANR and the Gambian Project Manager were involved, since both signed the checks in payment of the fees. Inasmuch as the Permanent Secretary was on leave while the auditors were in The Gambia, we discussed the matter with the Gambian Project Manager. His justification centered on a statement that the Executive Secretariat of CILSS was aware of, and had approved the award. We telephoned the CILSS official in Ouagadougou to confirm this statement, but were unable to contact him. Subsequently, in a call to the USAID Project Manager (also in Ouagadougou), we learned that CILSS, in fact, had approved the award. It was not possible to determine, however, whether CILSS knew at the time that the architect was a full-time Gambian civil servant, and that "moonlighting" by civil servants without prior GOTG approval conflicted with local regulations. In any event, it is our opinion that CILSS erred in approving payment of these fees from AID project funds.

In responding to a draft of this report, the Permanent Secretary stated:

> "The auditors have queried the fact that the Tender Board was not approached to approve the award of a contract to (the architect) for the design of the buildings that would be constructed under this project. I have to point out that only recently did we have instruction issued by Cabinet that all contracts above specified limits should be cleared with the Major Tender Board irrespectively of where funded by Government revenue or from AID funds. We can give you a very long list of similar contracts awarded by this Ministry and other Ministries to consultants which were not cleared with the Tender Board."
>
> "It is true that there was no contract document in legal document form prepared and signed by all the parties involved in the contract for the design of the buildings. We do have some exchange of letters between the Architect, my office and CILSS specifying the type and amount of work to be done and the fees to be paid. In our view, this constitutes the contract."

The auditors requested copies of the contract from the Gambian Project Manager and from the MANR Chief Accountant. In both cases they were told that no contract existed. The "exchange of letters" was not mentioned; nor were copies of those letters ever provided.

In our view, the Permanent Secretary's comments do not take issue with the facts previously received, considered and reported in draft form. The letter also does not satisfactorily explain why standard GOTG procedures were not followed in obtaining the architectural services. It is our opinion that the unorthodox manner in which the arrangements were made--employment of a Gambian civil servant without a formal written contract, GOTG sanction, or public tender, and payment of an amount that appears unreasonably high--disqualifies it for reimbursement from AID-provided funds. Accordingly, we are recommending that the GOTG be required to refund $18,737, the total amount paid to the architect from the IPM grant.

Recommendation No. 3

We recommend that USAID/Upper Volta, through the Executive Secretariat of CILSS, notify the Permanent Secretary of the Ministry of Agriculture and Natural Resources of The Gambia that the architect fees of $18,737 paid under the Integrated Pest Management grant are not allowable, and request that this amount be refunded to the project account.

Food Crop Protection Project

Substantially all (92 percent) of the $359,168 disbursed under this project was for vehicles and equipment. Major items purchased and their costs are as follows:

Date	Item	Total Cost
Nov. 1976	100 Knapsack Sprayers	$ 36,705
Mar. 1977	6 Exhaust Sprayers	4,431
Apr. 1977	6 Land Rover Pickup Trucks	48,810
June 1977	2 Unimog Trucks	66,326
Aug. 1978	10 Honda Benly S110 Cycles	7,949
Sep. 1978	Miscellaneous Spare Parts and Tools	28,578
Apr. 1979	1 Peugeot 504 Station Wagon	8,028
May 1979	1 Land Rover Station Wagon	13,349
July 1979	1 Land Rover Pickup	10,665
Aug. 1979	2 Unimog Trucks	68,258
Dec. 1979	10 Honda CD 70 Cycles	8,087
Dec. 1979	10 Stella Dust/Powder Units	30,841
	Total	$332,027

Our major criticism concerning these disbursements--almost complete lack of competitive bidding--was described earlier in this report. Otherwise, the MANR was able to provide generally adequate support (pro-forma invoices, receipts, bank debits/canceled checks) for these purchases. We also made field visits where we verified specific items having a cost of $277,000, which represents 77 percent of the total disbursed. With one exception, all items of equipment were from countries designated by AID geographical code 935, in accordance with the project agreement. The one exception was a Russian-manufactured refrigerator for which the MANR paid $306. Although minor, we also question the allowability of charges made for checking account service ($165), since this account should have been maintained in the Central Bank and not subject to such charges.

Recommendation No. 4

We recommend that the USAID Regional Controller in Dakar, Senegal, issue a Bill for Collection to the Permanent Secretary, Ministry of Agriculture and Natural Resources, in the amount of $471 under the Food Crop Protection Project (Phase I), to recover unallowable expenditures.

Our field visits revealed a maintenance problem that will require AID attention to correct. One of the Mercedes Benz Unimog trucks was involved in an accident in September 1979, and was still out of service as of November 1980. We were told that repair parts will cost in the neighborhood of $10,000. Lack of funds to buy those parts has kept the MANR from effecting the repairs. Three of the ten Honda Benly S110 cycles also were out of service, various parts having been removed to service other cycles in the fleet. The reason given for not repairing these cycles was due to a lack of spare parts in The Gambia. This explanation lacks creditability since there is a supplier with a full service garage near Banjul, and $1,600 worth of spare parts were purchased with project funds from this supplier in May 1979.

Recommendation No. 5

We recommend that USAID/Senegal obtain a definite commitment from the MANR on plans to repair the Unimog truck and three Honda cycles, and follow up as necessary to see that this equipment is returned to service.

AID OVERSIGHT NEEDS IMPROVEMENT

AID's oversight of the projects has not been effective. The MANR has been allowed to disregard GOTG regulations and AID procedures that are necessary for prudent management. Instances of inadequate MANR management that may have been avoided with effective AID oversight include:

(1) Failure to solicit competitive bids before awarding major purchase orders,

(2) Non-utilization of costly equipment (Unimog truck and Honda cycles) due to lack of care,

(3) Engaging a full-time Gambian civil servant, without first obtaining GOTG sanction, and paying him fees that appear out of line for the work performed.

The main reason for these deficiencies, in our view, is that AID's oversight responsibilities were assigned to entities far from the scene (regional offices), rather than to those at the local level. Inadequate communication among these entities also contributed to the problem. To illustrate, a July 1979 report from the USAID Financial Analyst to the USAID Regional Manager of the Food Crop Protection Project (both based in Dakar) noted the following deficiencies with regard to The Gambia:

(1) The Grantee has not established an accounting system.

(2) The Grantee has not submitted timely financial reports.

(3) The Grantee has an outstanding cash advance in excess of needs.

(4) Vouchers for construction of the storage depots (in Janoi) are not being submitted in a timely manner.

Although we found some improvement in the accounting system, the other problems had not been resolved more than one year later.

The IPM project is even more prone to communication breakdown because of its complex administrative structure. Originally designed for multi-donor financing with projected expenditures of $25.3 million, the IPM project is now being largely funded by AID, but implemented through CILSS, the grantee. CILSS' management team is located in Ouagadougou, Upper Volta. Research activities are to be coordinated through the Sahel Institute in Bamako, Mali, while the Rome-based Food and Agricultural Organization is providing technical services in pest management. CILSS deals directly with the host country implementing agencies. The principal AID Mission (in this case, Ouagadougou) serves as Project Manager. USAIDs in the receiving countries (such as The Gambia) are to be kept informed, but have no direct oversight responsibilities.

AID officials in The Gambia have repeatedly expressed their concern over this arrangement. They feel that AID officials at the country level should have heavier oversight responsibilities since they are closest to the scene, and AID is providing most of the external resources. We share this view.

USAID officials in Mali also expressed dissatisfaction regarding oversight of the IPM project, as reflected in their comments in a May 1980 cable:

> " . . . AID representation was inadequate to address major issues surfaced during (Executive Committee) meeting . . . This problem raises more fundamental issue of where AID responsibility for this project rests. No one seems to know . . . Mission would rest more easily if it had even slight confidence

> that the project as administratively designed had at least a chance for success . . . Since AID is the major donor to overall program, Mission feels that firm AID position is needed . . . to force resolution of impasse over CILSS-INSAH responsibilities . . . and to exhort member states into action . . ."

A substantial amount of AID resources is being provided to the Sahelian states in the form of local currencies for financing local project costs. At present, we do not have the assurance that this local currency is being properly controlled. The deficiencies described throughout this report indicate serious problems in administration and monitorship of regional projects being implemented in The Gambia. We found similar problems in other Sahelian countries that were visited recently. (See "Problems in Host Country Accounting for Utilization of AID Funds in the Sahel," Audit Report No. 81-35, dated January 29, 1981.) We believe that many of the administrative problems in these countries could be lessened with stronger oversight by AID.

Recommendation No. 6

We recommend that the Assistant Administrator, Bureau for Africa: (1) review oversight responsibilities and performance under the regional Food Crop Protection and Integrated Pest Management projects; and (2) where feasible, assign heavier responsibilities to the USAIDs closest to the areas of implementation to strengthen control.

LIST OF REPORT RECIPIENTS

Deputy Administrator	1
USAID/Senegal	5
USAID/Upper Volta	5
Assistant Administrator/AFR	5
REDSO/WA	1
AAA/AFR/PMR	1
AFR/EMS	1
AFR/SWA	1
Upper Volta Desk	1
Senegal Desk	1
The Gambia Desk	1
Assistant Administrator/LEG	1
General Counsel	1
IDCA's Legislative & Public Affairs Office	1
PPC/E	1
DS/DIU/DI	4
Inspector General	1
RIG/A/Cairo	1
RIG/A/Manila	1
RIG/A/Panama	1
RIG/A/Karachi	1
RIG/A/Nairobi	1
IG/PPP	1
IG/II	1
IG/II/AFR	1