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AUDIT OF USAID/CAMEROON COMPLIANCE
WITH AID PAYMENT VERIFICATION
POLICY STATEMENTS

Audit Report No. 7-631-87-6

March 16, 1987

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

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March 16, 1986

MEMORANDUM FOR USAID Director, Cameroon, Jay Johnson

FROM: RIG/A/WA, John P. Competello 

SUBJECT: Audit of USAID/Cameroon Compliance with AID
Payment Verification Policy Statements

This report presents the results of audit of USAID/Cameroon (USAID/C) compliance with AID payment verification policy statements. Please advise us within 30 days of any additional information relating to actions planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended our staff during the audit.

Background

In April 1982, the AID Administrator named a task force of AID senior officials to review the Agency's payment process. The task force produced 16 policy statements on (a) methods of project implementation and financing, (b) verification, auditing and monitoring procedures, and (c) other procedures contributing to accountability. Field offices were responsible for implementing 11 statements and AID/W was responsible for implementing 5 statements. The Bureau for Management sent implementing guidance to the field on December 30, 1983.

During fiscal year 1986, AID assistance to Cameroon included 13 active projects authorized at about \$155 million. USAID/C was also responsible for administering six projects in Central African Republic and Equatorial Guinea totaling about \$21 million.

Audit Objectives and Scope

The Office of the Regional Inspector General for Audit/West Africa made an audit to assess USAID/C compliance with AID payment verification policy statements. This audit was part of a world-wide audit led by the Inspector General's Office of Programs and Systems Audits, Washington, D.C. Other information obtained in Cameroon may be reported by that office.

Mission officials were interviewed and project files were examined. Nine projects authorized at about \$133 million were

selected to test compliance with the policy statements (see Exhibit 1). Compliance was also tested by examining fiscal year 1986 vouchers and supporting documents. The audit included a review of general assessment reports submitted to AID/W in March 1984, November 1985, and April 1986. The audit was conducted in late 1986 and made in accordance with generally accepted government auditing standards.

Results of Audit

The Mission complied with 7 of the 11 payment verification policy statements for which it was responsible. Additional progress was needed, however, to assure effective internal controls over (a) assessing host country contracting capability, (b) submitting project officer administrative approval checklists, and (c) recording annual assessments of voucher examination procedures. We made recommendations intended to increase compliance with the policy statements.

Need To Fully Comply With Policy Statements - USAID/C did not fully comply with policy statements 5, 7, 8 and 9. As a result, project vulnerability was increased. Primary reasons for the non-compliance were ineffective implementing procedures and a shortage of staff at the Mission.

Discussion - The following sections discuss USAID/C's non-compliance with four policy statements. Exhibit 2 lists all 16 policy statements.

A. Policy statements 5 and 9 require that USAIDs assess the ability of prospective host country contracting agencies to (a) advertise, award and negotiate contracts, (b) monitor implementation, (c) examine invoices, and (d) audit. The intent of these policy statements is to reduce waste and mismanagement where host country contracting is "proposed" as a means of implementation. The policy seeks to achieve the reduction of waste through early detection and resolution of contracting weaknesses. Additionally, implementing guidelines require USAIDs to annually report the assessment results to AID/W. The Project Officers' Guidebook on Host Country Contracting contains a list of basic questions to explore during the assessments.

USAID/C partially complied with policy statements 5 and 9. The Mission submitted annual assessment reports on host country contracting but the reports were incomplete. The reports included "active" host country contracts but excluded proposed contracts for the two projects -- Agricultural Education and Primary Education -- which included host country contracting as a means of implementation. The Agricultural Education project included \$26 million of proposed host country contracts to construct a university. The Primary Education project included \$9 million of proposed host country contracts for school rehabilitation and construction.

The Mission believed it fully implemented policy statements 5 and 9. The Mission said the policy statements are unclear on when "proposed" contracts should be included in annual assessment reports. We recognize that the policy statements are unclear on this question. However, missions should know about contracting weaknesses ahead of time so that action can be taken to prevent problems from arising. Assessing host country capability after contracts are awarded falls short of the intent of policy statements 5 and 9. We believe, therefore, that the Mission should include proposed host country contracts in its annual assessments.

The audit also noted that the Controller's Office assumed responsibility for preparing the annual assessment reports. Project officers and engineers, however, were more familiar with some aspects of host country procedures and practices. The Mission needed to ensure that knowledgeable project officers and engineers were providing input into the annual assessments.

B. Policy statement 7 requires that project officers provide checklists to controllers advising them of the basis on which administrative approval for payment was given.

Forty-seven vouchers (53 percent of the 104 vouchers audited), totaling about \$800,000, did not have a checklist.

In response to the draft report, the Mission stated it was not always possible to strictly enforce policy statement 7 due to a seriously understaffed Controller's Office. One reason for the lack of checklists, according to the Controller, was that exceptions to the rule had been allowed. For example, the Controller had told project officers that checklists were not needed for project advances.

C. Policy statement 8 requires USAID controllers to annually assess and report to AID/W on voucher examination and voucher approval procedures. The assessments are to determine the adequacy of supporting documents submitted with contractor invoices, and the ability of project and certifying officers to relate contractor performance with contractor invoices. In addition, implementing guidance requires a flow chart of the mission vouchering and paying process; an examination of randomly selected vouchers; and reports on areas of concern and procedures that indicate high vulnerability.

The Mission partially complied with policy statement 8. Annual assessment reports were submitted as required, including a flow chart of the vouchering and paying process. However, the Mission did not assess the ability of project and certifying officers to relate contractor performance with contractor invoices. In its response to the report, the Mission said it was an oversight that no statement on this subject was made in the assessments.

Regarding the requirement to examine vouchers, the audit could not verify whether USAID/C examined a selection of vouchers or if areas of concern or high vulnerability were found. The Mission did not save records of voucher samples or analyses supporting the annual assessment results. The Mission's April 1986 assessment report stated, for example, that AID policies and procedures were followed, supporting documents were attached to vouchers, and project officers submitted administrative approval checklists. However, the Mission had no files to support these statements.

Although the Mission's April 1986 assessment indicated there were no problems with USAID/C's voucher procedures in the Controller's Office, the audit found several weaknesses. The audit looked at 104 vouchers totaling \$3.0 million or 7 percent of the 1,474 vouchers processed during fiscal year 1986. Among other problems, vouchers were missing or improperly filed; documents were scattered on the floor waiting to be filed; and payments were made on questionable expenses (see Exhibit 3).

Non-compliance was partly due to significant staffing shortages at the Controller's Office. Six of 12 authorized positions were vacant: budget and fiscal officer, financial analyst, chief accountant, two of three voucher examiners, and a file/clerk typist. Vacant positions had not been filled because there were no qualified local applicants. In its response to the draft report, the Mission said that operations of the Controller's Office during the audit were based on unusual circumstances. The Mission also said that the Controller's Office is now fully staffed except for one position.

Recommendation No. 1.

We recommend that the Director, USAID/Cameroon, develop procedures and guidance which clearly specify: (a) responsibility for annually assessing and reporting on host country contracting capability; (b) that project officers are responsible for submitting administrative approval checklists; and (c) that the Controller's Office maintain records of analyses supporting annual assessments of voucher examination and approval procedures.

Recommendation No. 2

We recommend that the Director, USAID/Cameroon, adjust the Mission staffing pattern to provide the Controller's Office with sufficient personnel until authorized positions are staffed.

Recommendation No. 3

We recommend that the Director, USAID/Cameroon, assess the host country contracting capability for contracts proposed for the Agricultural Education and Primary Education projects.

USAID/C comments were generally responsive to the draft report except for disagreement with recommendation number 1 (c) which remains open. Based on USAID/C comments and action (see Appendix 1), recommendations number 1 (a) and number 3 are resolved. Recommendations number 1 (b) and number 2 are considered closed upon issue of this report. Appendix 2 contains USAID/C actions needed to close the remaining recommendations.

**AUDIT OF USAID/CAMEROON COMPLIANCE WITH
AID PAYMENT VERIFICATION POLICY STATEMENTS**

EXHIBITS AND APPENDICES

Projects Selected to Test
Compliance With Payment Verification
Policy Statements

<u>Project</u>		<u>Date</u>	<u>Authorized (\$million)</u>
Agricultural Education*	631-0031	1982	43.0
Support to Primary Education*	631-0033	1984	27.6
Northern Wells Phase II	631-0051	1984	.8
Post Harvest Food Systems	676-0016	1984	4.4
National Cereals Research and Extension Phase II	631-0052	1985	39.0
Credit Union Development Phase II	631-0057	1986	2.5
Tropical Root and Tuber Research	631-0058	1986	5.3
Cooperative Development II	653-0003	1986	5.2
Rural Enterprise Development Phase II	676-0017	1986	<u>5.0</u>
Total			<u>\$133.3</u>

*These two projects were tested for compliance only with regard to policy statements 5 and 9. The projects included significant amounts of host country contracting that had not been awarded as of November 1986.

USAID/C Compliance With AID
Payment Verification Policy Statements

Policy Statement 1 - A comprehensive general assessment of methods of implementation and financing, reviewed from the standpoint of accountability, is to be presented on a regular basis and more specific assessments are to be included in Project Papers. In addition, beginning in January 1986, annual general assessments are to contain assurance that all project papers for the latest calendar year contain provision for audit and financial management services, as defined in Policy Statements 6 and 10, or explain any omissions.

Complied

Policy Statement 2 - AID/W Controller concurrence on the implementation and financing aspects are to be included in the general assessment and the more specific Project Paper assessments requiring AID/W review. In order to facilitate the AID/W review process, the USAID Controller concurrence should appear on the Project Data Sheet attached to the Project Paper and on the face sheet of the Project Assistance Approval Document.

Complied

Policy Statement 3 - As part of the assessments under Policy Statement 1, a justification is to be submitted whenever the mission proposes to depart from any of the following general policies:

- (a) The use of Fixed Amount Reimbursement (or modified Fixed Amount Reimbursement) as the preferred method in financing multiple unit construction.
- (b) Use of the Federal Reserve Letter of Credit procedure. Note that Federal Reserve Letters of Credit may be used only in the case of non-profit organizations. They cannot be used in any case for host country contracts or loan-financed contracts.
- (c) The use of the direct reimbursement procedure (reimbursing the host country, contractors and others) instead of other methods of payment which entail AID financial credit instruments to direct payments for contractors and suppliers.

Complied

Policy Statement 4 - As part of the assessments under Policy Statement 1, a justification is to be provided whenever the mission proposes use of the bank letter of commitment rather than the direct letter of commitment except for Commodity Import Program and project commodity financing for which the mission anticipates a proliferation of invoices.

Complied

Policy Statement 5 - Where host country contracting is proposed as a means of implementation, the assessments required under Policy Statement 1 must set forth a realistic appraisal of the prospective contracting agency's ability to (a) advertise, award and negotiate contracts, (b) monitor contract implementation, (c) examine invoices, and (d) audit contractor records and reports. If local currency is to be made available to an intermediate credit institution or to any other organization responsible for controlling and reporting on the use of such funds, the mission should first assess the organization's financial management procedures and related internal controls. Such an assessment should also be performed as a prerequisite for providing grants to indigenous private voluntary organizations.

Partially complied - See audit report text (p. 2).

Policy Statement 6 - Project papers are to (a) include an evaluation of the need for audit coverage in light of potential risks, and (b) describe planned contract and project audit coverage by the host government, AID and/or independent public accountants. Project funds should be budgeted for independent audits unless adequate audit coverage by the host country is reasonably assured or audits by third parties are not warranted as, for example, in the case of direct AID contracts or direct placement of participants by AID.

Complied

Policy Statement 7 - In lieu of the current negative statement, the project officer is to provide to the controller a statement advising the basis upon which administrative approval is given. AID/W implementing guidelines provided a checklist to be used by project officers when approving vouchers for payment.

Partially complied - see audit report text (p. 3).

Policy Statement 8 - Mission controllers are responsible for providing annual assessments of the mission voucher approval and voucher examination procedures. Such assessments should indicate the adequacy of supporting documents submitted with contractor invoices and the ability of project officers and authorized certifying officers to relate contractor performance with contractor invoices.

Partially complied - See audit report text (p. 3).

Policy Statement 9 - Mission controllers are to provide annual assessments of the adequacy of the monitoring and invoice examination procedures followed by host country contracting agencies. Such assessments should serve as the basis for reliance on host country performance certificates and voucher reviews.

Partially Complied - See audit report text (p. 2).

Policy Statement 10 - USAID controllers are encouraged to use the services of competent public accounting firms to a greater degree in providing accounting and financial management consulting services within the project design as a part of program funding and in auditing host country contracts. In their areas of responsibility, USAID controllers are encouraged to use contract personnel to supplement direct-hire foreign nationals for voucher examination.

Complied

Policy Statement 11 - The agency's commodity price analysis function should be strengthened to permit more adequate pre- or post-payment audit of commodity costs.

No USAID/C action required

Policy Statement 12 - Where suitable and subject to federal and AID control guidelines, the agency should place greater reliance upon incentive contract approaches, where contractors share in savings or receive extra benefits for timely completion.

No USAID/C action required.

Policy Statement 13 - Host country contracts should include definitive requirements for submission of invoices and supporting documents.

Complied

Policy Statement 14 - Models for use of the Fixed Amount Reimbursement concept for non-construction projects should be developed for consideration.

No USAID/C action required.

Policy Statement 15 - Definitive requirements for arrival accounting should be developed and published for commodity import programs. Assessments of arrival accounting systems should be included in all commodity import program approval documents.

No USAID/C action required.

Policy Statement 16 - The agency will explore resuming use of formal two-step loan agreements given the increased emphasis on private sector participation.

No USAID/C action required.

Details of Problems Identified
From Audit of USAID/C Vouchers

The following problems were found during the audit of 104 project vouchers or 7 percent of the 1,474 vouchers processed by USAID/C during fiscal year 1986.

- The Controller's Office could not locate 16 of the vouchers (17 percent) selected for audit, totaling \$200,000. During the last two days of the audit, five were located but two of these posed additional questions about a six-month posting delay. The problem of missing vouchers was previously identified in the 1984 Mission assessment of voucher examination procedures.
- Vouchers covering a six-month period were scattered on floors waiting to be filed. Vouchers already in file cabinets were loosely placed in manila folders and risked falling out by accident.
- Original vouchers and invoices were not in the files to support 13 payments (14 percent) totaling over \$200,000. USAID/C commented that the Controller's Guidebook requires that original vouchers be sent to AID/W. While the Controller's Guidebook required that vouchers be sent to AID/W, it did not suggest that Missions send original invoices to AID/W. Original invoices are key payment verification documents that need to be controlled to avoid duplicate payments.
- A \$6,980 duplicate payment was made to a contractor under project 631-0023. The duplicate payment occurred when the Mission reimbursed contractor expenses instead of reducing the outstanding advance. The Controller's Office discovered the error two months later and cancelled the duplicate check.
- The Controller's Office logbook erroneously showed a duplicate payment of \$85,245 to a contractor under project 631-0004. The logbook had not been corrected.
- The Mission paid a participant trainee \$8,797 for research under project 631-0052. The voucher should have been an advance of funds because expenses had not yet been incurred. Because of this error, the student was not required to account for the funds which were budgeted for such things as travel and purchase of a camera and laboratory equipment. The project officer said an accounting system would be established for any subsequent funds advanced to the student.

-- USAID/C paid \$344 for cocktails and \$1,964 for wine under project 631-0510. The expenses were in connection with AID-financed banquets for a workshop and a conference. The use of economic assistance funds to pay for alcoholic beverages is inappropriate. AID Handbook 15 prohibits financing of alcoholic beverages, unless specifically permitted by the Assistant Administrator. Such permission was not obtained.

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SUBJECT: RESPONSE TO DRAFT AUDIT REPORT ON PAYMENT
 VERIFICATION POLICY

REFS: (A) COMPETELLO/JOHNSON LETTER OF DECEMBER 12, 1986
 (E) DAKAR 00713 (C) DAKAR 71381

THE FOLLOWING IS USAID/CAMEROON'S RESPONSE TO THE DRAFT
 AUDIT REPORT ON THE PAYMENT VERIFICATION POLICY. PLEASE
 CONFIRM RECEIPT.

(I). COMMENTS ON NON-COMPLIANCE WITH POLICY STATEMENTS:

(A). POLICY 1 - ASSESSMENT OF METHODS OF IMPLEMENTATION
AND FINANCING.

DRAFT REPORT CONCLUDES THAT USAID/C FAILED TO COMPLY WITH
 POLICY 1 BECAUSE IT (1) DID NOT INCLUDE THE ASSESSMENT IN
 SIX PROJECTS NOT REQUIRING PROJECT PAPERS, AND (2) BECAUSE
 IT DID NOT INCLUDE THE ASSURANCE THAT POLICIES 6 AND 10
 WERE COMPLIED WITH FOR ALL PROJECT PAPERS SUBMITTED DURING
 1985. USAID/C MAINTAINS THAT IT COMPLETELY COMPLIED WITH
 POLICY 1 FOR THE FOLLOWING REASONS:

(1). POLICY 1 STATES CLEARLY THAT ITS APPLICATION EXTENDS
 ONLY TO PROJECTS REQUIRING PROJECT PAPERS. ANY EXPANSION
 OF THE REQUIREMENTS MUST BE MADE BY AID/W, AND AUDITS OF
 COMPLIANCE WITH THE POLICIES SHOULD NOT BE EXTENDED BEYOND
 THE MANDATES OF THE POLICIES.

(2) NO PROJECT PAPERS WERE SUBMITTED DURING 1985. THE
 REQUIREMENT TO INCLUDE A STATEMENT THAT POLICIES 6 AND 10
 WERE COMPLIED WITH IN THE PROJECT PAPERS SUBMITTED DURING
 THE YEAR WAS THEREFORE NOT APPLICABLE.

(B). POLICY 2 - CONTROLLER CONCURRENCE ON ASSESSMENTS:

THE OMISSION OF THE CONTROLLER'S SIGNATURE ON THE DATA
 SHEET OF THE SINGLE PROJECT PAPER PREPARED AFTER THE
 ISSUANCE OF THE POLICY STATEMENTS WAS AN OVERSIGHT THAT
 OCCURRED DURING A CHANGE OF CONTROLLERS.

(C). POLICIES 5/9 - HOST COUNTRY CONTRACTING CAPABILITIES:

DRAFT REPORT CONCLUDES THAT USAID/C FAILED TO COMPLY WITH POLICIES 5 AND 9 BY OMITTING HOST COUNTRY ASSESSMENTS FOR CONSTRUCTION CONTRACTS UNDER THREE PROJECTS IN BOTH THE PROJECT PAPERS AND THE ANNUAL REPORTS.

USAID/C MAINTAINS THAT IT COMPLETELY COMPLIED WITH THE PAYMENT VERIFICATION POLICY REQUIREMENTS RELATIVE TO HOST COUNTRY ASSESSMENTS FOR THE CONSTRUCTION CONTRACTS REFERRED TO IN THE DRAFT REPORT. BOTH THE SUPPORT TO PRIMARY EDUCATION AND THE AGRICULTURAL EDUCATION PROJECTS WERE DESIGNED PRIOR TO THE ISSUANCE OF THE PAYMENT VERIFICATION POLICIES AND THUS DID NOT CONTAIN THE HOST COUNTRY ASSESSMENTS NOW REQUIRED. OTHER REQUIREMENTS FOR CONDUCTING HOST COUNTRY ASSESSMENTS (SUCH AS THOSE REFERRED TO IN APPENDIX 1) ARE NOT RELEVANT TO AN AUDIT OF THE PAYMENT VERIFICATION POLICIES. IN THE ONE PROJECT PAPER AFTER THE ISSUANCE OF THE POLICIES (NCRE II), THE IMPLEMENTATION PLAN PROVIDED FOR AN AID DIRECT A/E CONTRACT AND A MODIFIED FAR FOR CONSTRUCTION AND NOT HOST COUNTRY CONTRACTS.

WITH REFERENCE TO THE FAILURE TO INCLUDE AN ASSESSMENT OF THE HOST COUNTRY'S CONTRACTING CAPABILITIES IN THE ANNUAL REPORTS, IT IS IMPORTANT TO NOTE THAT THE CONSTRUCTION CONTRACTS REFERRED TO IN THE DRAFT REPORT WERE PROPOSED CONTRACTS AND THAT THE PRELIMINARY CONTRACTING PHASES HAD NOT YET BEGUN. NO SPECIFIC GUIDANCE HAD BEEN GIVEN IN THE PAYMENT VERIFICATION POLICIES AS TO WHAT POINT A QUOTE PROPOSED CONTRACT WAS TO BE INCLUDED IN THE ANNUAL ASSESSMENT. IT IS NOW CLEAR BASED ON THE NEW QUESTIONNAIRE TO BE USED FOR ALL ANNUAL REPORTS BEGINNING WITH FY86 THAT ONLY THOSE HOST COUNTRY CONTRACTS FOR WHICH COMMITMENTS HAD BEEN MADE WERE TO BE INCLUDED IN THE ANNUAL REPORTS. THEREFORE, NO OMISSION WAS MADE IN FAILING TO REPORT THESE PROPOSED CONSTRUCTION CONTRACTS IN THE ANNUAL GENERAL ASSESSMENT.

REGARDING THE OVERALL TONE OF THIS SECTION OF THE DRAFT REPORT, USAID/C HAS SEVERAL COMMENTS. FIRST OF ALL, ANY IMPLICATION THAT THE HOST COUNTRY METHOD OF IMPLEMENTING CONSTRUCTION CONTRACTS FOR AG EDUCATION AND SUPPORT TO

PRIMARY EDUCATION WAS SELECTED WITHOUT ANY ASSESSMENT OF THE HOST COUNTRY'S CONTRACTING CAPABILITIES IS ERRONEOUS. ALTHOUGH THE ASSESSMENTS MAY NOT HAVE BEEN SUFFICIENTLY FORMALIZED TO MEET THE REQUIREMENTS OF THE PAYMENT VERIFICATION POLICIES, THIS IN NO WAY EVIDENCES THAT THE HOST COUNTRY'S CONTRACTING CAPABILITIES WERE NOT CONSIDERED IN THE PROJECT DESIGNS.

IT IS ALSO IMPORTANT TO RECOGNIZE THE AGENCY'S PREFERENCE FOR THE USE OF HOST COUNTRY CONTRACTS FOR CONSTRUCTION. SPECIFICALLY, HANDBOOK 11, P 2-4 STATES: QUOTE IT IS USUALLY APPROPRIATE THAT THE BORROWER/GRANTEE, ACTING THROUGH A DESIGNATED CONTRACTING AGENCY (RATHER THAN AID), CONTRACT FOR CONSTRUCTION SERVICES REQUIRED TO IMPLEMENT PROJECTS FINANCED UNDER BILATERAL AGREEMENTS UNQUOTE. ALSO, IN HANDBOOK 3, APPENDIX 3H, P 5, IT IS STATED THAT QUOTE DIRECT CONTRACTS ARE RARELY USED BY AID FOR CONSTRUCTION SERVICES. IF SUCH A CONTRACT IS ANTICIPATED, THE OFFICE OF CONTRACT MANAGEMENT, AID/W, MUST BE CONSULTED BEFORE THE PROCUREMENT PLAN IS PREPARED UNQUOTE

SECONDLY, WHAT IS TO BE CONTAINED IN AN ASSESSMENT AND HOW THE ASSESSMENT IS TO BE PERFORMED HAS NEVER BEEN CLEARLY DEFINED. ALTHOUGH THE DRAFT REPORT CORRECTLY POINTS OUT THAT A LIST OF BASIC QUESTIONS TO ASK IN AN ASSESSMENT IS CONTAINED IN THE PROJECT OFFICER'S GUIDEBOOK ON HOST COUNTRY CONTRACTING, IT SHOULD BE NOTED THAT THIS SECTION WAS NOT WRITTEN TO FULFILL THE REQUIREMENTS OF THE PAYMENT VERIFICATION POLICY AND FURTHER THAT THE SAME-REFERENCED GUIDEBOOK RECOGNIZES ON P. 19 THAT: QUOTE THERE IS AT PRESENT NO PRESCRIBED AGENCY METHODOLOGY FOR UNDERTAKING THESE ASSESSMENTS UNQUOTE.

THIRDLY, IN THREE SEPARATE PLACES IN THE DRAFT REPORT (PAGES 4, 5 AND 9), THE IMPLICATION IS MADE THAT IT WAS BECAUSE OF USAID/C'S DECISION TO USE HOST COUNTRY CONTRACTS FOR CONSTRUCTION WITHOUT ADEQUATELY ASSESSING THE HOST COUNTRY'S CONTRACTING CAPABILITIES THAT DELAYS IN THE PROJECTS OCCURRED. DELAYS IN THE PROJECTS WERE DUE TO REASONS APART FROM THE DECISION TO USE HOST COUNTRY CONTRACTING FOR CONSTRUCTION. THE FACT THAT THE PRELIMINARY PHASES OF CONTRACTING FOR CONSTRUCTION HAVE NOT YET EVEN BEGUN ILLUSTRATES THAT IT WAS NOT THESE HOST COUNTRY CONSTRUCTION CONTRACTS THAT HAVE CAUSED THE PROJECT DELAYS. FURTHER, IT SHOULD BE EMPHASIZED THAT IT IS NOT THE POSITION OF USAID/C, AS IS ATTRIBUTED TO THEM ON P. 6 OF THE DRAFT REPORT, THAT THE DELAY IN AWARDING THE CONSTRUCTION CONTRACT IN THE AG EDUCATION PROJECT CAUSED A LOSS TO THE PROJECT BUDGET OF ABOUT 46 PERCENT OR DOIS 12 MILLION. IF THIS IS THE POSITION OF RIG/DAKAR, USAID/C REQUESTS THAT THE COMPUTATIONS BE PROVIDED TO SUPPORT THIS CONCLUSION.

(D). POLICY 6 - EVALUATION OF NEED FOR AUDIT:

DRAFT REPORT STATES THAT USAID/C DID NOT COMPLETELY COMPLY WITH THE POLICY REQUIRING THAT THE NEED FOR AUDIT BE INCLUDED IN PROJECT PAPERS.

USAID/C AGREES THAT THE EVALUATION FOR THE NEED FOR AUDIT WAS NOT CONTAINED IN THE ONE PROJECT PAPER OCCURRING AFTER THE ISSUANCE OF THE PAYMENT VERIFICATION POLICIES, BUT REITERATES THAT THIS OMISSION OCCURRED DURING A CHANGE OF CONTROLLERS. USAID/C, HOWEVER, MAINTAINS AS IN ITS COMMENTS TO POLICY 1 ABOVE THAT POLICY 6 CLEARLY IS LIMITED TO PROJECT PAPERS AND NOT TO OTHER PROJECT DOCUMENTS.

(E). POLICY 7 - PROJECT OFFICER CHECKLIST:

DRAFT REPORT STATES THAT IN A SAMPLE OF 1986 VOUCHERS IT WAS FOUND THAT FORTY-SEVEN VOUCHERS (53 PERCENT) DID NOT INCLUDE AN ADMINISTRATIVE APPROVAL CHECKLIST.

WITH A SERIOUSLY UNDERSTAFFED CONTROLLER'S OFFICE (SEE POLICY 8 DISCUSSION BELOW), IT WAS NOT ALWAYS POSSIBLE TO STRICTLY ENFORCE THE REQUIREMENT OF POLICY 7. HOWEVER, ALL OTHER NECESSARY APPROVALS AND SUPPORTING DOCUMENTATION WERE OBTAINED BEFORE ANY VOUCHERS WERE CERTIFIED AND NO BREAKDOWN OF INTERNAL CONTROL OCCURRED BECAUSE SOME VOUCHERS DID NOT HAVE A PROJECT OFFICER'S CHECKLIST. WITH THE ARRIVAL OF A DIRECT HIRE B AND A OFFICER, IT IS NOW
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POSSIBLE TO INSIST THAT THIS POLICY BE ADHERED TO. PROJECT VOUCHERS ARE NOT CERTIFIED FOR PAYMENT WITHOUT THIS CHECKLIST BEING ATTACHED. ALL PROJECT OFFICERS ARE AWARE OF THIS REQUIREMENT, AND THERE IS NO FURTHER LACK OF COMPLIANCE IN THIS AREA.

(F). POLICY 8 - ASSESSMENT OF VOUCHER PROCESS:

DRAFT REPORT STATES USAID/C DID NOT FULLY ASSESS ITS VOUCHER APPROVAL AND EXAMINATION PROCESS. ACCORDING TO THE DRAFT REPORT, USAID/C FAILED TO (A) IN THE 1985 REPORT, DESCRIBE THE SAMPLE OF VOUCHERS USED AND DISCLOSE PROBLEMS IDENTIFIED, (B) KEEP WORKPAPERS TO SUPPORT ASSESSMENTS, AND (C) ASSESS THE ABILITY TO RELATE CONTRACTOR PERFORMANCE WITH CONTRACTOR INVOICES.

PAYMENT VERIFICATION POLICY 8 DOES NOT REQUIRE THAT THE SAMPLE OF VOUCHERS BE DESCRIBED NOR THAT WORKPAPERS BE USED IN PERFORMING THE ASSESSMENT. NO PROBLEMS WERE LISTED IN THE 1985 REPORT AS NONE WERE IDENTIFIED IN THE ASSESSMENT. NO STATEMENT WAS MADE IN THE ASSESSMENTS REGARDING THE ABILITY TO RELATE CONTRACTOR PERFORMANCE WITH INVOICES THROUGH OVERSIGHT BUT CAUSED NO WEARNESS IN INTERNAL CONTROL. IT IS RELEVANT TO NOTE THAT THE QUESTIONNAIRE USED NOW FOR REPORTING UNDER THE PAYMENT VERIFICATION POLICY OMITTS THIS QUESTION.

USAID/C DOES NOT SEE THE RELEVANCE OF THE FINDINGS MADE FROM A SAMPLE OF 1986 VOUCHERS TO AN AUDIT REPORT ON COMPLIANCE WITH THE PAYMENT VERIFICATION POLICIES. AS STATED ON P. 2 OF THE DRAFT REPORT, THE OBJECTIVE OF THE AUDIT REPORT WAS TO QUOTE DETERMINE IF USAID/C COMPLIED WITH AID PAYMENT VERIFICATION POLICY STATEMENTS UNQUOTE. IT WAS NOT AN AUDIT OF USAID/C'S PAYMENT PROCESS. IF A SAMPLE OF VOUCHERS FROM ONE OF THE YEARS OF THE REPORTS AUDITED (1983-85) HAD BEEN USED, SOME RELEVANCE COULD BE SEEN IF USED TO TEST THE ACCURACY OF THE VOUCHER ASSESSMENTS MADE BY USAID/C.

APPENDIX 3 CONTAINS A LISTING OF QUESTIONABLE PAYMENTS MADE BY USAID/C, TWO OF WHICH WARRANT COMMENT. THE APPENDIX FINDS AN IRREGULARITY IN THE CONTROLLER SIGNING THE PAYMENT SCHEDULE BUT NOT THE VOUCHER. REFERENCE SHOULD BE MADE TO THE CONTROLLER'S GUIDEBOOK, CHAPTER 5, III.6, WHICH CLEARLY STATES THAT QUOTE THE INDIVIDUAL BASIC VOUCHERS OR INVOICES ON WHICH THE DISBURSEMENT VOUCHER IS BASED ARE NOT REQUIRED TO BE CERTIFIED BECAUSE THE CERTIFICATION ON THE DISBURSEMENT VOUCHER CONSTITUTES A CERTIFICATION OF THE INDIVIDUAL BASIC VOUCHERS OR INVOICES SUPPORTING IT UNQUOTE. ALSO, IT WAS FOUND THAT A RISK OF DUPLICATE PAYMENT WAS OCCURRING BECAUSE CARBON COPIES OF VOUCHERS AND INVOICES WERE USED TO MAKE PAYMENT. THIS CONCLUSION WAS APPARENTLY REACHED BECAUSE ONLY VOUCHER COPIES WERE RETAINED IN THESE CASES AT USAID/C WITH ORIGINAL VOUCHERS BEING SENT TO AID/W AS REQUIRED BY THE CONTROLLER'S GUIDEBOOK P. 5-23. PAYMENTS AT USAID/C ARE ALWAYS MADE FROM ORIGINAL VOUCHERS AND INVOICES.

HAS BEEN NO CASE WHERE MATERIAL INTERNAL CONTROL WEAKNESSES OCCURRED.

(II). COMMENTS ON RECOMMENDATIONS:

RECOMMENDATION 1: DEVELOP PROCEDURES AND GUIDELINES INCLUDING (1) RESPONSIBILITY FOR ANNUALLY ASSESSING AND REPORTING ON HOST COUNTRY CONTRACTING CAPABILITY; (2) PROJECT OFFICER RESPONSIBILITY FOR CHECKLISTS; AND (3) CONTROLLER RESPONSIBILITY FOR FULLY REPORTING ON VOUCHER PROCEDURES.

USAID/C AGREES THAT FURTHER GUIDANCE CAN BE GIVEN TO STAFF ON RESPONSIBILITY FOR PERFORMING HOST COUNTRY ASSESSMENTS AND WILL DEVELOP PROCEDURES AND TRAIN STAFF AS NECESSARY TO INSURE FULL IMPLEMENTATION OF RELEVANT POLICY STATEMENTS. NO FURTHER PROCEDURES AND GUIDANCE ARE DEEMED NECESSARY REGARDING PROJECT OFFICER CHECKLISTS AS THE REQUIREMENT IS STRICTLY ENFORCED BY THE B AND A OFFICER IN CONJUNCTION WITH HIS VOUCHER EXAMINATION STAFF. AS USAID/C DOES NOT AGREE THAT IT FAILED TO FULLY REPORT ON THE VOUCHER PROCESS IN THE PAST, IT DOES NOT AGREE WITH PART 3 OF THIS RECOMMENDATION THAT FURTHER PROCEDURES AND GUIDANCE NEED TO BE DEVELOPED.

RECOMMENDATION 2 -- HOST COUNTRY CONTRACTING ASSESSMENT:

USAID/C AGREES THAT A HOST COUNTRY CONTRACTING ASSESSMENT MUST BE PERFORMED FOR CONTRACTS PROPOSED ON THE AGRICULTURAL EDUCATION PROJECT AND WILL TAKE STEPS TO PERFORM THIS ASSESSMENT DURING 1987.

RECOMMENDATION 3 - SUFFICIENT CONTROLLER PERSONNEL:

THE CONTROLLER'S OFFICE IS NOW FULLY STAFFED EXCEPT FOR ONE FSN POSITION FOR A LEDGER ACCOUNTANT. NO TEMPORARY STAFFING ADJUSTMENTS ARE NECESSARY AT THIS TIME.

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COMMENTS ON THE OPERATIONS IN THE CONTROLLER'S OFFICE (VOUCHER FILING, QUESTIONABLE PAYMENTS, ETC.), ARE COMMENTS ON A VERY DIFFICULT AND UNUSUAL TEMPORARY SET OF CIRCUMSTANCES EXISTING AT THE TIME OF THE AUDIT WHICH WAS CONDUCTED IMMEDIATELY AFTER THE CLOSE OF THE FISCAL YEAR, THE BUSIEST TIME OF THE YEAR FOR CONTROLLER OPERATIONS. AS WAS EXPLAINED TO THE AUDITORS WHO PERFORMED THIS AUDIT, THERE WAS A SERIOUS STAFFING SHORTAGE, WITH THREE SENIOR FSN'S HAVING JUST BEEN DISMISSED WHICH RIG WAS AWARE OF (CHIEF ACCOUNTANT AND TWO VOUCHER EXAMINERS), NO DIRECT HIRE B AND A OFFICER FOR 3 MONTHS, NO DIRECT HIRE FINANCIAL ANALYST FOR MOST OF THE YEAR, AND NO FILE CLERK. THE DRAFT REPORT IMPLIES THAT THE SITUATION WAS DUE TO INEFFICIENCY INSTEAD OF THE SEVERE STAFFING SHORTAGE. THESE COMMENTS AND OTHERS MADE ON CONTROLLER'S OFFICE OPERATIONS ARE NOT RELEVANT TO WHETHER THERE WAS COMPLIANCE OR NON-COMPLIANCE WITH THE PAYMENT VERIFICATION POLICY STATEMENTS AND SHOULD BE OMITTED FROM THE AUDIT REPORT.

THE DRAFT REPORT STATES ON P. 3 THAT AREAS OF NON-COMPLIANCE CONSTITUTED QUOTE MATERIAL INTERNAL CONTROL WEAKNESSES UNQUOTE. USAID/C EMPHATICALLY DISAGREES WITH THIS ASSESSMENT. AS SHOWN BY THE ABOVE ANALYSIS, THERE
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USAID/Cameroon Action Needed
To Close Report Recommendations

Recommendation No. 1 (a) is resolved and can be closed when procedures and training schedules are developed as indicated in Mission comments.

Recommendation No. 1 (b) is closed based upon USAID/C assurance that the Mission no longer certifies vouchers for payment unless project officer checklists are attached.

Recommendation No. 1 (c) is not resolved. The Mission did not agree that it failed to fully report on the voucher process; therefore, it also did not agree that further procedures and guidance needed to be developed. We believe the adequacy of voucher examination procedures, as determined by the annual assessment, and the Controller Office analysis of randomly selected vouchers, should be recorded and made a part of Mission files. Therefore, the recommendation is retained.

Recommendation No. 2 is closed based on USAID/C assurance that the Controller's Office has been adequately staffed.

Recommendation No. 3 is resolved and can be closed when USAID/C provides RIG/A/WA assurance that steps to assess host country contracting have been taken for the Agricultural Education and Primary Education projects.

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