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AUDIT OF USAID/MALI MANAGEMENT

Audit Report No. 7-688-88-03

November 12, 1987

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

UNITED STATES ADDRESS
RIG/DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20523

INTERNATIONAL ADDRESS
RIG/DAKAR
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MEMORANDUM FOR Eugene R. Chiavarelli, Director, USAID/Mali
FROM: John P. Competello, RIG/A/Dakar
SUBJECT: Audit of USAID/Mali Management
Audit Report No. 7-688-88-03

The Office of the Regional Inspector General for Audit/Dakar has completed its audit of USAID/Mali management. Enclosed are five copies of the audit report.

A draft audit report was submitted to you for comment, and your comments are attached to the report. The report contains four recommendations, all of which are considered closed and require no further action. You are to be commended for the prompt action taken on the Records of Audit Findings issued earlier in the audit. I believe your actions can set an example for other Sahelian missions to follow. Please keep us advised of progress made in your efforts to balance work load discussed in "Other Pertinent Matters" of this report.

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

EXECUTIVE SUMMARY

In 1978, Congress established the Sahel Development Program through which A.I.D. would provide economic assistance to eight Sahelian countries in West Africa. Since then, funds provided by the Sahel Development, Public Law 480 and Economic Support Programs have averaged about \$145 million annually to the Sahel, including about \$19 million to Mali, one of the eight Sahelian countries.

From 1978-1982 serious A.I.D. management weaknesses limited the impact of A.I.D. assistance to these countries, causing A.I.D., in 1983, to develop a Sahel wide strategy to (1) control A.I.D. local currency funds, (2) strengthen financial and program management capabilities of Sahelian institutions, and (3) improve A.I.D. administrative and program management. Concurrently, as part of a world-wide effort the Agency installed new policies to improve financial management. Audits by the General Accounting Office and Inspector General in 1985 and 1986 reported that A.I.D. made progress controlling local currency funds. However, they reported insufficient progress in strengthening host government management capability.

The Office of the Regional Inspector General for Audit/Dakar has made several audits at selected Missions in the Sahel and at the Africa Bureau in Washington D.C. to determine the progress A.I.D. had made improving its management since 1983. This report discloses the results of audit at USAID/Mali. This program results audit evaluated the Mission's (1) system to measure project progress, (2) actions to implement selected A.I.D. financial management policies, and (3) efforts to balance work loads with staff and budget resources.

Overall, USAID/Mali made excellent progress improving its management. The Mission improved systems to track project progress, made greater use of project committees to reach decisions, established internal controls to verify host government accounting for A.I.D. funds, reduced the number of new projects to ease work loads, increased staff training to develop skills, installed computers to improve efficiency, and contracted with public accounting firms to assist management.

Although such efforts improved management, further action was needed to better oversee and control A.I.D. assistance. USAID/Mali needed to (1) better measure project progress and expand its review of internal controls, (2) improve several areas of financial management, and (3) increase efficiency through staff training, written guidance and the use of computers. Also, a better system was needed to assess whether the Mission had the necessary staff and budget resources to manage its work load.

To ensure that A.I.D. assistance promotes the economic development of recipient countries, missions must measure project progress. Since 1983, improvement in USAID/Mali's management system resulted in better tracking of project implementation. However, the system could have better collected, analyzed and reported data on whether project activities were producing the anticipated development changes. This weakness persisted, in part, because it was not identified in the Mission's vulnerability assessments. Improved measuring of project progress would have enabled the Mission to better evaluate and report on the effectiveness of A.I.D. assistance. The report recommends that USAID/Mali improve its system to measure project progress and perform more comprehensive vulnerability assessments. USAID/Mali concurred and took corrective action.

USAID/Mali internal reviews, external evaluations and audit reports through 1983 noted that financial management weaknesses in A.I.D projects caused serious problems in implementing the Mission's program. Although the Mission had made significant improvements over the past several years, further progress was needed in assessing host country capabilities to contract, providing for audits in project design, and controlling voucher approval and payment procedures. These weaknesses were not fully addressed because the Mission had difficulty implementing recently established financial management policies. Therefore, the Mission's vulnerability and risks were increased. The report recommends actions to ensure agency policies are implemented. USAID/Mali concurred and took corrective action.

To better enable Missions to manage their programs, the Africa Bureau emphasized improved efficiency through training provided to staff and other efforts. USAID/Mali made good progress in its staff efficiency effort, but there were further opportunities for improvement. Factors limiting progress included the lack of comprehensive training plans for foreign national staff, insufficient written guidance, and less than optimum use of computers. The report recommends ways USAID/Mali can increase efficiency. USAID/Mali concurred and took corrective action.

The Africa Bureau's strategy included reducing the number of projects to better balance mission work load with staff and budget resources. Although USAID/Mali had not reduced the number of projects to the extent planned, it had taken other action to improve its ability to handle work loads. Nonetheless, the Mission believed that it needed additional resources to better manage the program. Since there were incomplete criteria and a system to objectively measure work load, the audit could not assess the need for additional resources. This issue is included in "Other Pertinent Matters" in this report.

Office of the Inspector General

Mali



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 Standard parallels 8° and 32°
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 not necessarily authoritative

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AUDIT OF USAID/MALI MANAGEMENT

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AUDIT OF USAID/MALI MANAGEMENT

PART I - INTRODUCTION

A. Background

In 1978, Congress established the Sahel Development Program through which A.I.D. would provide economic assistance to eight Sahelian countries in West Africa to help increase food production and economic and political stability. Since then, funds provided by the Sahel Development, Public Law 480 and Economic Support Programs have averaged about \$145 million annually to the Sahel. This assistance has been provided through development projects, food donations and budgetary support. A.I.D. assistance to Mali, one of the eight Sahelian countries, has totaled about \$168 million or an average of about \$19 million annually ^{1/} as follows:

<u>Fiscal Year</u>	<u>Sahel Development Program</u> (In Thousands of Dollars)	<u>Public Law 480 Program</u> (In Thousands of Dollars)	<u>Economic Support Program</u> (In Thousands of Dollars)	<u>Total</u>
1978	6,375	2,980		9,355
1979	16,100	1,150		17,250
1980	15,500	484		15,984
1981	14,454			14,454
1982	9,611	792		10,403
1983	9,882	4,307		14,189
1984	11,200	11,112		22,312
1985	10,458	19,437	18,000	47,895
1986	9,000	6,680		15,680
TOTAL	<u>102,580</u>	<u>46,942</u>	<u>18,000</u>	<u>167,522</u>

Between 1978-1982, according to Inspector General and U.S. General Accounting Office audits, A.I.D. evaluations, and other reports, serious A.I.D. management weaknesses caused A.I.D. assistance to have little impact throughout the Sahel. Host government financial records and procedures were deficient, host country supervision and control were lax, and A.I.D. oversight of the program was poor. Sahel institutions lacked trained personnel in accounting, financial management, planning and administration. Mission management was weakened by too many projects, inadequate monitoring systems and overambitious project designs.

^{1/} Does not include certain regional projects and the transportation costs of Public Law 480 commodities.

In 1983, in response to the reports' findings, A.I.D. developed a Sahel-wide strategy to (1) control A.I.D. local currency funds, (2) strengthen financial and program management capabilities of Sahelian institutions, and (3) improve A.I.D. program and administrative management. Concurrently, as part of a world-wide effort the Agency established new policies to improve financial management.

As part of this strategy, USAID/Mali worked to improve oversight of local currency funds and increase training to Mali institutions. Audits by the General Accounting Office 2/ and Inspector General 3/ reported that A.I.D. made progress controlling local currency funds. However, they reported insufficient progress in strengthening host government management capability.

USAID/Mali also worked to improve its management by refining project design, implementation and monitoring, strengthening financial management, and furthering staff efficiency. Nonetheless, Inspector General audits (See Exhibit 1), A.I.D. evaluations, and other reports issued since 1983, continued to disclose problems limiting the effectiveness of A.I.D. assistance to Mali.

B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit/Dakar has made several audits at selected Missions in the Sahel and at the Africa Bureau in Washington D.C. to determine the progress A.I.D. had made improving its management since 1983. This report discloses the results of audit at USAID/Mali. This program results audit evaluated the Mission's (1) system to measure project progress, (2) actions to implement selected A.I.D. financial management policies, and (3) efforts to balance work loads with staff and budget resources.

The audit scope did not include an evaluation of management systems beyond USAID/Mali's control, such as those relating to A.I.D.'s personnel assignment and management system. Also, the audit did not determine the adequacy of host country or contractor management. As part of the Sahel-wide review, the auditors also gathered data relative to the Africa Bureau's actions to improve management. This

2/ Can More be Done to Assist Sahelian Governments to Plan and Manage Their Economic Development? NSIAD-85-87, September 6, 1985.

3/ Audit of A.I.D. Compliance with Section 121(D) of the Foreign Assistance Act, 7-625-86-5, March 12, 1986.

additional data, the findings of this report, and the results of audit field work in other Sahelian countries will be included in a later report to the Bureau. Testing of compliance and internal controls was limited to the conditions disclosed in this report.

The audit was conducted in Mali and Washington D.C. It included interviews with USAID/Mali and Africa Bureau officials, and reviews of selected audit reports, evaluations, assessments, project papers, action plans, project implementation and status reports, work force/work load planning documents, staff development plans and budgets. The audit assessed the Mission's system to measure project progress on 3 of 13 bilateral projects, active in fiscal year 1986; Operation Haute Vallee (688-0210), Farming Systems Research and Extension (688-0232), and Economic Policy Reform Program (688-0240), as well as the system used to measure progress on the Cereals Market Restructuring project (Public Law 480 Title II, Section 206). Also, the audit tested vouchers amounting to \$4.2 million of \$13.8 million spent during fiscal year 1986. The audit was made in accordance with generally accepted government auditing standards.

Audit field work on the Sahel-wide review was completed in August 1987. Work in Mali had previously been completed in March 1987 and Records of Audit Findings (RAFs) were issued at that time. USAID/Mali provided comments to the RAFs in May, and a draft report was issued in September. Subsequently, a joint request was made by Missions in Burkina Faso, Mali, Mauritania and Niger that audit results in the Sahel be consolidated into one report (See Appendix 2). The Inspector General did not agree with this proposal (See Appendix 3). However, this final report incorporates further discussion held, and agreement with, Africa Bureau officials to eliminate recommendations to the Mission regarding work load measurement. This issue is discussed under "Other Pertinent Matters" in this report. Formal USAID/Mali comments were received on November 4, 1987 (See Appendix 4). Mission comments have been considered, and the report changed as we considered appropriate.

AUDIT OF USAID/MALI MANAGEMENT

PART 11 - RESULTS OF AUDIT

Overall, USAID/Mali made excellent progress improving its management. The Mission improved systems to track project progress, made greater use of project committees to reach decisions, established internal controls to verify host government accounting for A.I.D. funds, reduced the number of new projects to ease work loads, increased staff training to develop skills, installed computers to improve efficiency, and contracted with public accounting firms to assist management.

Although such efforts improved management, further action was needed to better oversee and control A.I.D. assistance. USAID/Mali needed to (1) better measure project progress and expand its review of internal controls, (2) improve several areas of financial management, and (3) increase efficiency through staff training, written guidance and the use of computers. Also, a better system was needed to assess whether the Mission had the necessary staff and budget resources to manage its work load.

The report recommends that USAID/Mali improve its system to measure project progress, perform more comprehensive vulnerability assessments, improve financial management, and increase efficiency.

A. Findings and Recommendations

1. The System to Measure Project Progress Could Be Improved

To ensure that A.I.D. assistance promotes the economic development of recipient countries, missions must measure project progress. Since 1983, improvement in USAID/Mali's management system resulted in better tracking of project implementation. However, the system could have better collected, analyzed and reported data on whether project activities were producing the anticipated development changes. This weakness persisted, in part, because it was not identified in the Mission's vulnerability assessments. Improved measuring of project progress would have enabled the Mission to better evaluate and report on the effectiveness of A.I.D. assistance.

Recommendation No. 1

We recommend that the Director, USAID/Mali, review the system used to measure project progress, and make changes to:

- a. better define project progress measurement objectives by establishing qualitative and quantitative interim benchmarks to be met toward achieving project purpose indicators;
- b. improve data collection by systematically gathering, reporting and verifying data on progress meeting project purpose benchmarks and indicators; and
- c. analyze data to determine whether project objectives are being met and, if not, identify corrective actions.

Recommendation No. 2

We recommend that the Director, USAID/Mali, as part of periodic vulnerability assessments, review the adequacy of the system used to measure project progress.

Discussion

Audit reports and evaluations conducted between 1978 and 1983 found weaknesses in USAID/Mali's management. Weaknesses included overly optimistic project design assumptions, objectives and implementation schedules. Also, a management system was not in place to note design and implementation problems, or enable timely corrective action.

These weaknesses limited the impact of A.I.D. assistance in Mali. For example, a 1980 Inspector General audit 4/ of A.I.D. assistance to the livestock sector reported that, after four years and the expenditure of \$23.1 million, A.I.D. projects achieved little in improving and sustaining livestock because of inappropriate design, improper accounting for funds and commodities, and ineffective host country and A.I.D. management. In 1983, an audit 5/ of a food production project showed that these same factors caused the project's failure and subsequent termination after six years effort and the expenditure of \$9.2 million.

The Africa Bureau developed the Sahel strategy in 1983 to remedy these and other weaknesses in mission management systems and to demonstrate that progress was being made in Africa. Subsequently, the strategy was revised to delegate greater responsibilities to missions for authorization and implementation of projects and to hold them accountable for results. The Bureau made this change to better ensure the effectiveness of A.I.D. assistance.

To ensure that A.I.D. assistance promotes the economic development of recipient countries, missions must measure project progress. The Foreign Assistance Act requires A.I.D. to establish a management system that includes (1) the definition of objectives and programs, (2) the development of quantitative indicators of progress toward these objectives, (3) the orderly consideration of alternative means for accomplishing such objectives, and (4) the adoption of methods for comparing actual versus anticipated results.

Responding to the Bureau's strategy, USAID/Mali improved project implementation through its actions to better plan and monitor project inputs and outputs. For example, the Mission established quantifiable benchmarks for project inputs and outputs to enable more timely detection of bottlenecks. Project progress against the benchmarks was usually reviewed quarterly, but at least semiannually in conjunction with preparing the AID/Washington project implementation reports. The reviews helped make decisions such as those made in 1985 and 1986 to extend seven projects. The projects were extended when it was discovered that further funding was needed, or that planned inputs and outputs could not be provided before projects ended.

4/ Problems in Implementing A.I.D.'s Livestock Sector Projects' Activities in Mali, 80-67, June 6, 1980.

5/ The Operation Mils Mopti Project in Mali was Poorly Designed and Implemented, 7-688-83-3, May 3, 1983.

However, USAID/Mali had not been able to adequately determine whether planned inputs and outputs had helped to achieve the project purpose because of insufficient (1) project progress measurement objectives, (2) data collection and reporting, and (3) data analysis.

Project Progress Measurement Objectives - Measurable project progress indicators and benchmarks must be established to measure progress in providing planned inputs and outputs, and achieving project purposes. USAID/Mali used indicators and benchmarks to measure progress in providing inputs and outputs, but only one of four projects reviewed measured progress in achieving project purposes.

A.I.D. project papers present specific objectives upon which performance is to be measured. The project paper states the inputs/resources that are planned to produce specific outputs/products. The project paper sets out measurable indicators on how the inputs and outputs are expected to solve a development problem (project purpose) and under what assumptions. By establishing interim benchmarks to measure progress against these indicators, missions can determine whether the inputs or outputs need to be modified to achieve the project purpose, or if a project should be redesigned or terminated because of, for example, invalid design assumptions.

USAID/Mali had not systematically used project purpose indicators to measure progress. The Mission measured progress against indicators and benchmarks established for implementing project activities. However, indicators and benchmarks were largely not used to measure how well projects were solving development problems.

Only one of the four project measurement systems reviewed utilized project paper indicators to measure progress in achieving project purposes. The \$15.3 million Cereals Market Restructuring Project was approved in June 1984 to liberalize cereals marketing, increase food production incentives, and reduce market subsidies. The project paper provided 15 indicators and numerous monitoring benchmarks to enable management to analyze progress. In implementation, USAID/Mali successfully incorporated the project paper's indicators and benchmarks into the project progress measurement system. By using the system to analyze project progress, the Mission was able to detect that one of three project objectives was based on faulty design assumptions. As a result of this comprehensive system, the Mission was taking action to redesign the project.

Unfortunately, project progress measurement indicators and benchmarks at the purpose level were not used for the remaining three projects reviewed; Operation Haute Vallee, Farming Systems Research and Extension, and Economic Policy Reform Program.

Data Collection and Reporting - USAID/Mali did not have an effective system to ensure that timely, relevant and reliable data was communicated to senior agency officials regarding the effectiveness of project activities, problems and proposed solutions. Apart from the firsthand knowledge of Mission personnel working closely on projects, the system did not readily show (1) the results of project activities, (2) the problems affecting implementation, and (3) what was being done to correct problems.

For example, started in September 1978, the \$18.4 million Operation Haute Vallee project was to increase food crop productivity, production and marketing for one eighth of the Haute Vallee farm families. USAID/Mali was to measure project effectiveness by increased food crop production, productivity and marketing caused by the use of improved technology, and by better support systems for agriculture, functional literacy, health and transport services and facilities. To enable the project to accomplish its objectives, the project life was extended several times from September 1983 to September 1988.

After a 1982 Inspector General audit ^{6/} and a 1984 evaluation, the project's outputs were altered, but the purpose remained unchanged. In its October 1986 implementation report to AID/Washington, USAID/Mali reported that \$16.3 million had been spent, the attainment of project objectives appeared likely, and there were no significant implementation problems.

However, data collection problems in the Operation Haute Vallee project limited the reliability of information available to confirm or deny the achievement of project purpose. Since neither the project nor USAID/Mali had a system to measure the effects of project activities, Mission personnel had difficulty in identifying data to be verified during site visits. Therefore, the results of project activities were not readily determined or used to guide management decisions. As a result, the Mission had little assurance that general increases in cereals production were brought about by the project activities.

6/ The Operation Haute Vallee Project in Mali is Experiencing Serious Problems, 7-688-82-01, September 20, 1982.

Data Analysis - Since 1983, USAID/Mali had emphasized use of semiannual portfolio reviews and project committee meetings to review project progress and problems, and to decide corrective actions. Based on the analysis of data presented in these reviews, the Mission terminated certain projects and improved implementation on others.

Although USAID/Mali reviews had often resulted in project modification or termination, the reviews had not always examined (1) financial performance data by project activity, and (2) progress in meeting project purpose indicators.

For example, an Inspector General audit 7/ of the \$17.5 million Mali Livestock Sector II project in 1985 and an Inspector General audit 8/ of the the \$18.3 million Manantali Resettlement Project in 1986 showed that USAID/Mali had not analyzed data that would have identified areas where project activities were not cost effective. The livestock project allowed a credit component to continue to operate in an inefficient manner. A more regular system of analysis of costs and effectiveness could have resulted in earlier corrections in the management/administration of this credit component. The Manantali audit found excessive road construction estimates.

Without utilizing enough benchmarks to collect data on progress meeting project purposes, USAID/Mali did not have information needed to analyze progress. For instance, the \$19.5 Farming Systems Research and Extension Project was approved in March 1985. The project paper provided numerous indicators to analyze progress in: expanding the research program in three regions, improving the linkage between research, extension services, training, institutions, and farmers, and training substantial numbers of Malian agricultural professionals and farmers in research and new technologies. By February 1987, project activities had been underway for eight months. However, the project had spent \$372,000 without yet having established benchmarks to gather data for subsequent analysis.

Problems in project progress measurement objectives, data collection and reporting, and data analysis were administrative control weaknesses that should have been identified in vulnerability assessments. Internal control includes both accounting and administrative controls. While

7/ Progress and Problems in Managing the Mali Livestock Sector II Project, 7-688-85-5, March 27, 1985.

8/ Audit of the Manantali Resettlement Project in Mali, 7-688-86-10, September 23, 1986.

accounting controls are concerned with safeguarding assets and the reliability of financial records, administrative controls are concerned with operational efficiency and adherence to managerial policies.

USAID/Mali provided periodic reports to the Africa Bureau on the status of its internal controls. The reports were to provide Mission assessments of vulnerability and assurances on the adequacy of internal controls. Where material weaknesses were identified, planned corrective actions were to be reported so that the Bureau could monitor progress in implementing them.

In making the assessments USAID/Mali was required to determine whether:

- progress reports were timely, accurate, and useful;
- progress reports showed comparisons with planned and past performance;
- records were maintained on the activities and results achieved;
- projects' activities would attain their objectives within budgeted costs; and
- corrective actions were needed or planned.

In performing its November 1985 vulnerability assessment USAID/Mali noted some exceptions to accounting controls but few for administrative controls.

The vulnerability assessment was not consistent with the conditions disclosed by the audit. Reports had not provided data showing progress in achieving project purposes, and USAID/Mali could not attest to the accuracy of reported information. Seldom had progress reports shown comparisons with planned and past performance. Sufficient records may have been maintained on the activities but not on the results achieved. Without methods to measure project progress against purpose level objectives, there was no assurance that projects would attain objectives within budgeted costs. These deficiencies were internal control weaknesses needing corrective action.

Because the vulnerability assessments had not disclosed weaknesses in the project progress measurement system, corrective actions had not been planned or taken. As a result, project managers lacked the information to effectively monitor and manage projects, and decision-making became highly subjective. Without adequate information,

evaluation efforts were hampered, and the Mission had difficulty demonstrating the impact of A.I.D. assistance to Mali.

In conclusion, to better evaluate and report on the effectiveness of A.I.D. assistance, USAID/Mali needed to improve its project progress measurement system and periodically examine the system in vulnerability assessments.

Management Comments

USAID/Mali generally agreed with the audit finding and recommendations. The Mission also provided a substantial amount of evidence demonstrating that corrective actions were begun shortly after receiving the Records of Audit Findings in March 1987. Concerning Recommendation No. 1, the Mission implemented procedures to (1) require project officers to report progress in accomplishing project objectives, and (2) evaluate data collection methods and lower cost alternatives.

Concerning Recommendation No. 2, USAID/Mali took exception to the inference that, because purpose level accomplishment was not measured, the Mission's internal control system was deficient. In this regard, the Mission provided examples of the accounting controls in place. Nonetheless, the Mission said it would benefit from periodic evaluations of the project progress measurement system, and had taken action to assure such evaluations in the future. Also, in regard to internal controls, as discussed in the draft report, the Mission requested clarification of those controls included in the audit.

Based on actions taken to correct the deficiencies, USAID/Mali requested that the two recommendations be closed.

Office of Inspector General Comments

USAID/Mali actions to correct the deficiencies have resulted in the closure of Recommendation Nos. 1 and 2.

Concerning internal controls, Agency guidance required vulnerability assessments to review accounting and administrative controls. Thus, the reviews were not limited to controls over safeguarding assets and the reliability of financial records. Administrative controls, including the project progress measurement system, were also to be examined. The finding has been clarified to reflect this point. We have also clarified the final report to state specifically which systems of internal controls were examined.

2. Financial Management Needs to Be Further Improved

USAID/Mali internal reviews, external evaluations and audit reports through 1983 noted that financial management weaknesses in A.J.D. projects caused serious problems in implementing the Mission's program. Although the Mission had made significant improvements over the past several years, further progress was needed in assessing host country capabilities to contract, providing for audits in project design, and controlling voucher approval and payment procedures. These weaknesses were not fully addressed because the Mission had difficulty implementing recently established financial management policies. Therefore, the Mission's vulnerability and risks were increased.

Recommendation No. 3

We recommend that the Director, USAID/Mali, make further progress in implementing Agency financial management policies by the following actions:

- a. establish procedures to assess host country contracting capability and the need for audit as part of the project design process;
- b. evaluate the need for audit, and where appropriate, provide audit coverage for projects which have been either designed or amended since 1983; and
- c. establish procedures to document annual testing of Mission voucher approval and payment methods.

Discussion

USAID/Mali internal reviews, external evaluations and audit reports through 1983 noted that financial management weaknesses in A.J.D. projects caused serious problems in implementing the Mali program. For example, the \$9.9 million Operation Mils Mopti Project was approved in April 1980 despite an evaluation which noted unsatisfactory management in a preceding project. Mission reviews and a 1983 Inspector General audit ^{9/} of the new project found that inadequate Mission oversight caused improper financial management practices to continue uncorrected. As a result, with millions of dollars of A.I.D. assistance unaccounted for and few results achieved, the Africa Bureau terminated the project.

9/ See footnote 5, page 6.

Over the past several years, USAID/Mali had made significant improvements in its financial management. For instance, the Mission utilized its computer capability to establish internal control in such areas as voucher payments and bills for collection. Also, the Mission implemented procedures to verify host government records and reports accounting for A.I.D. local currency funds. As a result, a 1986 Inspector General audit 10/ found that the Mission significantly reduced its level of vulnerability in providing local currency to the host country.

Notwithstanding this notable progress, further efforts were needed to (1) assess host country agencies' abilities to contract, (2) plan for audits when preparing project papers, and (3) control voucher approval and payment procedures.

Host Country Contracting - Where host country contracting is proposed as a means of implementation, Missions must systematically assess the prospective agencies' abilities to (1) advertise, award and negotiate contracts, and (2) audit contractor performance, records and reports. The results of these assessments are to be incorporated in project designs so that A.I.D. can plan oversight in vulnerable areas.

Assessments of host country contracting capability have been especially important in Mali. For example, a 1982 Inspector General audit 11/ of the \$18.4 million Operation Haute Vallee project disclosed that host country contracts had not conformed to A.I.D. regulations and had not been consistent with approved implementation plans. Also, the implementing agency had lacked the capability to carry out its responsibilities. The audit questioned the use of host country contracting in Mali without a thorough assessment of institutional capabilities.

The audit disclosed that USAID/Mali project papers prepared since 1983 still had not included enough details about host country contracting. Instead, the project papers described the Mission's oversight and plans. For example, the project paper for the \$19.5 million Mali Farming Systems Research and Extension Project, approved in March 1985, said the project would provide \$1 million for host country construction contracting. However, the project paper insufficiently assessed contracting capability for construction. The project paper stated that (1) the responsible agency followed Malian government procedures for advertising, awarding, negotiating and supervising

10/ See footnote 3, page 2.

11/ See footnote 6, page 8.

construction, (2) the Mission had a satisfactory experience with the agency, (3) the Mission provided assistance to ensure compliance with its rules and regulations, and (4) the Mission would perform all site inspections, contractor supervision, progress payments and work reception.

While these statements showed that USAID/Mali intended to monitor construction, no information was provided regarding (1) the specific contracting procedures used by the government, and (2) the identification of the specific weaknesses to enable the Mission to plan an appropriate level of oversight.

In response to a Record of Audit Finding, USAID/Mali requested that the report include this comment:

"To ensure proper supervision and control, project design provided sufficient safeguards, not to depend on GRM [Government of Mali] agency alone. These safeguards were (a) hiring a qualified construction coordinator and (b) contracting with a qualified A&E [Architectural and Engineering] firm for construction supervision; who will report to USAID. Necessary budgetary provision has been made in the construction line item of the project budget to pay for these services. PP [Project Paper] design also ensured full participation and control by USAID of all phases of construction to ensure conformity with AID rules and general standard provisions. (Architectural and Engineering designs; approval of bid documents, selection of contractors, and construction supervision). While there might have been insufficient documentation attached to the PP (on assessment of host country contracting capability for construction) the safeguards cited above fully reflect Mission's awareness and concern."

Nonetheless, without describing and assessing the specific host government contracting procedures and weaknesses in project papers, USAID/Mali had been unable to ensure that oversight plans were sufficient to avoid bottlenecks. For example, a 1986 Inspector General audit ^{12/} of the \$18.3 million Manantali Resettlement Project found that host country contracts had contributed to significant implementation problems. The project paper had not sufficiently studied host country contracting procedures. Consequently, the early stages of project implementation were considerably delayed.

12/ See footnote 8, page 9.

Audit Coverage - Missions must assess the need for audits when designing projects and describe planned contract and project audit coverage by the host government, A.I.D. and/or independent public accountants. Where the need for audit has been identified, project funds should be budgeted for independent audits.

Since 1983, USAID/Mali had not fully and consistently evaluated the need for audits in order to make appropriate provisions in projects. In 1984 and 1985, for example, two project papers did not determine the need for audit and therefore did not provide audit coverage. A third project paper, although determining a need for audit, did not budget specific funding nor identify who was to conduct the audit and when.

By 1986, USAID/Mali had improved project design by including appropriate determinations and provisions for audits in the Integrated Family Health Services project paper. However, similar action had not been taken or planned to correct the 1984 and 1985 omissions in the Mali Farming Systems Research and Extension Project, Manantali Resettlement Project, and Mali Economic Policy Reform Program.

Voucher Examination and Approval Procedures - Missions must annually assess their voucher approval and examination procedures to determine any weaknesses, and to determine if staff are following the procedures. The assessments must verify supporting documents submitted with contractor invoices, and the ability of project officers to match contractor performance with contractor invoices. The assessments must involve a randomly selected sample of vouchers. Weaknesses that indicate high vulnerability should be highlighted for further action.

For the years 1984 and 1985, no evidence was available to show whether USAID/Mali made any assessments of these procedures. For 1986, Mission officials indicated assessments were made on the basis of daily oversight. Sampling was not used since each voucher was reviewed at the time of its certification. Also, no evidence was available to show that the Mission reviewed the procedures employed by project officers to relate contractor performance with contractor invoices.

Based on audit tests of vouchers totaling about \$4.2 million of about \$13.8 million processed in fiscal year 1986, 14 vouchers, or 28 percent of 50 vouchers, had insufficient documentation to show the basis for approval. As the following describes, these shortcomings may have been avoided had USAID/Mali made more formal assessments.

- five vouchers, totaling about \$330,000, were not properly supported with the project officer's approval checklists. The checklists were missing for four vouchers, and one checklist was not signed. The checklists were required to enable A.I.D. management to decide the vouchers' vulnerability to improper payment;
- nine vouchers, totaling about \$1.6 million, lacked other required documents, including receiving reports for commodities, certifications on construction, and contractor performance certificates; and
- three vouchers, totaling about \$736,000, provided advances in excess of 30 days disbursing needs without supporting justification. Federal regulations require justification for advances exceeding 30 days. In no case can advances be approved for amounts in excess of 90 days needs.

Inadequate host country contracting capabilities, insufficient audit coverage, and the need to improve voucher approval and payment procedures have been world-wide problems which the Agency has been trying to address. In April 1982, the A.I.D. Administrator named a task force to review these problems. The review resulted in 16 policies on (1) methods of project implementation and financing, (2) auditing, verification, and other monitoring practices, and (3) other accountability practices. The Bureau for Management sent implementing guidance to the missions in December 1983. The guidance acknowledged that it would take several years to fully implement the policies.

The financial management shortcomings, discussed in this report, had not been addressed because USAID/Mali had difficulty implementing the policies. Since 1984, the Mission had identified a need to assess host country implementing agencies, but because of other priorities and staffing limitations, the assessments had not been undertaken. Another contributing factor, identified in the Mission's 1985 vulnerability assessment, had been the lack of sufficient controller involvement in the project design process. Yet when involved, such as with the design of the Family Health project paper, payment verification had been properly addressed. In this case, the Mission had made provision for audit and had decided not to use host country contracting.

In conclusion, USAID/Mali had made good progress implementing Agency financial management policies. However, there was a need to better assess host country contracting capabilities, plan for audits when designing projects, and control voucher approval and payment procedures.

Management Comments

USAID/Mali agreed with the audit finding and had taken action to implement the recommendation.

With respect to host country contracting, USAID/Mali plans to review all procedures used to award the existing host country contracts. A Mission order was issued requiring host country contracting capability assessment each time a project paper identifies this method of implementation.

Concerning audit coverage, USAID/Mali issued a Mission order requiring a review of audit coverage not only when project papers are prepared, but also when amendments to add funding are prepared. The Mission assessed the need for audit coverage for projects, and determined a non-Federal audit of the Mali Farming Systems Research and Extension Project would be scheduled in 1988. In addition, on its own initiative, the Mission prepared an audit coverage plan for all projects, and had commenced action to obtain host government audit coverage to A.I.D. projects.

Concerning voucher approval and payment procedures, USAID/Mali issued a Mission order establishing procedures to be followed in performing annual tests of vouchers processed. Also, the Mission conducted a review of a random sample of vouchers processed in fiscal year 1987.

Office of Inspector General Comments

USAID/Mali actions to correct the deficiencies have resulted in the closure of Recommendation No. 3. Particularly noteworthy was the Mission's action to prepare an audit coverage plan for all projects. This will help ensure that audits are scheduled in advance, the audit entity is identified, and funds are budgeted when needed.

3. There Are Opportunities to Improve Staff Efficiency

To better enable Missions to manage their programs, the Africa Bureau emphasized improved efficiency through training provided to staff and other efforts. USAID/Mali made good progress in its staff efficiency effort, but there were further opportunities for improvement. Factors limiting progress included the lack of comprehensive training plans for foreign national staff, insufficient written guidance, and less than optimum use of computers.

Recommendation No. 4

We recommend that the Director, USAID/Mali:

- a. implement staff development objectives;
- b. establish a Mission operations manual; and
- c. obtain and use computer software programs to organize project management information systems and reporting.

Discussion

Prior to 1983, Inspector General audits and A.I.D. assessments and evaluations found that USAID/Mali did not have adequate staff to manage the levels of A.I.D. assistance being provided. As a result, significant project problems were not detected and corrected, limiting the impact of A.I.D. assistance. Congress was also concerned and considered reducing the Sahel Development Program.

In response to these reports and Congressional concerns, A.I.D. developed a strategy to better balance work load with staff and budget resources. The Africa Bureau's strategy included (1) reducing the number of projects in the Sahel ^{13/}, and improving Mission efficiency through training provided to staff and other efforts.

Although USAID/Mali made good progress implementing this strategy, (1) Mission personnel, particularly foreign nationals, have not had comprehensive development plans to ensure sufficient training, (2) staff lacked sufficient written guidance, and (3) the Mission had not made maximum use of its computer system capabilities in establishing project management systems and in reporting.

^{13/} See Other Pertinent Matters for discussion of this aspect of the strategy.

Staff Development - USAID/Mali established an extensive staff development plan to identify employee needs, provide training and enable career advancement. The plan placed particular emphasis on developing the skills and increasing the responsibilities of host country nationals. In 1983, the Mission had 19 professional Malians, of which 5 occupied managerial positions. By March 1987, the Mission had 25 professionals, of which 8 occupied managerial positions.

Such efforts were consistent with the Africa Bureau's strategy to improve efficiency. Host country nationals (1) enable a reduction in budget resources, (2) understand the culture and the language, and (3) prevent gaps in program continuity caused by U.S. direct hire assignment changes.

Although USAID/Mali increased its use of host country nationals, the Mission met with limited success in developing these personnel capabilities to replace direct hire staff. Although the Mission had identified a need to establish a small training center for staff, funds had not been available to hire a training specialist. At the time of audit, insufficient funding also caused the Mission to cancel planned training for six employees since only \$37,000 could be budgeted for training. This amount, in the opinion of Mission officials, was not enough to train personnel.

Another factor limiting USAID/Mali progress was that the personnel development plans lacked specific objectives needed to measure progress in attaining the Mission's long-range personnel goals. The objectives did not specify which people were to move into managerial positions, when, or what resources it would take to move them. The Mission also did not use development objectives and time tables to determine and justify the level of funding needed for training programs. Instead, according to Mission officials, available funding was used to establish training objectives.

Mission Operations Manual - A.I.D. Handbooks 18 and 23 stress that Missions establish and maintain a system for internal issuances of policies, procedures and notices to Mission personnel. Missions are also responsible for ensuring that their internal directives are consistent with A.I.D. policies and procedures. Mission operations manuals help to establish effective and consistent management systems and to train and guide less experienced staff.

USAID/Mali had recognized the need to establish an operations manual, but for more than three years little progress had been made. In 1983, the Mission decided it needed to strengthen compliance and procedures and better clarify who had authority and who was responsible. The lack of written policies and procedures was again identified in

the Mission's 1984 and 1985 vulnerability assessments. By March 1987, although having drafted sections of the manual, the Mission was having difficulty completing the task. According to Mission officials, work load impaired progress.

Because USAID/Mali had not established an operations manual, financial management policies, such as those pertaining to the 1983 payment verification statements, had not been available to staff. As a result, the Mission had not fully complied with the policies. Also, less experienced staff had not had sufficient information to guide them.

Computers - To increase the efficiency and effectiveness of its operations, A.I.D. issued policy guidelines on the Bureau and Mission information technology program in June 1984. Agency guidance stressed the use of computer technology in designing and evaluating as well as in establishing management information systems for better program and project management. Among other things, computers facilitate meeting AID/Washington reporting requirements. Without computers, substantial time is involved researching data, analyzing project performance, and compiling reports.

Since 1984, USAID/Mali had obtained computer equipment needed to more efficiently administer the program. The Mission made significant efforts to obtain computer hardware, and by March 1987 had become one of the largest users of computers in Africa. Also, to train staff on computers, the Mission had hired a computer specialist.

USAID/Mali had not used the computers to systematically emphasize more efficient project management information systems and reporting. Although there had been some exceptions, the computers were used principally for word processing, financial management and accounting, project planning and budgeting. Computers were used less for Mission program and Malian Economic Data Base compilation and analysis, program and project management and tracking systems, and economic and statistical analysis.

In conclusion, USAID/Mali had made progress improving staff efficiency. To further improve efficiency, the Mission needed more comprehensive development plans for foreign national staff, a Mission operations manual for better guidance to staff, and more use of computer software programs for project management information systems and reporting.

Management Comments

USAID/Mali agreed with the audit finding. The Mission said that it had used the Records of Audit Findings to justify

more fiscal year 1987 funding for staff development and for acquisition of additional computer equipment. Also, the following specific actions were taken:

- USAID/Mali increased staff training in fiscal year 1987 and prepared a training plan for fiscal year 1988;
- USAID/Mali made a detailed analysis of its operations and issued 14 new Mission orders which were now part of its operations manual; and
- USAID/Mali hired an additional computer expert, was obtaining and installing additional computer hardware and software, and increased staff training in computer software.

As a result of these actions, the Mission requested Recommendation No. 4 be closed.

Office of Inspector General Comments

USAID/Mali actions were responsive to the audit recommendation which is considered closed. We recognize the significant effort involved in upgrading foreign national employee skills, and we applaud the Mission's accomplishments in this area. Although not part of the audit recommendation, we would encourage USAID/Mali to develop a longer range plan to upgrade skills. This plan should, to the extent possible, identify the persons who are to move into managerial positions, along with a timetable and cost estimate. In this way progress against a plan can be better measured.

B. Compliance and Internal Control

Compliance

The audit disclosed the following compliance exceptions. Finding 1 discusses the need to better comply with A.I.D. regulations requiring measurement of project progress, and expanding vulnerability assessments to include administrative controls. Finding 2 discusses the need for better compliance with selected A.I.D. financial management policies. The review of compliance was limited to the findings in this report.

Internal Control

Several internal control weaknesses were identified. Finding 1 discusses weaknesses in USAID/Mali's project progress measurement system, and the lack of sufficient emphasis on administrative controls when performing vulnerability assessments. Finding 2 discusses weaknesses in internal controls in selected financial management functions. Finding 3 discloses incomplete staff development plans and written procedures. The review of internal controls was limited to the findings in this report.

C. Other Pertinent Matters

The Africa Bureau's strategy included reducing the number of projects to better balance mission work load with staff and budget resources. Although USAID/Mali had not reduced the number of projects to the extent planned, it had taken other action to improve its ability to handle work loads. Nonetheless, the Mission believed that it needed additional resources to better manage the program. Since there were incomplete criteria and a system to objectively measure work load, the audit could not assess the need for more resources.

The Africa Bureau's strategy included reducing the number of projects to better balance mission work load with staff and budget resources. In August 1984, a Congressional committee expressed its concern over A.I.D.'s ability to manage higher Sahel project funding levels with the lower U.S. direct hire staffing levels that A.I.D. planned for Sahel Missions. As concerns USAID/Mali, bilateral project obligations were to increase from \$9.9 million in 1983 to \$12 million in 1986, concurrent with planned reductions in U.S. direct hire staff from 21 to 16. A.I.D. responded that it planned to reduce the number of active bilateral projects from 19 in 1983 to 9 in 1986, and that other efficiency efforts were underway.

At the end of fiscal year 1986, USAID/Mali had not reduced the number of projects to the extent planned, but it had taken other action to improve its ability to handle work loads. The Mission had 13 active bilateral projects rather than the 9 planned. However, bilateral project obligations had been limited to \$9 million versus the \$12 million planned. Also, as discussed in finding number 3, the Mission had taken several other actions to improve efficiency.

Despite such actions, USAID/Mali said that it needed more resources to better manage the program. As noted in this report, Mission officials cited staff and budget limitations as constraints to conducting the assessments required by A.I.D. financial management policies, and to undertaking further efforts to improve efficiency. Also, Mission officials stated that they had difficulty devoting enough staff time to bilateral projects because of the work load involved with emergency drought and insect relief programs, and Agency and Congressional pressure to implement additional regional projects in certain fields. Also, because of budget reductions, officials said that they were impaired from hiring more contractors to help manage the program.

Available criteria and information were insufficient to assess whether the additional resources were warranted. For

example, the Agency's response to the committee did not quantify the reductions planned in regional projects or other nonbilateral project activities. In November 1984, an A.I.D. assessment of staff utilization in the Sahel reported that work load planning needed to consider all activities in Mission work load. Regarding USAID/Mali, the assessment recommended that the planned U.S. direct hire level for 1986 be raised from 16 to 18 to assure coverage of total Mission work load. By the end of fiscal year 1986, Mission staffing included these two additional positions; however, the Public Law 480 Program in Mali had increased somewhat, and there were several regional and centrally funded projects. The 1984 assessment did not disclose the program level data considered in making the recommendation. Therefore, the audit could not assess whether the 18 U.S. direct hire positions were consistent with program levels found in 1986.

USAID/Mali had made good efforts to define and measure its work load. The Mission developed a low cost system to planning work loads which entailed listing out each individual in each division, listing the projects for which the person was responsible, giving broad descriptors of size and scale of projects, making a high, medium or low estimate of management intensity of each project, and listing the major tasks/outputs which faced the project. This system provided significantly better criteria to measure work load than that contained in the Agency's 1984 response to the Congressional committee. However, some limits to the system were identified, including estimates were not made for indirect staff time, and data was not included to compare staff utilization with the planning criteria established.

According to USAID/Mali officials, a more comprehensive system would be of limited usefulness because of changing work load factors. Thus, historical data on staff utilization would have no bearing on planning future events. As a result, the Mission planned to hire a consultant to perform an independent review of the current work load. Officials said that such a review would advise the Mission how to organize or reorganize within given constraints, and that the expected changes in efficiency would offset the estimated \$15,000 cost of the consultant.

We recognize the effort USAID/Mali has expended over the past several years to define and balance the Mission's work load. We also recognize the constraints on establishing an effective work load planning system when Agency and Congressional pressures cause the Mission to expand its development activities. Therefore, we are making no recommendations. We will urge the Africa Bureau to capitalize on what USAID/Mali has begun, and to take a lead in developing a better work load measurement system.

AUDIT OF USAID/MALI MANAGEMENT

PART III - EXHIBITS AND APPENDICES

25

Inspector General Audit Reports on
USAID/Mali Projects, Programs

<u>Number</u>	<u>Date</u>	<u>Title</u>
80-67	6/6/80	Problems in Implementing A.I.D.'s Livestock Sector Projects' Activities in Mali
81-35	1/29/81	Problems in Host Country Accounting for Utilization of A.I.D. Funds in the Sahel
0-625-81-52	3/10/81	Improvements Must be Made in the Sahel Regional Development Program
0-688-81-139	9/24/81	Major Implementation Problems Confront Project Action Ble in Mali
7-688-82-1	9/20/82	The Operation Haute Vallee Project in Mali is Experiencing Serious Problems
0-688-83-59	4/20/83	Management of USAID/Mali Operating Expenses
7-688-83-3	5/3/83	The Operation Mils Mopti Project in Mali was Poorly Designed and Implemented
0-698-84-16	12/21/83	Need to Improve the Design and Implementation of Agricultural Credit Programs in the Sahel
84-20	1/31/84	Inadequate Design and Monitoring Impede Results in Sahel Food Production Projects
7-688-85-5	3/27/85	Progress and Problems in Managing the Mali Livestock Sector II Project
7-688-86-1	10/9/85	Memorandum Report on the Mali Renewable Energy Project-- Accountability for A.I.D. Funds

<u>Number</u>	<u>Date</u>	<u>Title</u>
7-625-86-3	10/17/85	Summary Report on A.I.D. Assistance to Develop Livestock in the Sahel
7-625-86-5	3/12/86	Audit of A.I.D. Compliance with Section 121(d) of the Foreign Assistance Act
7-698-86-6	3/12/86	Memorandum Audit Report of Use of Public Accounting Firms by A.I.D. Offices in West and Central Africa
7-625-86-8	5/14/86	Audit of the Sahel Regional Integrated Pest Management Project
7-688-86-10	9/23/86	Audit of the Manantali Resettlement Project in Mali
7-688-86-03-N	9/26/86	Nonfederal Audit of the Mali Renewable Energy Project
7-698-87-5	3/16/87	Summary Report on Audits of Regional Projects

AUDIT OF USAID/MALI MANAGEMENT

Report Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	5
<p>We recommend that the Director, USAID/Mali, review the system used to measure project progress, and make changes to:</p>	
<p>a. better define project progress measurement objectives by establishing qualitative and quantitative interim benchmarks to be met toward achieving project purpose indicators;</p>	
<p>b. improve data collection by systematically gathering, reporting and verifying data on progress meeting project purpose benchmarks and indicators; and</p>	
<p>c. analyze data to determine whether project objectives are being met and, if not, identify corrective actions.</p>	
<u>Recommendation No. 2</u>	5
<p>We recommend that the Director, USAID/Mali, as part of periodic vulnerability assessments, review the adequacy of the system used to measure project progress.</p>	
<u>Recommendation No. 3</u>	12
<p>We recommend that the Director, USAID/Mali, make further progress in implementing Agency financial management policies by the following actions:</p>	
<p>a. establish procedures to assess host country contracting capability and the need for audit as part of the project design process;</p>	
<p>b. evaluate the need for audit, and where appropriate, provide audit coverage for projects which have been either designed or amended since 1983; and</p>	

- c. establish procedures to document annual testing of Mission voucher approval and payment methods.

Recommendation No. 4

18

We recommend that the Director, USAID/Mali:

- a. implement staff development objectives;
- b. establish a Mission operations manual; and
- c. obtain and use computer software programs to organize project management information systems and reporting.

ACTION: RIG-2 INFO: DCM

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RUTANK/AMEMBASSY NOUAKHOTT 2481

RUTABM/AMEMBASSY BAMAKO 6406

RUFHOC/AMEMBASSY OUAGADOUGOU 0164

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UNCLAS SECTION 01 OF 02 NIAMEY 06195

LOC: 34

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CN: 39390

CHRG: AID

DIST: RIG

AIDAC

DAKAR FOR RIG/A/WA

E.O. 12356: N/A

SUBJECT: RIG/W/WA DRAFT AUDIT REPORTS, MISSION PROGRAM
- ADMINISTRATIVE AND FINANCIAL MANAGEMENT

1. BACKGROUND FOR AA/AFR: FIELD WORK FOR THE SUBJECT AUDITS WAS COMPLETED IN THE JANUARY-APRIL 1987 PERIOD. NIGER WAS THE FIRST MISSION AUDITED AND THE FIRST TO RECEIVE THE DRAFT REPORT ON JUNE 29. THE OTHER USAIDS AUDIT REVIEW WAS CONDUCTED IN AID/W IN JULY.

2. SUMMARY:

-A) THE USAID MISSIONS OF NIGER, MAURITANIA, MALI AND BURKINA, UPON CAREFUL CONSIDERATION AND CONSULTATION, HAVE CONCLUDED THE RAFS FOR THE FOUR MISSIONS REMARKABLY RESEMBLE EACH OTHER. WE BELIEVE THIS DEMONSTRATES THAT OUTCOME OF THE AUDITS WAS PREDETERMINED AND THAT FIELD WORK WAS PERFORMED SELECTIVELY TO FIND EVIDENCE THAT WAS SUPPORTIVE ONLY OF THE CONCLUSIONS THAT HAD BEEN PREVIOUSLY FORMULATED.

-B) IMPRESSIONS DURING THE AUDIT VISITS BY EACH MISSION'S STAFF WERE THAT INFORMATION SUPPORTING POSITIVE MISSION MANAGEMENT ACTIONS WAS NEGLECTED, LEADING TO UNWARRANTED NEGATIVE CONCLUSIONS IN TERMS OF CURRENT MANAGEMENT DIRECTIONS.

-C) THE ABILITY OF THE MISSIONS TO CLOSE THE ADMINISTRATIVE MANAGEMENT RECOMMENDATIONS MAY BE LIMITED OR IMPOSSIBLE ANY TIME SOON BECAUSE OF O.E. LIMITATIONS.

-D) THE FOUR MISSIONS REQUEST THAT FURTHER ACTION ON THE AUDIT REPORTS BE SUSPENDED UNTIL THE OBJECTIVES OF THIS AUDIT ACTION BE REVIEWED. AT MINIMUM, THE FOUR REPORTS (OR FIVE IF AID/W IS INCLUDED) SHOULD BE COMBINED INTO ONE REPORT. END SUMMARY.

3. AS CURRENTLY PLANNED EACH OF THE MISSIONS IS TO RECEIVE A SEPARATE REPORT, YET THE RAFS ARE HIGHLY

SIMILAR. IF, INDEED, THERE ARE SIGNIFICANT COMMON WEAKNESSES, CORRECTION OF WHICH IN LARGE PART IS BEYOND THE RESOURCES OR AUTHORITIES OF THE MISSION AS WE INTERPRET THEM, SEPARATE MISSION RESPONSES WOULD BE VIRTUALLY ENTIRE. THIS WOULD SUGGEST THAT AN ALTERNATE SOLUTION BE FOUND. AS IT NOW STANDS, EACH MISSION WOULD BE OBLIGED TO RESPOND TO AND SATISFY AUDIT RECOMMENDATIONS SEPARATELY. AID/W IS ALSO RECEIVING A SEPARATE REPORT AND WOULD BE EXPECTED TO RESPOND TO AND SATISFY RECOMMENDATIONS SEPARATELY.

INSTEAD THE ACTIONS REQUIRED TO RESOLVE ANY COMMON WEAKNESSES SHOULD BE DELETED FROM AID/W/AFR TO THE MISSIONS AND THE RECOMMENDATIONS SHOULD REFLECT THAT. PERHAPS AID/W MANAGEMENT SHOULD EXPAND THE CORRECTIVE REPORTS THROUGHOUT WEST AFRICA OR ALL OF AFRICA TO IMPROVE OVER TIME THE ECONOMIES OF SCALE. ONE REPORT FARTHER THAN FOUR REPORTS (OR FIVE IF AID/W IS INCLUDED) WOULD BE FAR MORE ATTRACTIVE UNDER SUCH CIRCUMSTANCES.

4. USARIS PROVIDED EXTENSIVE ADDITIONAL INFORMATION IN RESPONSE TO THE RAIS WHICH INCLUDED CORRECTION OF INFORMATION STATED AND CORRECTION OF MISLEADING STATEMENTS. ALSO, MISSION COMMENTS INCLUDED MORE CURRENT INFORMATION (FROM EVALUATIONS AND RE-DESIGN EFFORTS) THAN THAT USED IN THE RAIS. THE TRAFFIC AUDIT REPORT FOR AIGER, HOWEVER, ACKNOWLEDGES THE MISSION COMMENTARY BUT INCLUDES LITTLE OF THE INFORMATION PROVIDED. SENGA, DANA O, AND NCHA/COTE HAVE NOT YET RECEIVED THE TRAFFIC REPORTS BUT ARE CONCERNED THE SAME SITUATION WILL BE ENCOUNTERED IN THEIR REPORTS.

5. AT THIS POINT, RECOMMENDATIONS ON IMPROVING MISSION ADMINISTRATIVE MANAGEMENT SHOULD BE CONSIDERED UNREALISTIC IF ADDITIONAL FUNDING WOULD BE REQUIRED FOR IMPLEMENTATION. THE WAY WE DEAL WITH RECOMMENDATIONS THERE IS A WAY TO IMPLEMENTING THEM. THE CURRENT OPERATIONAL DEFENSE BELIEVA LACKED BY THE MISSION LIMITS INDIVIDUAL MISSIONS ABILITY TO MAKE ADDITIONAL O.E. COMMITMENTS. ALSO, THE RECOMMENDATIONS RELATING TO THE IMPLEMENTATION OF A HISTORICAL PERSON YOUR TRACKING

SYSTEM AND THE DEVELOPMENT OF COMPUTER SOFTWARE AND THE ACQUISITION OF ADDITIONAL AUTOMATION EQUIPMENT CAN ONLY BE RESOLVED BY THE AA/APR WITH REGARD TO FUNDING.

THE USAID MISSIONS ARE NOT DISPUTING THAT ADMINISTRATIVE MANAGEMENT IMPROVEMENTS ARE NEEDED AND CAN BE MADE. WE ARE NEVER TOTALLY SATISFIED WITH OUR PROGRESS AND WITH THE SYSTEMS WE HAVE IN PLACE TO MONITOR AND ACHIEVE PROGRESS IN THE MANAGEMENT OF OUR DEVELOPMENT ASSISTANCE PROGRAM AND ARE CONSTANTLY SEEKING IMPROVEMENTS. WE ALSO ACCEPT THAT THE RESULTS OF DEVELOPMENT PROJECT ACTIVITIES MAY NOT IN ALL ASPECTS BE ADEQUATELY DOCUMENTED. BUT IT APPEARS TO US THAT THE RELATIVE SIGNIFICANCE OF THE IMPROVEMENTS NEEDED HAVE BEEN OVERSTATED IN THE RECOMMENDATIONS. TO DO SOMETHING BETTER MAY BE DESIRED BY EVERYONE CONCERNED--BUT THE RELATIVE NEED TO DO SO SHOULD BE CONSIDERED IN TERMS OF THE CURRENT AND FORECASTED RESOURCES CRISIS.

6. THE USAID MISSIONS RECOGNIZE THE SIGNIFICANT ROLE AUDITS PLAY IN THE MANAGEMENT OF USG ACTIVITIES. FOR THIS REASON WE RANK ATTENTION TO AUDITS EQUAL TO THE ATTENTION GIVEN TO THE PREPARATION OF ANNUAL BUDGET SUBMISSIONS (ABS), CONGRESSIONAL PRESENTATIONS (CP), THE COUNTRY DEVELOPMENT STRATEGY STATEMENT (CDSS) AND OTHER MISSION PLANNING ACTIVITIES, AS DEMONSTRATED BY THE CONSIDERABLE TIME AND ATTENTION ALLOCATED TO WORKING WITH AUDITORS AND RESPONDING TO RAF AND AUDIT REPORT RECOMMENDATIONS. WE HAVE USED AUDITS AS ONE OF THE ESSENTIAL MANAGEMENT TOOLS AVAILABLE TO US AND HAVE REQUESTED AUDITS AND REVIEWS BOTH FROM RIG AND NFA'S WHEN NEEDED FOR PROJECT ACTIVITIES. IN GENERAL, WE CONSIDER THAT THE AUDIT PROCESS, PROPERLY FOCUSED AND DIRECTED, CAN ASSIST US TO DETERMINE CORRECTIONS REQUIRED IN IMPORTANT ASPECTS OF THE MANAGEMENT OF OUR ACTIVITIES.

7. ACTION REQUESTED:

FOR AA/APR AND RIG/A/WA: WE REQUEST THAT CONCERTED ACTION BE TAKEN TO INTERRUPT THE AUDIT PROCESS AT THE CURRENT DRAFT STAGE, AND THAT WHATEVER PROCESS MUST CONTINUE FOR RIG TO COMPLETE ITS COMMITMENTS BE POSTPONED UNTIL A REVIEW OF THE AUDIT OBJECTIVES IS COMPLETED. WE EXPECT THAT THIS REVIEW SHOULD DETERMINE: THAT IT IS MORE MANAGEMENT EFFICIENT AND CONSTRUCTIVE TO HAVE ONE RATHER THAN FOUR (OR FIVE) REPORTS; AND THAT SUFFICIENT WEIGHT BE GIVEN TO THE PROGRESS ACHIEVED SINCE 1983 DETAILED IN MISSIONS RESPONSES TO RAFS. BOGOSIAN

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 RUTANK / AMEMBASSY NOUAKCHOTT 5343
 RUFHOC / AMEMBASSY OUAGADOUGOU 5929
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 APPRV: RIG/A:JF
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 CLEAR: NONE
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AIDAC

FOR USAID MISSION DIRECTORS,
 AID/W FOR AA/APR, AFR/SWA, IG AND IG/PPO FROM RIG/A/D,
 JOHN P. COMPETELLO

E.O. 12356: N/A
 SUBJECT: AUDITS OF SAHEL MISSION MANAGEMENT

REF: NIAMEY 006195

1. REFTEL STATED MISSION CONCERNS THAT: (1) THE AUDIT OBJECTIVES DID NOT PROVIDE SUFFICIENT WEIGHT TO THE PROGRESS MADE IMPROVING MANAGEMENT; (2) THE SIMILARITY OF RECORDS OF AUDIT FINDINGS (RAPE) ISSUED INDICATED THAT AUDIT FIELD WORK WAS DONE SELECTIVELY TO SUPPORT PREVIOUSLY FORMULATED CONCLUSIONS; (3) THE AUDIT NEGLECTED SUPPORTING EVIDENCE OF POSITIVE MISSION MANAGEMENT ACTIONS; (4) MISSIONS DID NOT HAVE ENOUGH RESOURCES TO IMPLEMENT THE RECOMMENDATIONS INVOLVING ADMINISTRATIVE MANAGEMENT; (5) THE RECOMMENDATIONS WERE NOT DIRECTED TO THE APPROPRIATE AUTHORITY; AND (6) IF THERE WERE COMMON WEAKNESSES AMONG MISSIONS, CORRECTIVE ACTIONS SHOULD BE DIRECTED TO AID/W/APR FOR SYSTEMIC CHANGES IN WEST AFRICA, OR PERHAPS, ALL OF AFRICA. REFTEL REQUESTED CONSIDERATION OF ISSUING ONE RATHER THAN FIVE REPORTS, AND THAT SUFFICIENT WEIGHT BE GIVEN TO THE PROGRESS ACHIEVED SINCE 1983.
2. AFTER DISCUSSION OF REFTEL CONCERNS WITH THE INSPECTOR GENERAL AND AFR/SWA, WE HAVE DECIDED TO ISSUE FIVE REPORTS AS PLANNED. DUE CONSIDERATION OF MISSION ACCOMPLISHMENTS WILL BE INCLUDED IN DRAFT AND FINAL REPORTS. RIG/A/D RESPONSES TO YOUR SPECIFIC CONCERNS ARE AS FOLLOWS.
3. ALTHOUGH EACH MISSION WAS ADVISED ON THE OBJECTIVES OF THESE AUDITS AND IG STANDARDS, REFTEL INDICATES THAT CONFUSION STILL REMAINS. FOR BACKGROUND IN UNDERSTANDING THE AUDIT OBJECTIVES, WE REPEAT THAT IN 1983, IN RESPONSE TO REPORTED MANAGEMENT PROBLEMS IN THE SAHEL, A.I.D. DEVELOPED AND REPORTED TO THE CONGRESS A STRATEGY TO (1) CONTROL LOCAL CURRENCY FUNDS, (2) STRENGTHEN HOST GOVERNMENT INSTITUTIONS AND

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(3) IMPROVE A.I.D. MANAGEMENT. AT THAT TIME THE AGENCY ALSO INSTALLED NEW POLICIES TO IMPROVE INTERNAL CONTROLS AND FINANCIAL MANAGEMENT. AUDITS BY THE GENERAL ACCOUNTING OFFICE AND INSPECTOR GENERAL IN 1985 AND 1986 (THE IG'S REPORT ON A.I.D. COMPLIANCE WITH SECTION 121 (D) FAA AND GAO'S REPORT ON HOST GOVERNMENT PLANNING CAPABILITIES) HAD ALREADY PROVIDED COVERAGE ON THE FIRST TWO PARTS OF THIS STRATEGY. THE OBJECTIVE OF THE CURRENT AUDIT WAS AND ALWAYS HAS BEEN TO QUOTE DETERMINE THE PROGRESS AND PROBLEMS IN A.I.D. MANAGEMENT IN THE SAHEL SINCE THE STRATEGY AND POLICIES WERE INTRODUCED IN 1983 UNQUOTE. THEREFORE, IN COMPLETING AND REPORTING ON THIS CURRENT AUDIT, THE AGENCY AND THE CONGRESS WILL HAVE BEEN INFORMED ON THE OVERALL IMPLEMENTATION OF THE AGENCY'S STRATEGY.

4. SINCE THE AUDITS HAD COMMON OBJECTIVES AND USED COMMON CRITERIA TO MEASURE CONDITIONS, IT IS NOT SURPRISING THAT THERE WAS COMMONALITY IN THE RAFS. BETWEEN AUGUST AND DECEMBER 1986 AN AUDIT SURVEY WAS PERFORMED IN FIVE SAHELIAN MISSIONS, BOTH LARGE AND SMALL, AND AID/W TO DETERMINE THE PROGRESS MADE, IDENTIFY POTENTIAL PROBLEM AREAS, AND PLAN ADDITIONAL AUDIT WORK IF NECESSARY. AS A RESULT OF THE SURVEY, IT WAS DECIDED TO PROCEED WITH DETAILED REVIEW OF FOUR OF THE FIVE SAHELIAN MISSIONS SURVEYED AND OF AID/W/APR, AND TO DO MORE LIMITED WORK IN SEVERAL OTHER SAHELIAN MISSIONS. ACCORDINGLY, AN AUDIT PROGRAM WAS PREPARED TO FOCUS ADDITIONAL AUDIT FIELD WORK ON POTENTIAL PROBLEMS IN THREE AREAS OF MOST CRITICAL NEED. FOR EACH MISSION, THE AUDIT SCOPE CONCENTRATED ON (1) ASSESSING MISSION SYSTEMS FOR MEASURING PROJECT EFFECTIVENESS, (2) DETERMINING PROGRESS IN IMPLEMENTING A.I.D.'S FINANCIAL MANAGEMENT POLICIES INSTITUTED IN 1983, AND (3) DETERMINING HOW EACH MISSION BALANCED WORK LOADS WITH STAFF AND BUDGET RESOURCES. DETAILED
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FIELD WORK FURTHER DEVELOPED THE CONDITIONS AND CAUSES IDENTIFIED IN THE AUDIT SURVEY. AT THE CLOSE OF FIELD WORK, THE RAFS WERE ISSUED TO EACH MISSION TO VERIFY THE ACCURACY OF THE FACTS, AND DETERMINE THE REASONABLENESS OF TENTATIVE CONCLUSIONS AND RECOMMENDATIONS. THE RAFS WERE OFFERED TO ALLOW EACH MISSION THE OPPORTUNITY TO PROVIDE ADVANCE COMMENT AND ADDITIONAL INFORMATION HAVING A BEARING ON THE FACTS, CONCLUSIONS OR RECOMMENDATIONS. EACH MISSION WAS REQUESTED TO PROVIDE WRITTEN COMMENTS ON THE RAFS.

5. ALTHOUGH AUDIT WORK ALSO SHOWED THAT ALL MISSIONS HAD MADE SIGNIFICANT PROGRESS IMPROVING MANAGEMENT SINCE 1983, THE RAFS WERE NOT INTENDED AS A MECHANISM TO REPORT ON THESE ACCOMPLISHMENTS. RAFS ARE ISSUED DURING THE COURSE OF AN AUDIT TO PROMPTLY COMMUNICATE TENTATIVE AUDIT FINDINGS, I.E. AREAS WHERE IMPROVEMENTS CAN BE MADE, TO RESPONSIBLE MISSION OFFICIALS. THUS WE CAN UNDERSTAND YOUR CONCERN ABOUT THE ABSENCE OF POSITIVE STATEMENTS IN THE RAFS. HOWEVER, TO THE EXTENT MISSION COMMENTS ON RAFS HAVE PROVIDED FURTHER EVIDENCE OF ACCOMPLISHMENTS, THESE ARE BEING USED TO PREPARE THE DRAFT AND FINAL REPORTS. IN ACCORDANCE WITH OUR REPORTING STANDARDS, NOTEWORTHY MISSION ACCOMPLISHMENTS WILL BE DISCLOSED IN THE OPENING STATEMENT OF THE RESULTS OF AUDIT SECTION OF THE REPORTS. AUDIT STANDARDS REQUIRE THAT OUR REPORTS FOCUS ON PROBLEMS, NOT ON ACCOMPLISHMENTS; SO IT IS BY THEIR VERY NATURE THAT THE FINDINGS MUST CONTAIN ANALYSES OF PROBLEMS WITH SUGGESTED RECOMMENDATIONS.

6. WHILE THERE MAY BE SOME SIMILARITY IN RECOMMENDATIONS ULTIMATELY MADE TO EACH MISSION, THERE MAY WELL BE SIGNIFICANT DIFFERENCE AMONG MISSIONS IN THE ACTIONS NEEDED TO CORRECT THE PROBLEMS. IN THIS REGARD MISSION COMMENTS TO RAFS AND DRAFT REPORTS ARE AN ESSENTIAL ELEMENT OF THE AUDIT PROCESS SINCE THEY HELP TO ENSURE FAIR, COMPLETE, AND OBJECTIVE REPORTING AND COMMON AGREEMENT ON CORRECTIVE MEASURES. IF THERE IS NONCONCURRENCE WITH A PROPOSED RECOMMENDATION, MISSION SUGGESTIONS ARE CAREFULLY EVALUATED TO ASSURE THAT THE ALTERNATIVE MEASURES WILL CORRECT THE NOTED PROBLEM. IF SO, THE RECOMMENDATION IS REVISED IN FINALIZING THE REPORT. YOU CAN BE ASSURED THAT THESE SAME STANDARDS ARE BEING USED TO ADDRESS ANY SPECIFIC CONCERNS YOU MAY HAVE BROUGHT UP IN RESPONDING TO THE RAFS, OR MAY BRING UP IN RESPONDING TO THE DRAFT AND FINAL REPORTS.

7. AUDIT STANDARDS REQUIRE THAT RECOMMENDATIONS BE DIRECTED TO THE APPROPRIATE OFFICIAL HAVING AUTHORITY OVER THE ACTIONS. EACH MISSION IS RESPONSIBLE FOR ESTABLISHING EFFECTIVE MANAGEMENT SYSTEMS THAT ARE CONSISTENT WITH BUREAU, AGENCY AND LEGISLATIVE REQUIREMENTS. EACH MISSIONS' SPECIFIC COMMENTS TO THE DRAFT REPORTS AND FINAL REPORTS, AND THE IG RECOMMENDATION CLOSURE SYSTEM SHOULD ENSURE THAT APPROPRIATE ACTIONS ARE PLANNED AND TAKEN. WE BELIEVE

THAT EACH MISSION HAS THE NECESSARY AUTHORITY AND RESPONSIBILITY FOR IMPLEMENTING THE SPECIFIC RECOMMENDATIONS. THE OVERALL REPORT WILL INCLUDE RECOMMENDATIONS TO THE AFRICA BUREAU FOR ITS IMPLEMENTATION.

8. WHILE YOUR SUGGESTION TO EXTEND THE AUDIT RECOMMENDATIONS TO ALL WEST AFRICA, OR PERHAPS, ALL OF AFRICA MAY HAVE MERIT, THE AUDIT SCOPE IN THIS SERIES OF AUDITS WAS ONLY SUFFICIENT ENOUGH TO COMMENT ON THE CONDITIONS AND CAUSES FOUND IN THE SAHEL.

9. WE APPRECIATE YOUR FRANK AND OPEN VIEWS AND CONCERNS ON THIS ASSIGNMENT AND ANY OTHER AUDIT WORK. WE ALSO APPRECIATE YOUR ACCORDING THE HIGH PRIORITY AND STAFF WORK THAT HAS GONE INTO YOUR REPLIES TO THE AUDIT RAFS ON THIS ASSIGNMENT. REPLIES TO DRAFT REPORTS ARE EVEN MORE IMPORTANT AND WE HOPE YOU WILL RESPOND TIMELY TO REPORT DRAFTS AS THEY ARE ISSUED. FINALLY, WE CAN AND SHOULD WORK TOGETHER TO ENSURE THAT IMPLEMENTATION OF

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Appendix 3
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THE RECOMMENDATIONS DOES NOT CAUSE AN UNDUE BURDEN ON
MISSION WORK LOAD.

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ACTION: RIG-2 INFO: DCM

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 TO AMEMBASSY DAKAR IMMEDIATE 6248
 BT
 UNCLAS SECTION 01 OF 05 BAMAKO 06488

LOC: 052
 04 NOV 87
 CN: 02028
 CHR: AID
 DIST: RIG

ADM AID

FOR: RIG/A/DAKAR, JOHN COMPETELLO

E.O. 12356:R/4

SUBJECT: DRAFT REPORT ON AUDIT OF USAID/MALI MANAGEMENT
 REPORT NO. 7-688-87-XX

AS REQUESTED, USAID/MALI HAS PREPARED COMMENTS ON THE SUBJECT REPORT. NEARLY ALL OF THE SHORTCOMINGS OBSERVED BY THE AUDITORS IN THE DRAFT REPORT RELATING TO USAID POLICIES AND PROCEDURES HAVE BEEN CORRECTED AND MOST OF THE RECOMMENDATIONS IN THE FINAL REPORT CAN EITHER BE ELIMINATED OR REPORTED AS CLOSED. IN ADDITION, SINCE THE RECORD OF AUDIT FINDINGS (RAFS) WERE ISSUED, USAID/MALI HAS EFFECTIVELY USED THE AUDITORS' OBSERVATIONS TO JUSTIFY ADDITIONAL FY-87 FUNDING FOR STAFF DEVELOPMENT AND ACQUISITION OF ADDITIONAL COMPUTER EQUIPMENT. DOCUMENTATION SUBSTANTIATING MISSION'S ACTION WILL BE SENT BY DEL TODAY.

THE PARAGRAPHS THAT FOLLOW COMMENT ON EACH RECOMMENDATION AND THE AUDITORS' STATEMENT ON INTERNAL CONTROL:

RECOMMENDATIONS 1 AND 2: MEASURING PURPOSE ACCOMPLISHMENT:

AS STATED IN THE DRAFT AUDIT REPORT, IMPROVEMENTS IN USAID/MALI'S MANAGEMENT SYSTEM HAVE RESULTED IN BETTER CONTROL OVER PROJECT IMPLEMENTATION. ACCORDING TO THE AUDIT REPORT, THE MISSION COULD FURTHER ENHANCE ITS PERFORMANCE BY:

- A) MAKING PROJECT OBJECTIVES MORE SPECIFIC;
- B) IMPROVING DATA COLLECTION TECHNIQUES,
- C) PERFORMING A BETTER ANALYSIS OF PERFORMANCE DATA.

THE MINUTES OF THE MISSION'S SEMI-ANNUAL PROJECT IMPLEMENTATION REVIEWS (SAPIR) MEETINGS HELD IN MARCH AND OCTOBER 1987 DEMONSTRATE THAT, AS A RESULT OF THE AUDITORS' FIELD WORK, THE MISSION HAS BECOME MORE CONSCIOUS OF PROJECT PURPOSE PERFORMANCE. IN THIS AREA, THE MISSION HAS IMPLEMENTED NEW PROCEDURES TO REQUIRE PROJECT OFFICERS TO REPORT PROGRESS IN ACCOMPLISHING PURPOSE OBJECTIVES IN AN ATTACHMENT TO THE SAPIRS. A NEW FORMAT TO EVALUATE DATA COLLECTION METHODS AND LOWER COSTS ALTERNATIVES HAS BEEN DESIGNED FOR USE IN MISSION PROJECT IMPLEMENTATION REVIEWS WHICH ARE HELD ON THE ALTERNATE

QUARTERS. THE MISSION ORDER DETAILING MISSION PROCEDURES AS WELL AS THE SAPIR REPORTS PRODUCED FOLLOWING THE DIRECTIVES ESTABLISHED IN THE MISSION ORDER ARE ATTACHED FOR YOUR REVIEW. WE BELIEVE THESE RECOMMENDATIONS ARE NOW CLOSED AND THAT THE FINAL REPORT SHOULD STATE THAT NO ADDITIONAL ACTION ON THESE RECOMMENDATIONS IS REQUIRED.

RECOMMENDATION NO. 3: EVALUATE ADMINISTRATIVE CONTROLS:

AS STATED IN THE DRAFT AUDIT REPORT, USAID/MALI DID NOT MEASURE PURPOSE LEVEL PROGRESS IN ITS 1985 OR 1986 INTERNAL CONTROL VULNERABILITY ASSESSMENTS. WE CONCUR THAT THE MISSION WOULD BENEFIT FROM SUCH AN EVALUATION AND HAVE ISSUED A MISSION ORDER TO LOOK AT THIS WHEN THE 1988 ASSESSMENT IS COMPLETED. THIS YEAR, WE WILL MEASURE PROJECT MONITORING AND EVALUATION IN THE FORMAT CALLED FOR IN PART VIII OF THE OVERSEAS MISSIONS INTERNAL CONTROL QUESTIONNAIRE DISTRIBUTED BY AID/W.

WHILE USAID/MALI ACCEPTS THIS RECOMMENDATION AND HAS TAKEN ACTION TO CORRECT THE DEFICIENCY, THE MISSION TAKES EXCEPTION TO THE INFERENCE THAT, BECAUSE PURPOSE LEVEL ACCOMPLISHMENT WAS NOT MEASURED, THE MISSION'S INTERNAL CONTROL SYSTEM WAS DEFICIENT. THE MISSION HAS ON A QUARTERLY BASIS PROVIDED MISSION MANAGEMENT AND PROJECT OFFICERS WITH REGULAR PROJECT FINANCIAL REPORTS COMPARING EXPENDITURES AND COMMITMENTS AGAINST PROJECT ELEMENT BUDGETS. THIS INFORMATION IS RECONCILED WITH PROJECT LEDGERS, U.S. TREASURY DISBURSEMENTS RECORDS AND THE MISSION ALLOTMENT LEDGERS. THE MISSION DOES ATTEST TO ITS VALIDITY.

RECOMMENDATION 4A: HOST COUNTRY CONTRACTING:

USAID/MALI CONCURS WITH YOUR ASSESSMENT THAT THE MISSION SHOULD IMPROVE ITS ANALYSIS-OF GRM CONTRACTING CAPABILITIES. OUR SEMI-ANNUAL INVENTORY OF HOST COUNTRY CONTRACTS FOR THE PERIOD ENDING MARCH 31, 1987 SHOWS THAT THE MISSION HAD 9 HOST COUNTRY CONTRACTS TOTALING 12,785,000. AID HAS APPROVED EVERY CONTRACT IN EXCESS OF 100,000 AS REQUIRED BY AID HANDBOOK 11. WE CONCUR THAT THE ASSESSMENT OF CONTRACTING CAPABILITIES IN THE PP DESIGN PHASE WILL HELP THE MISSION IDENTIFY HOST COUNTRY CONTRACTING PROBLEMS BEFORE THEY ADVERSELY EFFECT PROJECT IMPLEMENTATION OR RESULT IN WASTE OR ABUSE OF LIMITED AID

AFSCUECES. USING THE HOST COUNTRY CONTRACTING INVENTORY AS A BASE, USAID/MALI PLANS TO REVIEW ALL PROCEDURES USED TO AWARD THE EXISTING CONTRACTS AND HAS ISSUED A NEW MISSION ORDER REQUIRING A HOST COUNTRY CONTRACTING CAPABILITY ASSESSMENT EACH TIME A PP WHICH IDENTIFIES HOST COUNTRY CONTRACTING AS A METHOD OF IMPLEMENTATION IS PREPARED .

RECOMMENDATION 4F: AUDIT COVERAGE:

SINCE SEPT. 1986, WHEN THE PP WAS PREPARED FOR THE INTEGRATED FAMILY HEALTH PROJECT, EVERY PP AND PAAD SUPPLEMENT PREPARED BY THE MISSION HAS INCLUDED A PROVISION FOR AUDIT COVERAGE AS REQUIRED BY THE PAYMENT VERIFICATION POLICY STATEMENTS. THE MISSION WILL CONTINUE TO COMPLY WITH THE POLICY. IN RESPONSE TO THE AUDIT, THE MISSION HAS ISSUED MISSION ORDER 06-04 TO EMPHASIZE OUR DETERMINATION TO ABIDE BY THIS POLICY. IN ADDITION, WE PROPOSE TO REVIEW AUDIT COVERAGE NOT ONLY WHEN PP OR PAAD DOCUMENTS ARE DRAFTED, BUT ALSO WHEN AMENDMENTS TO ADD FUNDING TO INCREMENTALLY FUNDED PROJECTS ARE PREPARED.

THE DRAFT REPORT SPECIFICALLY RECOMMENDS THE MISSION REVIEW AND, WHEN APPROPRIATE, PROVIDE FOR AUDIT COVERAGE FOR THE MANANTALI RESETTLEMENT PROJECT, THE FARMING SYSTEMS RESEARCH PROJECT AND THE ECONOMIC POLICY REFORM PROJECT. THESE PROJECTS WERE ALL DESIGNED IN 1984-1985, WHEN THE MISSION WAS BEGINNING TO IMPLEMENT THE PAYMENT VERIFICATION POLICY STATEMENTS. THE MANANTALI RESETTLEMENT PROJECT WAS AUDITED BY THE OFFICE OF THE INSPECTOR GENERAL IN JANUARY 1987, THE EPRP PROJECT HAS BEEN SCHEDULED FOR AN AUDIT BY THE OFFICE OF THE INSPECTOR GENERAL IN JUNE 1989. THE FARMING SYSTEMS PROJECT WILL BE SCHEDULED FOR A NON-FEDERAL AUDIT IN 1988. SINCE AUDIT FIELD WORK TO PREPARE THE DRAFT REPORT WAS COMPLETED, THE MISSION, ON ITS OWN INITIATIVE, HAS TAKEN OTHER ACTIONS WHICH EMPHASIZE THE MISSION'S COMMITMENT TO STRONG FINANCIAL MANAGEMENT AND THE USE OF AUDIT. ATTACHED TO THIS REPORT IS THE MISSION AUDIT COVERAGE PLAN FOR ALL PROJECTS. THIS WAS PREPARED FROM A SURVEY OF ALL PROJECT OFFICERS CONDUCTED IN JUNE 1987. ALSO ATTACHED ARE TWO MEMORANDA OF DISCUSSION WHICH SUBSTANTIATE THE MISSION'S EFFORTS WITH THE CHEF DE CONTROLE D'ETAT OF THE GOVERNMENT OF MALI TO NEGOTIATE AN AGREEMENT WITH THE GRM SUPREME AUDIT AGENCY TO AUDIT AID PROJECTS. UNDER THE CURRENT NEGOTIATIONS, THE GRM WILL PROVIDE GOVERNMENT AUDITORS TO AUDIT AID PROJECTS. AID, USING PROJECT OR PM&R FUNDS, WILL PAY TRAVEL AND PER DIEM COSTS. A TASK ORDER FOR THE FIRST GRM AUDIT OF THE VILLAGE REFORESTATION PROJECT IS ATTACHED FOR YOUR REVIEW.

BASED ON ALL OF THE ABOVE, USAID/MALI RECOMMENDS THAT YOUR DRAFT REPORT BE MODIFIED TO STATE THAT WHILE THE MISSION DID NOT IMPLEMENT THE PAYMENT VERIFICATION POLICY STATEMENT ON AUDITING UNTIL SEPT. 1986, THE MISSION NOW HAS THE AUDIT PROCESS WELL IN HAND. WE BELIEVE THAT THE ACTION RECOMMENDED BY THE AUDITORS HAS BEEN COMPLETED. THE AUDIT REPORT SHOULD REFLECT THAT, AS A RESULT OF THE

PRELIMINARY RAF, THE MISSION HAS TAKEN SATISFACTORY ACTION AND A RECOMMENDATION IN THIS AREA IS NO LONGER REQUIRED.

RECOMMENDATION 4C: TEST VOUCHER PROCESSING:

THE WEAKNESS IDENTIFIED BY THE AUDITORS IN THE DRAFT REPORT RELATING TO THE VOUCHER APPROVAL AND EXAMINATION PROCESS HAS BEEN CORRECTED. AS PART OF THE ANNUAL INTERNAL CONTROL ASSESSMENT, THE MISSION CONDUCTED A REVIEW OF A RANDOM SAMPLE OF 100 VOUCHERS PROCESSED IN FY-87. THE RESULTS OF THIS REVIEW ARE ATTACHED. A MISSION ORDER HAS BEEN ISSUED WHICH ESTABLISHES PROCEDURES TO BE FOLLOWED TO PERFORM A TEST OF VOUCHERS PROCESSED. THIS TEST WILL, FROM NOW ON, BE PERFORMED ANNUALLY.

RECOMMENDATION 5: MEASURE STAFF AND BUDGET AGAINST WORKLOAD

PER DAKAR 012406, WE UNDERSTAND THAT THIS RECOMMENDATION WILL BE ELIMINATED FROM THE MISSION SPECIFIC REPORT AND ADDRESSED TO THE ASSISTANT ADMINISTRATOR IN A SPECIAL REPORT. NEVERTHELESS WE ALSO UNDERSTAND THAT MISSION COMMENTS ON WORKLOAD MEASUREMENT ARE SOUGHT. USAID/MALI HAS WRESTLED WITH BALANCING STAFF AND BUDGET RESOURCES TO WORKLOAD FOR SOME TIME. EACH YEAR WHEN THE

AFS IS PREPARED, THE ISSUES ARE REVIEWED AGAIN. BALANCING RESOURCES IS A MANAGEMENT FUNCTION AND REGARDLESS OF THE SYSTEM EMPLOYED, MANAGEMENT JUDGEMENT IS ALWAYS REQUIRED. WE FELT THE INTENT OF RECOMMENDATION NUMBER 5 WAS TO PUSH THE AGENCY TO ESTABLISH A DAILY TIME SHEET, SIMILAR TO THOSE USED BY ATTORNEYS OR CERTIFIED PUBLIC ACCOUNTANTS TO BILL CLIENTS. WHILE THESE ARE USEFUL IN COLLECTING REVENUE, IT IS DOUBTFUL THEY WOULD BE OF MUCH USE TO AID IN PROJECTING FUTURE STAFF REQUIREMENTS. AID'S FOCUS ON POLICY DIALOGUE, INSTITUTIONAL DEVELOPMENT AND TECHNOLOGY TRANSFER REVOLVES AROUND MANY COMPLEX VARIABLES, MAKING EVERY ACTION, ISSUE AND PROJECT RATHER UNPREDICTABLE.

USAID/MALI'S PLAN TO CLOSE THIS RECOMMENDATION, WERE IT TO STAND, WAS TO CONTRACT AN OUTSIDE MANAGEMENT CONSULTANT TO HELP US BALANCE STAFF AND WORKLOAD. THE TERMS OF REFERENCE FOR THIS CONSULTANT ARE ATTACHED FOR YOUR REVIEW. WE BELIEVE THAT AN INDEPENDENT REVIEW ADVISING US HOW TO ORGANIZE OR REORGANIZE WITHIN THE GIVEN CONSTRAINTS IS MORE PRACTICAL AND MORE COST EFFICIENT THAN A SYSTEM THAT GENERATES INFORMATION ON HISTORICAL ACTIVITY THAT HAS LITTLE OR NO BEARING ON FUTURE EVENTS. OUR ESTIMATE FOR THREE PERSON WEEKS OF EFFORT IN FY-1988 TO HELP US BALANCE THIS YEAR'S STAFFING AGAINST THIS YEAR'S BUDGET AND THIS YEAR'S WORKLOAD IS \$15,000. WE PROPOSE TO PROCEED WITH THIS ACTIVITY EVEN THOUGH THE RECOMMENDATION HAS BEEN ELIMINATED. WE HOPE THAT CHANGES ON THE ADMINISTRATIVE SIDE ARISING FROM THE MANAGEMENT REVIEW WILL HELP US REDUCE OUR FAAS COSTS AND OFFSET THE COST OF THE CONSULTANCY IN THIS YEAR.

RECOMMENDATION 6A: MISSION OPERATIONS MANUAL:

AS A DIRECT RESULT OF THE RECORD OF AUDIT FINDINGS AND THE DRAFT AUDIT REPORT, THE MISSION HAS MADE A DETAILED ANALYSIS OF ITS OPERATIONS AND ISSUED 14 NEW MISSION ORDERS. THE MISSION OPERATIONS MANUAL WHICH INCLUDES THESE NEW ORDERS IS ATTACHED FOR YOUR REVIEW. WE PROPOSE THAT NO FURTHER ACTION IN THIS AREA BE REQUIRED IN THE FINAL REPORT.

RECOMMENDATION 6B: OBTAIN COMPUTER SOFTWARE:

AS STATED IN THE DRAFT AUDIT REPORT BY MARCH 1987, USAID/MALI HAS BECOME ONE OF THE LARGEST USERS OF COMPUTERS IN AFRICA. WHILE THE AUDITORS ARE CORRECT IN STATING THE MISSION DID NOT HAVE ONE ALL-INCLUSIVE PROJECT INFORMATION SYSTEM, SEVERAL KEY PROJECTS, OHV, IFAHS AND LIVESTOCK, WERE ALREADY USING TIMELINE, THE AGENCY'S APPROVED STANDARD FOR PROJECT MANAGEMENT, TO FOLLOW PROJECT ACTIVITY. FURTHERMORE, LOTUS 1-2-3 WAS BEING USED TO PROVIDE A WHOLE RANGE OF INFORMATION TO PROJECT OFFICERS.

SINCE MARCH 1987, THE MISSION HAS CONTINUED TO MOVE FORWARD WITH OFFICE AUTOMATION AND WE BELIEVE A FORMAL RECOMMENDATION REQUIRING CLOSEOUT PROCEDURES IS NO LONGER REQUIRED. USAID/MALI'S ACCOMPLISHMENTS IN DATA PROCESSING AND INFORMATION MANAGEMENT SINCE THE RAFS WERE ISSUED

FOLLOW:

- HIRED ONE ADDITIONAL FULL TIME COMPUTER EXPERT WHO WAS
- TRAINED IN FRANCE.

- INSTALLED 16 ADDITIONAL MICROCOMPUTERS (SEE ATTACHED
- INVENTORY OF COMPUTERS - AND SOFTWARE).
- TRAINED 16 US EMPLOYEES AND 52 FSN EMPLOYEES IN THE USE
- OF LOTUS 1-2-3, DBASE III PLUS AND WORD PROCESSING.

- OBTAINED FM AND IRM APPROVAL TO INSTALL MACS AT POST
- AND ISSUED A PURCHASE ORDER TO ACQUIRE SOPHISTICATED
- WANG VS-65 EQUIPMENT. EQUIPMENT DELIVERY IS SCHEDULED
- FOR DECEMBER 1987 (SEE ATTACHED INVENTORY OF COMPUTERS
- AND SOFTWARE).

- RECEIVED A SPECIAL ALLOTMENT OF \$12,700 FROM AID/W FOR
- SYSTEM ADMINISTRATOR TRAINING. SYSTEM ADMINISTRATOR
- BEGAN TRAINING IN U.S. ON OCTOBER 24, 1987

RECOMMENDATION 6C AND 7: STAFF DEVELOPMENT:

USAID/MALI HAS AN ACTIVE AND AGGRESSIVE STAFF DEVELOPMENT PLAN AND HAS, FOR SOME TIME, ESPOUSED A POLICY OF UPGRADING THE JOB SKILLS OF ITS PROFESSIONAL AND SUPPORT

STAFF. WE HAVE EXPERIENCED HIGH MORALE AMONG OUR MALIAN STAFF AS WELL AS CONSIDERABLE IMPROVEMENT IN THE QUALITY AND QUANTITY OF WORK PRODUCED. THIS IMPROVEMENT CAN BE ATTRIBUTED TO CONCERTED EFFORT, SINCE 1983, TO SYSTEMATIZE AND IMPLEMENT A POLICY OF STAFF DEVELOPMENT. THIS POLICY HAS BEEN VIGOROUSLY CARRIED OUT DESPITE AN INCREASINGLY LIMITED BUDGET. THE ACCOMPLISHMENTS DURING THE PAST YEARS ARE NOTABLE. NEARLY, EVERY EMPLOYEE HAS BENEFITED FROM SOME TYPE OF TRAINING. THE MISSION'S DEDICATION TO IMPLEMENTING THIS POLICY IS MOST EVIDENT BY THE ACCOMPLISHMENTS DURING THE LAST FISCAL YEAR.

DURING THIS PERIOD, SIX FSN EMPLOYEES HAVE TAKEN THE PROJECT IMPLEMENTATION COURSE. TEN USAID MALI EMPLOYEES, INCLUDING 5 FSN EMPLOYEES, PARTICIPATED IN THE MANAGEMENT SKILLS WORKSHOPS HELD IN BAMAKO IN SEPTEMBER. FOUR U.S. EMPLOYEES RECEIVED TRAINING IN THE U.S. IN CONJUNCTION WITH HOME LEAVE OR R&R TRAVEL AND THREE OTHER FSN EMPLOYEES RECEIVED ADDITIONAL TRAINING IN THE U.S. DURING THIS SAME PERIOD, THE MISSION ARRANGED WITH IRM TO SEND A FIVE PERSON TEAM OF SPECIALISTS TO BAMAKO TO CONDUCT MICROCOMPUTER TRAINING CLASSES. DURING THE TWO WEEK PERIOD, 15 US EMPLOYEES AND 52 FSN EMPLOYEES WERE EXCUSED FROM THEIR REGULAR WORK TO PARTICIPATE IN COURSES IN LOTUS 1-2-3, DBASE III PLUS AND WORD PROCESSING. A COMPLETE LIST OF ALL EMPLOYEES TRAINED IN ALL ACTIVITIES SINCE MARCH IS ATTACHED. THE MISSION'S PROPOSED TRAINING PLAN FOR FY-1988 IS ALSO ATTACHED.

WE RECOMMEND THAT THE MISSION SPECIFIC AUDIT REPORT NOT REQUIRE ANY ADDITIONAL ACTION BY THE MISSION, BECAUSE THE MISSION'S ACTIONS SINCE MARCH SHOW THE MISSION HAS STAFF DEVELOPMENT WELL IN HAND. THE CONSOLIDATED AUDIT REPORT ON SAHEL MISSION MANAGEMENT SHOULD REQUIRE THE ASSISTANT ADMINISTRATOR TO PROVIDE THE MISSION WITH FUNDS NECESSARY TO IMPLEMENT THE 1988 PLAN.

RECOMMENDATION 6D: NON-EXPENDABLE PROPERTY LEDGER:

THE AUDIT RECOMMENDATION RELATING TO THE ESTABLISHMENT OF A NON-EXPENDABLE PROPERTY LEDGER HAS BEEN HELPFUL TO THE MISSION EVEN THOUGH THE INFORMATION IN THE REPORT WAS INCORRECT. IN MARCH 1987, WHEN AUDIT FIELD WORK WAS PERFORMED THE MISSION DID HAVE A NON-EXPENDABLE PROPERTY LEDGER WHICH WAS CURRENT THROUGH SEPTEMBER 30, 1986. THE AUDITORS TOLD THE MISSION CONTROLLER, WHO HAD JUST ARRIVED AT POST, THAT NO LEDGER EXISTED. SUBSEQUENT INVESTIGATION HAS FOUND THAT A LEDGER DOES EXIST. IT IS NOW CURRENT AND BEING UPDATED ON A MONTHLY BASIS. HANDBOOK 19, CHAPTER 15 HAS BEEN REVIEWED IN DETAIL, RESPONSIBLE STAFF HAVE BEEN TRAINED AND A REVISED RECORD KEEPING SYSTEM USING A CUSTOM PROGRAM WRITTEN BY THE MISSION IN DBASE III PLUS IS NOW IN THE FINAL DESIGN PHASE TO SPEED UP THE PREPARATION OF THE ANNUAL U-754/1. A PHOTOCOPY OF THE MISSION'S NXP LEDGER WHICH HAS BEEN USED SINCE 1978 AND A NEW MISSION ORDER ON NXP ACCOUNTING IS ATTACHED FOR YOUR REFERENCE.

INTERNAL CONTROL:

USAID/MALI STRONGLY DISAGREES WITH THE AUDITORS' COMMENTS ON INTERNAL CONTROL. THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS (AICPA) IN STATEMENT OF AUDIT PROCEDURE NUMBER 33 HAS DEFINED INTERNAL CONTROL AS FOLLOWS:

- THE PLAN OF ORGANIZATION AND ALL OF THE
- COORDINATE METHODS AND MEASURES ADOPTED
- WITHIN A BUSINESS TO SAFEGUARD ITS ASSETS,
- CHECK THE ACCURACY AND RELIABILITY OF
- ITS ACCOUNTING DATA, PROMOTE OPERATIONAL
- EFFICIENCY, AND ENCOURAGE ADHERENCE TO
- PRESCRIBED MANAGERIAL POLICIES.

INTERNAL CONTROL IS A COMPLEX WHOLE CONSISTING OF AT LEAST SEVEN ESSENTIAL ELEMENTS:

- 1. ADEQUATELY TRAINED PERSONNEL
- 2. FIXED RESPONSIBILITY
- 3. SEPARATION OF DUTIES
- 4. WELL DESIGNED ACCOUNTING SYSTEM
- 5. SAFEGUARDS OVER ASSETS
- 6. PERIODIC REPORTING
- 7. INTERNAL AUDIT.

THE AUDITORS DID NOT EVALUATE EACH OF THESE AREAS

THEREFORE SUCH A STATEMENT AS, "OVERALL, INTERNAL CONTROLS WERE FOUND TO BE INAPPROPRIATE OR WERE NOT OPERATING IN A SATISFACTORY MANNER", IS INACCURATE. FURTHERMORE, THE AUDITORS DID NOT DEFINE WHICH INTERNAL CONTROLS WERE INAPPROPRIATE NOR EVEN WHAT THEY MEANT BY "INAPPROPRIATE".

WE BELIEVE THAT THE AUDIT REPORT SHOULD STATE, "WHILE THE AUDIT DID INCLUDE A REVIEW OF THE MISSION COMPLIANCE WITH THE INTERNAL CONTROL REPORTING REQUIREMENTS REQUIRED BY THE FINANCIAL MANAGERS' INTEGRITY ACT OF 1982, THE AUDIT DID NOT EVALUATE USAID/MALI'S INTERNAL CONTROLS. IT WAS OBSERVED, HOWEVER, THAT DURING THE COURSE OF THE AUDIT INTERNAL CONTROLS COULD BE STRENGTHENED IN:

- 1. INCLUSION OF BETTER PERFORMANCE MONITORING INDICATORS IN THE MISSION'S PERIODIC REPORTING;
- 2. ESTABLISHMENT OF A SYSTEM TO BALANCE WORKLOAD WITH RESOURCES;
- 3. PREPARATION OF WRITTEN MISSION MANUAL ORDERS.

THE AUDITORS SHOULD FURTHER REMEMBER AND REMIND THE READERS OF MATERIALITY AS SPECIFIED BY THE AICPA. WE BELIEVE THE AUDITORS SHOULD STATE, "WHILE WE BELIEVE IMPROVEMENTS COULD BE MADE, WE DID NOT WEIGH THE COSTS OF THE SUPPOSED IMPROVEMENTS AGAINST THE ANTICIPATED BENEFITS.

LEWIS
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