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AUDIT OF
FUNDS PROVIDED FOR PLANNING,
MANAGEMENT AND RESEARCH
IN NIGER
Project No. 625-0929.83

Audit Report No. 7-683-88-10

March 21, 1988

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

UNITED STATES ADDRESS
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WEST AFRICA

March 21, 1988

MEMORANDUM FOR Director, USAID/Niger, George T. Eaton
FROM: RIG/A/Dakar, *Larry E. Hirschler* Larry E. Hirschler, Acting
SUBJECT: Audit of Funds Provided for Planning,
Management and Research
(Audit Report No. 7-683-88-10)

This report presents the results of audit of funds provided for Planning, Management and Research (PM&R). The report contains two recommendations, one of which is considered as resolved. Please advise us within 30 days of any additional information relating to action planned or taken to implement the recommendations. We appreciate the cooperation and courtesy extended to our staff during the audit.

Background

A.I.D. established the PM&R account in the Sahel countries to provide funds for the identification, design and evaluation of programs or project activities^{1/}. Taken from development assistance appropriations, funds for PM&R activities are allocated by the Africa Bureau, based on missions' Annual Budget Submissions. For fiscal years 1985 through 1987, USAID/Niger obligated approximately \$1.2 million for PM&R activities, of which about \$520,000 was disbursed through October 1987 (see Exhibit 1).

Audit Objectives and Scope

The Office of the Regional Inspector General for Audit, Dakar, made an economy and efficiency audit of the PM&R funds provided to USAID/Niger. The audit objective was to assess USAID/Niger's management of the funds.

1/ As of January 1988, the account has been designated as Program Development and Support as is the case in all the other African countries.

Audit work consisted of reviews of A.I.D. guidance, obligating documents, reports, financial records and correspondence, and interviews with USAID/Niger officials. Discussions were also held with Africa Bureau personnel to obtain clarification on Bureau guidance. The review of compliance and internal controls was limited to the findings in this report. Completed in December 1987, the audit covered fiscal years 1985 through 1987 with the exception that reviews of prior year obligations extended back to fiscal year 1982.

USAID/Niger comments to the draft report, included as Appendix 2, have been considered in preparing this report. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

The audit showed that USAID/Niger needed to improve management over PM&R obligations and to improve compliance with A.I.D. guidance. The audit identified the potential to liquidate about \$400,000 of obligations. Also, one instance was found where the Bureau authorized the Mission to use funds for activities not in compliance with A.I.D. guidance. In another instance the Mission did not comply with A.I.D. guidance.

The report contains recommendations to improve USAID/Niger management of PM&R funds.

Need to Strengthen Management of Planning, Management and Research Funds - A.I.D. Handbooks require that funds be deobligated when no longer needed and that usage of funds be in accordance with applicable guidance. Even though activities had been completed, USAID/Niger did not deobligate about \$400,000 from prior year accounts. Also, contrary to A.I.D. guidance, USAID/Niger used Planning, Management and Research funds for activities which more properly should have been charged to other A.I.D. projects or to the operating expense account. This occurred because controls over obligations were not adequate and in part because the Africa Bureau had approved the use of funds for an activity that was contrary to Bureau guidance. As a result, some funds were not available for other activities and not used for intended purposes.

Discussion - A.I.D. Handbooks require that all funds be periodically reviewed to determine if they are no longer needed and can be made available for other activities. Further, A.I.D. requires that PM&R funds be used in accordance with applicable Agency and Bureau guidance. A.I.D. Handbook 18 defines PM&R as funds provided for

activities whose purpose is the identification, design, and evaluation of programs or project/activities where such activities cannot be easily or appropriately charged to the individual project/activity.

Africa Bureau guidance issued in November 1985 furthered the Handbook criteria by requiring that PM&R funds be used to prepare and develop new project activities. It specifically precluded the use of these funds for: (1) operating expense type activities, (2) travel expenses of A.I.D. direct hire employees, (3) approved projects, (4) most evaluations, and (5) commodities and activities over \$50,000 without Africa Bureau approval.

The audit found that USAID/Niger did not adequately monitor PM&R obligations. More than \$400,000 of unliquidated obligations were identified from fiscal years 1982-87 accounts which were related to completed activities (see Exhibit 2). Included in this amount were obligations for training, workshops, conferences, and personal services contractors. Since the funds were not needed they should have been deobligated.

USAID/Niger officials agreed that more frequent reviews would have resulted in the deobligations of some of these funds. However, they also pointed out that AID/Washington had authorized many of these activities and deobligations could not be made until concurrence was received from them. Further, the Mission had queried Washington numerous times about the status of the funds but Washington had generally not responded.

During the audit USAID/Niger began action to implement recommendation No. 1. They planned to again contact AID/Washington to obtain the necessary concurrence. Also, they planned to discuss with the contracting personnel at the Regional Economic Development Services Office for West and Central Africa the close-out procedures for activities that are authorized by Washington.

The audit also found two cases where USAID/Niger was not in compliance with A.I.D. and Africa Bureau guidance. In one case, in 1985, the Mission used \$226,000 in PM&R funds for drought relief assistance. Included in this amount were costs of salaries, vehicles, petroleum, maintenance, housing and drivers. USAID/Niger officials agreed that drought relief assistance was not an appropriate use of PM&R funds, but approval by the Africa Bureau provided them with the necessary authority. While the Africa Bureau approved these funds, this action is not in compliance with A.I.D. Handbook 18.

In the other case, PM&R funds were used to pay a personal services contractor who, subsequent to completing work on project identification and design, had been assigned to work on more general Mission management activities. At the time of audit, costs were still being charged to PM&R. Since the contractor was no longer performing work appropriate to PM&R activities, the costs should have been charged to the Mission's operating expense account. Mission personnel agreed to study this issue.

Recommendation No. 1

We recommend that the Director, USAID/Niger, deobligate unneeded Planning, Management and Research funds.

Recommendation No. 2

We recommend that the Director, USAID/Niger, charge to the operating expense account the costs of the personal services contractor performing general Mission management duties.

USAID/Niger concurred with the draft report finding. A review by the Mission showed that \$169,842 should be deobligated at this time. According to the Mission the remaining balance of \$235,627 was for activities that were in process or the work had been finished and the Mission was awaiting the billings.

Based on USAID/Niger's actions, recommendation No. 1 is considered as resolved and will be closed when the \$169,842 are deobligated. We agree with the Mission that in some cases bills could have been outstanding. Since some of the activities such as training, typing, and consultants go as far back as 1983, the Mission should continue to review the status of the remaining balance of \$235,627 and inform RIG/A/Dakar of any further deobligations.

Recommendation No. 2 is unresolved since the Mission comments did not address it.

AUDIT OF
FUNDS PROVIDED FOR PLANNING,
MANAGEMENT AND RESEARCH
IN NIGER

EXHIBITS AND APPENDICES

USAID/Niger PM&R Budget
Fiscal Years 1985 through 1987
(as of October 31, 1987)

<u>Fiscal Year</u>	<u>Obligations</u>	<u>Disbursements</u>
1985	\$ 474,500	\$326,000
1986	255,000	145,000
1987	<u>449,000</u>	<u>49,000</u>
Total	<u>\$1,178,500</u>	<u>\$520,000</u>

PM&R Funds Obligated
But Not Needed
Fiscal Years 1982 through 1987
(as of October 31, 1987)

<u>Fiscal Year</u>	<u>Amount Not Needed</u>
1982	\$ 91,740
1983	21,886
1984	49,300
1985	123,422
1986	81,731
1987	<u>37,390</u>
Total	<u>\$405,469</u>

ACTION: RIG-2 INFO: DCM

VZCZCDK0266
 RR RUEHDK
 DE RUEHNM #1982/01 0690838
 ZNR UUUUU ZZH
 R 090834Z MAR 88
 FM AMEMBASSY NIAMEY
 TO AMEMBASSY DAKAR 7318
 BT
 UNCLAS SECTION 01 OF 02 NIAMEY 01982

LOC: 195
 09 MAR 88
 CN: 11324
 CHRG: AID
 DIST: RIG

FOR RIG/A

E.O. 12356: N/A

SUBJECT: DRAFT REPORT ON AUDIT OF FUNDS PROVIDED FOR
 - PLANNING, MANAGEMENT AND RESEARCH IN NIGER

REF: DAKAR 1079

1. USAID NIGER RECEIVED DRAFT AUDIT REPORT ON PM&R FUNDS. THIS CABLE, USAID RESPONSE TO DRAFT REPORT, HAS BEEN CLEARED BY SFMO AND PDO WHO WERE MAIN USAID PARTICIPANTS WHILE AUDIT WAS CONDUCTED.

2. FOLLOWING ARE A FEW SUGGESTED REVISIONS TO THE REPORT CONCERNING AMOUNTS STATED.

- A. FOR SECTION ENTITLED BACKGROUND, PAGE 2, LAST PORTION OF LAST SENTENCE IS QUOTE... OF WHICH ABOUT DOLS 520,000 WAS SPENT (SEE EXHIBIT 1). END QUOTE.

USAID SUGGESTS QUOTE... OF WHICH ABOUT DOLS 520,000 WAS DISBURSED THROUGH OCTOBER 1987 (SEE EXHIBIT 1). END QUOTE.

- B. PAGE 3, RESULTS OF AUDIT. SECOND SENTENCE. QUOTE THE AUDIT IDENTIFIED MORE THAN DOLS 400,000 FROM PRIOR YEAR FUNDS WHICH WERE NO LONGER NEEDED AND SHOULD HAVE BEEN DEOBLIGATED. END QUOTE.

IN FACT, UNLIQUIDATED BALANCES TOTALING DOLS 235,627 FROM FY83 THRU FY87 SHOULD NOT BE DEOBLIGATED BECAUSE USAID NIGER IS AWAITING AOC'S, THE WORK IS IN PROCESS, OR BILLINGS HAVE NOT YET BEEN RECEIVED. USAID SUGGESTS THE SENTENCE IN THE DRAFT AUDIT BE REVISED TO STATE THAT DOLS 169,842 SHOULD BE DEOBLIGATED.

- C. PAGE 3 MIDDLE OF LAST PARAGRAPH, QUOTE USAID NIGER DID NOT DEOBLIGATE ABOUT DOLS 400,000 FROM PRIOR YEARS ACCOUNTS. END QUOTE.

THE AUDIT WAS PERFORMED USING OCTOBER 31, 1987, ACCOUNTING RECORDS, ONE MONTH AFTER THE CLOSE OF ONE OF THESE PRIOR YEARS. THIS IS MUCH TOO EARLY TO CONSIDER DEOBLIGATION FOR FY 87 ACTIVITIES. THIS SAME TYPE STATEMENT APPEARS PAGE 5, TOP OF PAGE, THAT THE AMOUNT

RELATES TO ACTIVITIES COMPLETED OR CANCELLED. FOR USAID, COMPLETED ACTIVITY DOES NOT NECESSARILY MEAN THE PAYMENT PROCESS IS FINALIZED.

3. IF AMOUNT TOP OF PAGE 5 IS CHANGED TO DOLS 169,842 THEN FOLLOW ON SENTENCE, QUOTE USAID NIGER OFFICIALS AGREED THAT ... END QUOTE, CAN REMAIN AS IS.

4. RECOMMENDATION 1, PAGE 7, AGAIN THE AMOUNT TO DEOBLIGATE SHOULD BE DOLS 169,842.

5. EXHIBIT 2 SHOULD REFLECT:

FISCAL YEAR	AMOUNT NOT NEEDED
1982	91,740
1983	8,465
1984	18,573
1985	39,489
1986	7,539
1987	4,032
TOTAL	169,842

6. SUGGESTIONS FOR REMAINDER OF DRAFT REPORT:

- A. RESULTS OF AUDIT, PAGE 3, LAST SENTENCE FIRST PARAGRAPH, QUOTE ALSO, TWO INSTANCES WERE FOUND WHERE THE MISSION DID NOT FULLY COMPLY WITH A.I.D. AND BUREAU GUIDANCE. END QUOTE.

USAID SUGGESTS REVISION OF SENTENCE TO QUOTE ONE INSTANCE WAS FOUND WHERE THE MISSION HAD RECEIVED BUREAU AUTHORIZATION BEFORE ACTING; HOWEVER, THE AUTHORIZATION DID NOT COMPLY WITH A.I.D. GUIDANCE. ANOTHER INSTANCE WAS FOUND WHERE THE MISSION DID NOT FULLY COMPLY WITH A.I.D. GUIDANCE. END QUOTE.

- B. PAGE 5, NEAR THE BOTTOM OF THE PAGE. QUOTE ALSO, THEY PLANNED TO DISCUSS WITH THE REDSO/WCA CONTRACTING OFFICE THE PROBLEMS ASSOCIATED WITH MONITORING P&R ACTIVITIES THAT ARE AUTHORIZED BY WASHINGTON. END QUOTE.

USAID RECALLS PLANNING TO DISCUSS WITH THE REDSO/WCA

CONTRACTING OFFICE THE CLOSE-OUT PROCEDURES FOR
ACTIVITIES THAT ARE AUTHORIZED BY WASHINGTON. SO WE
SUGGEST THE WORDING ...PROBLEMS ASSOCIATED WITH
MONITORING PM&R... BE REPLACED WITH ...CLOSE-OUT
PROCEDURES FOR....

7. ONE QUESTION:

-A. PAGE 4 UNDER DISCUSSION. THERE IS A QUOTE FROM
HANDBOOK 18 WHICH QUOTE DEFINES PD&S END QUOTE. USAID
HAS NOT BEEN ABLE TO FIND THIS REFERENCE. PLEASE ADVISE
FROM WHERE IN HB-18 THE REFERENCED MATERIAL IS TAKEN.

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BT

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