

AUDIT OF THE AGRICULTURAL  
PRODUCTION PROGRAM IN PORTUGAL  
Project No. 150-0023

Audit Report No. 7-150-88-04-N

May 16, 1988

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

May 16, 1988

INTERNATIONAL ADDRESS:  
RIG/DAKAR  
C/o AMERICAN EMBASSY  
B.P. 49 DAKAR, SENEGAL  
WEST AFRICA

MEMORANDUM FOR David C. Leibson, A.I.D. Representative,  
Portugal

FROM: John P. Compitello, RIG/A/Dakar

SUBJECT: Audit of the Agricultural Production Program  
in Portugal (Project No. 150-0023)

Attached is a copy of the report on subject audit prepared by Price Waterhouse, Lisbon, Portugal.

You requested a financial and compliance audit of local expenditures incurred under the program. You wanted to know if (1) expenditures were within budget, (2) expenditures were allowable and (3) controls over project commodities were adequate.

The audit firm concluded that expenditures were within budget, a contractor ledger entry of \$20,636 for expenditures needed further clarification and controls over program commodities needed to be strengthened. The report contains the following two recommendations.

Recommendation No. 1

We recommend that the A.I.D. Representative, Portugal, provide an explanation for accounting adjustments of \$20,636 made by the contractor in 1982 and 1983.

Recommendation No. 2

We recommend that the A.I.D. Representative, Portugal, ensure that project commodities are identified.

Your comments on the audit firm's draft report expressed action already taken by the Mission to implement the recommendations and requested closure. On recommendation No. 1, through interviews with former contractor local employees, you found that the entry represented an adjustment for expenditures difficult to classify in

adapting the project's manual accounting system to an automated system. You also found that the adjustment represented bona fide expenditures. In your judgment, contractor action not to spend extensive time reclassifying some 1,400 ledger entries was reasonable. With regards to recommendation No. 2 you indicated that the contractor had reviewed the commodities register prior to departing Portugal and certified it to be correct. You also indicated that the grantee is checking the inventory at the field sites against the register prior to submitting a final inventory to A.I.D.

On the basis of action taken by your office, recommendations No. 1 and 2 are considered closed upon issuance of this report.

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

NONFEDERAL AUDIT OF THE AGRICULTURAL  
PRODUCTION PROGRAM IN PORTUGAL (150-0023)

Audit Report



*Price Waterhouse*



April 14, 1988

Mr John Competello  
Director RIG/A/DAKAR  
c/o American Embassy  
Dakar  
Senegal

Dear Mr Competello

NONFEDERAL AUDIT OF THE AGRICULTURAL PRODUCTION PROGRAM  
IN PORTUGAL (150-0023)

We enclose our report in respect of the financial and  
compliance audit of the above mentioned program.

We would like to thank you for this opportunity to have  
worked with you and your staff.

Yours faithfully

*Price Waterhouse*

NONFEDERAL AUDIT OF THE AGRICULTURAL PRODUCTION PROGRAM  
IN PORTUGAL (150-0023)

TABLE OF CONTENTS

	Page number
ACRONYMS	2
EXECUTIVE SUMMARY	3
Part 1 - INTRODUCTION	6
A - Background	6
B - Audit Objectives and Scope	7
Part 2 - RESULTS OF AUDIT	10
A - Findings and Recommendations	12
B - Compliance and Internal Control	22
APPENDIX 1	
APPENDIX 2	
APPENDIX 3	
APPENDIX 4	



ACRONYMS

FAAS	Foreign Affairs Administrative Support
GOP	Government of Portugal
MAP	Ministry of Agriculture and Fisheries (Portugal)
PASA	Participating Agency Support Agreement
PROCALFER	Liming, Fertilization and Fodder Program
RIG/A/DAKAR	Regional Inspector General for Audit/Dakar
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

## EXECUTIVE SUMMARY

The Agricultural Production Program Project is designed to assist the Ministry of Agriculture and Fisheries in Portugal to develop and implement a comprehensive program of agricultural improvement, with particular emphasis on soil correction, fertilization and increased forage production. The purpose of the project is to strengthen further and support the institutions of the Government of Portugal in carrying out these programs. The project started in September 1980, was scheduled to end in September 1985 but has been extended to December 1987 following a project evaluation completed in November 1984. Total project costs include a maximum of US\$ 10.0 million USAID grant and at least US\$ 4.5 million or equivalent of host government contribution. The USAID grant, as amended, was to provide funds for technical assistance through a contract with the United States Department of Agriculture (USDA) (US\$ 7.2 million), participant training (US\$ 1.7 million) and commodities and contingencies (US\$ 1.0 million).

At the request of USAID Portugal, the Regional Inspector General for Audit/Dakar contracted for a nonfederal financial and compliance audit to review the local costs incurred under the project. The objectives of the audit were to: (1) establish the amount of local costs incurred (2) determine the adequacy of documentation and procedures supporting expenditures (3) determine if appropriate procurement procedures were followed and (4) identify host Government controls over A.I.D. funded project commodities.



Based on the procedures set forth in Part 1 of this report we conclude that:

- (1) Local costs of about \$850 000 have been incurred against an allowable \$1 million. USDA officials estimated an additional \$51 000 would be spent to complete the project.
- (2) Documentation and procedures supporting expenditure were generally adequate, except for a lack of sufficient documentation for \$ 79 969 of \$ 316 551 tested. Further tests by us disclosed that expenditures questioned were in fact incurred and reasonably related to project needs.
- (3) Procurement procedures were generally appropriate. However there were inadequate controls over the budgetary process used to initiate procurements.
- (4) Project commodities had not been inventoried by the grantee or reconciled to the available USDA Commodity Master List. We understand that commodities were stored at various project locations. In accordance with RIG/A/D instructions, we did not visit the locations to identify what, if any, procedures were in place to ensure continuing control over the commodities. We were informed that, as the project was ending, the grantee was in the process of taking an inventory of the commodities so receipt from A.I.D. could be acknowledged.

Additionally, we found that local expenditure records at the project site had been adjusted for \$ 17 268 in 1982 and, \$ 3 368 in 1983 under a caption of "RECONCILED ITEMS".



Neither Project nor USAID/Portugal personnel could provide adequate information to support these adjustments.

Except for the specific deficiencies noted during this audit, all tested items were found to be in compliance with applicable laws and regulations. Furthermore, nothing came to our attention to cause us to believe that untested items were not in compliance with applicable laws and regulations.

We have no recommendations with regard to lack of sufficient documentation. These represent weaknesses in internal control which are no longer correctable since the project will end in December 1987. With regard to other findings we recommend that the USAID representatives:

- (1) Provide an explanation for adjustments of \$ 17 268 and \$ 3 368
- (2) Ensure that A.I.D. funded project commodities are identified.

With regard to commodities, the AID Representative and Chief Accountant met with the Grantee Project Coordinator who advised that a commodity register had been maintained and was being completed. The USDA Project Administrator advised that he had reviewed the commodity register and certified it to be correct. USAID/Portugal understands that the grantee is checking that the inventory at register field sites against the register prior to submitting it to USAID. USAID will ask USDA Washington to compare the register, when submitted, to commodities purchased.



NONFEDERAL AUDIT OF THE AGRICULTURAL PRODUCTION PROGRAM  
IN PORTUGAL (150-0023)

PART I - INTRODUCTION

A. BACKGROUND

A grant agreement dated September 16, 1980 was signed between Portugal and the United States of America for the Agricultural Production Program No. 150-0023 (PROCALFER).

The grant is for direct assistance to MAP (PORTUGAL) in developing and implementing a comprehensive program of agricultural research, testing and extension with particular emphasis on soil correction, fertilization and increased forage production. The project is aimed at further strengthening and supporting the Portuguese institutions responsible for carrying out these programs. USDA, under a participating agency support agreement (PASA) signed with AID, financed by the grant of US\$ 10.0 million, provides technical services, training and commodities necessary to achieve the project objectives.

The project funded for US\$ 14.5 million, included a USAID grant of US\$ 10.0 million and the equivalent of US\$ 4.5 million of host government's local currency contribution. The grant as amended, provided funds for technical assistance through a contract with USDA (US\$ 7.2 million), for participant training (US\$ 1.7 million) and for commodities and contingencies (US\$ 1.0 million).

The project was scheduled to be completed by September 30, 1985. However it was extended to December 31, 1987 based on



a March 31, 1984 request by the Minister of Agriculture and following a 1985 evaluation of the program to justify such extension. The extension resulted in the streamlining of activities covered by the program but no additional funding.

As outlined in Appendix I, MAP set up a coordinating committee, under Government ruling (despacho) dated December 29, 1980, to control and administer PROCALFER. This committee is headed by a Coordinator and a Subcoordinator and includes other government representatives. The PROCALFER Committee meets weekly. On occasion, USDA and USAID representatives have attended as observers. Key officials throughout the project are listed in Appendix 2.

#### B. Audit Objectives and Scope

On instructions of RIG/A/Dakar, we have carried out a financial and compliance audit at the project site in Oeiras and at the US Embassy in Lisbon, Portugal between June and November 1987 of costs incurred locally until September 30, 1987 under the Agricultural Production Program in Portugal (150-0023).

Local costs amount to US\$ 849 783 as follows:

	US\$
Identified costs incurred to September 30, 1987	1 114 000
Expenditure incurred prior to September 30, 1987 but no details are available	20 000
Estimated by the PROCALFER Administrator to complete the project	<u>51 000</u>
	1 185 000
Less costs incurred under PANA Agreement but charged through local costs	<u>336 217</u>
Total	US\$ 849 783 =====



As regards costs incurred to September 30, 1987, we assessed the prima facie relevance of expenses incurred to the project and the adequacy of underlying documentation and procurement procedures on the basis of enquiry of officials named in Appendix 3 and verification of a sample of underlying documentation which we summarise as follows:

Local costs	Type of sample	No of items	Sample value US\$	Project items value US\$
Esc FY81-86	Statistical	59	150 222	663 102
US\$ FY81-86	Over \$4 000	15	93 611	287 459
Esc+US\$ FY87	Over \$3 000	7	64 361	<u>163 653</u>
				1 114 214 =====

The statistical sample referred to above was based on a sampling interval of US\$ 8 048 which in the case of commodities was extended on a judgemental basis by a further four items resulting in a 92% coverage of total expenditure in excess of US\$ 1 000 of this type amounting to US\$ 139 201.

Except as reported in items (1) to (5) below our audit was carried out in accordance with generally accepted US government auditing standards. Accordingly, we included such tests of the records and internal control procedures as we considered necessary in the circumstances.

- (1) Costs amounting to US\$ 336 217 that, under the project agreement, were to have been incurred under the



contract with the United States Department of Agriculture but have been paid out of local funds to avoid payment of a 25% USDA administration levy and also to facilitate paying American staff working locally on the project. These costs included isolated commodity purchases.

- (2) Transactions amounting to US\$ 60 961 for which documents were not available or were inadequate as set forth in Part 2, Section A item 3.1 below.
- (3) Expenditure of US\$ 20 000 reported to USDA (Washington) and USAID at the end of FY86 as "Reconciling items". No other information was available.
- (4) Future costs amounting to US\$ 51 000 identified by the PROCALFER Administrator as required to complete the project.
- (5) Controls over commodities we understand are located at the various project locations. We did not visit the locations in accordance with FIG/A/Dakar instructions. Therefore we have been unable to identify what, if any, procedures are being applied to ensure continuing control over their physical existence and proper utilization. Accordingly, we do not provide assurance as to their continuing existence or whether they are being used for the purposes defined in the project.



NONFEDERAL AUDIT OF THE AGRICULTURAL PRODUCTION PROGRAM  
IN PORTUGAL (150-0023)

PART 2 - RESULTS OF AUDIT

Based on the procedures set forth in Part 1 of this report we conclude that:

- (1) Local costs of about \$850 000 have been incurred against an allowable \$1 million. USDA officials estimated an additional \$51 000 would be spent to complete the project.
- (2) Documentation and procedures supporting expenditure were generally adequate, except for a lack of sufficient documentation for \$ 79 969 of \$ 316 551 tested. Further test by the auditors disclosed that expenditures questioned were in fact incurred and reasonably related to project needs.
- (3) Procurement procedures were generally appropriate. However there were inadequate controls over the budgetary process used to initiate procurements.
- (4) Project commodities had not been inventoried by the grantee or reconciled to the available USDA Commodity Master List.



Local expenditures records at the project site include US\$ 17 268 in 1982 and US\$ 3 368 in 1983 under a caption of "Reconciling Items".



## A. FINDINGS AND RECOMMENDATIONS

### 1. Local Costs Incurred

The grant set aside US\$ 1.0 million to be spent locally on project commodities and other local costs. Project records showed US\$ 1 185 000 would be spent for local costs at end of project (including US\$ 51 000 of future costs to be incurred subsequent to September 30, 1987). USDA records showed that US\$ 336 217 of technical assistance team direct costs (i.e. dollars not escudos) had been incorrectly allocated to local costs. Therefore we conclude that local costs incurred were US\$ 850 000 as of September 1987 and if future costs of US\$ 51 000 are included, US\$ 901 000. These costs are well within the amount allowed under the grant.

Allocation of Direct Costs - Local costs include US\$ 336 217 incurred mainly to support the USDA technical assistance team that should have been received under the PASA agreement with USDA. Few isolated commodity purchases were also included under these costs. We understand that direct costs were paid locally to avoid the 25% administration levy otherwise imposed by USDA and because of the convenience in paying American staff working locally on the project. Although PASA was amended in April 1986 when responsibility for all project costs was transferred to USDA, the PROCALFEP Administrator has advised that USDA continues not to charge the levy in respect of local costs.

The USAID/Portugal Representative told us that his chief accountant discussed the overstatement of local costs with the A.I.D. Regional Controller (USAID/Morocco) to determine if further action was indicated. It was the controller's opinion that the costs should be reclassified but that this would have to be done voucher by voucher.



Accordingly, the effort to do so would be inappropriate given that it would have no impact on the overall total project costs.

Recommendation

None.



## 2. Documentation and Procedures

Approximately US\$ 1.0 million has been set aside in the grant agreement to acquire commodities and meet other expenditure locally. These expenditures must be adequately supported. Our audit tests disclosed the following:

	Items	Value US\$	%
No documentation	6	8 429	3
Documentation inadequate	11	71 540	23
Total items tested	83	316 551	100

Transactions with no documentation relate to 1981 and 1982.

We were informed by USAID and USDA that the lack of documentation reflects misfiling and loss of documentation as well as the possibility of the PROCALFER Committee having been bypassed on the purchase of certain commodities prior to 1984.

Examples of inadequate documentation included:

<u>Item tested</u>	<u>Value</u>	<u>Documentation missing</u>
Renault	US\$ 19 008	No purchase voucher
Paper Cutter	US\$ 10 557	No invoice/third party receipt
Video equipment	US\$ 18 755	Order authorization cannot be linked to invoice



In order to determine if the expenditures, although not fully supported, were legitimate, we evaluated available evidence to determine whether the items had been purchased and were reasonably related to project purpose. In all cases we were able to corroborate the expenditure as claimed.

Recommendation

Although the finding shows that internal controls over expenditures can be improved, we offer no recommendations since the project is to end by December 30, 1987.



### 3. Procurement Procedures

We evaluated project procurements based upon A.I.D. Handbook 1 on local cost financing. We tested the commodities items in our sample for (1) relevance to project needs including budgetary authorization, committee approval and reasonableness, (2) use of competitive prices, (3) proper evidence of receipt of commodities, (4) adequate waivers and (5) identifiable tax refunds.

We found that procurement procedures were generally followed and adequately documented, competitive prices were sought, waivers were obtained and taxes were refunded. We tested several items for reasonableness and found they properly met project needs.

While procurement procedures were generally adequate, and were being followed, documentation consulted by us in carrying out agreed upon audit procedures does not provide evidence of effective monitoring over local costs. We understand from USAID officials and the PROCALFER Administrator and Coordinator that after the evaluation of 1984 and after transfer of responsibility for local costs in April 1986 to USDA there had been a decrease in USAID's direct involvement at the administrative level of the project, particularly toward the latter part of the project. Better controls were needed over the budgetary process needed to control procurements. Minor problems were noted in waivers and tax refund.

**Budgetary Process** - The PROCALFER Administrator prepared detailed annual budgets together with quarterly and annual financial information which were reviewed informally by the PROCALFER Committee Coordinator with copies being forwarded



to USAID and USDA Washington. At no stage were budgeted figures formally compared with actual expenditures, including procurements. Additionally the PROCALFER Project Leader sometimes bypassed the PROCALFER Coordinating Committee in the years 1981 to 1983 by applying directly to USAID for approval of fund allocations for procurements.

**Waivers -** It appears that waivers were obtained when necessary. We found and the PROCALFER Administrator confirmed, that one waiver amounting to US\$ 1 377 was obtained after the acquisition of the respective commodity instead of beforehand. The PROCALFER Administrator informed us that this occurred because the commodities were ordered as shelf items whereas, in fact, they were imported by a local supplier against a specific order requiring a waiver.

**Refund of taxes -** USDA had frequently paid Valued Added Tax (VAT) since it was introduced on January 1, 1986 and relied on the Budget and Fiscal Department of the US Embassy in Lisbon to recover the tax paid relating to invoices in excess of Esc 20 000 as established by law. Recoveries by the Embassy were credited to the project account. However, USDA did not control whether all VAT payments had been refunded. Accordingly, further analysis is required to identify individual amounts not refunded. We were informed by Embassy staff that VAT recoveries are effectively controlled and that the tax was only introduced in January 1986 when most project expenditures had been incurred. It would, therefore, seem that if an adjustment were required for taxes not refunded, the amount, if any, would not be significant.



**Recommendation:**

None, as the findings in this section relate to internal control weaknesses which can no longer be corrected since the project is ending.



4. Control over Project Commodities

Project commodities need to be controlled to ensure they are received by the project on hand and used for project purposes. Our review of commodities was limited to finding out what control were in place based on information available at the project site. With the agreement of RIG/A/D, it was decided we would not visit various project locations to further review controls as the project was ending.

We found the following weaknesses in controls over commodities.

Receipt of commodities - Although the PROCALFER Administrator generally signed for the receipt of the commodities or services purchased, he informed us that he was not always able to verify receipt before signing.

The PROCALFER Administrator considered verifying to be unnecessary given his close contacts with the various project teams and stated that he was convinced that he had seen most commodities for which he had signed, although not necessarily prior to signing for receipt. As a result of the lack of controls over receipt, there was not independent evidence of the receipt of commodities purchased. For example, no evidence was maintained that commodities were received by the various project locations personnel. We understand however that commodities are now being inventoried by the Grantee Coordinating Committee.



Control over Commodities on hand - it was not clear from the grant agreement which entity was responsible for commodities. It seemed that USDA considered it to be the responsibility of the grantee whereas the grantee believed it should only assume responsibility when the donation is officially approved by the Ministry of Finance on termination of the project. In addition, the commodities register had not been adequately maintained; no formal check was carried out to verify the existence and proper use of project commodities.

With regard to commodities, the AID Representative and Chief Accountant met with the Grantee Project Coordinator who advised that a commodity register had been maintained and was being completed. The USDA Project Administrator advised that he had reviewed the commodity register and certified it to be correct. USAID/Portugal understands that the grantee is checking that the inventory at register field sites against the register prior to submitting it to USAID. USAID will ask USDA Washington to compare the register, when submitted, to commodities purchased.

Recommendation No. 1

We recommend that USAID/Portugal representative ensure that project commodities are identified.



5. Reconciling entries

Adequate supporting documentation must be available to support records of expenditures. We found that USDA personnel adjusted the records of expenditures for 1982 and 1983 by US\$ 17 268 and US\$ 3 368 respectively as "Reconciling Items". There was no documentation on file to support the adjustments. USDA and USAID personnel could not clarify why the adjustments were made. Our audit did not disclose whether these amounts were simply bookkeeping type adjustments or represented funds actually disbursed, and for what.

Recommendation No. 2

We recommend the USAID/Portugal Representative provide an explanation for US\$ 17 268 and US\$ 3 368.

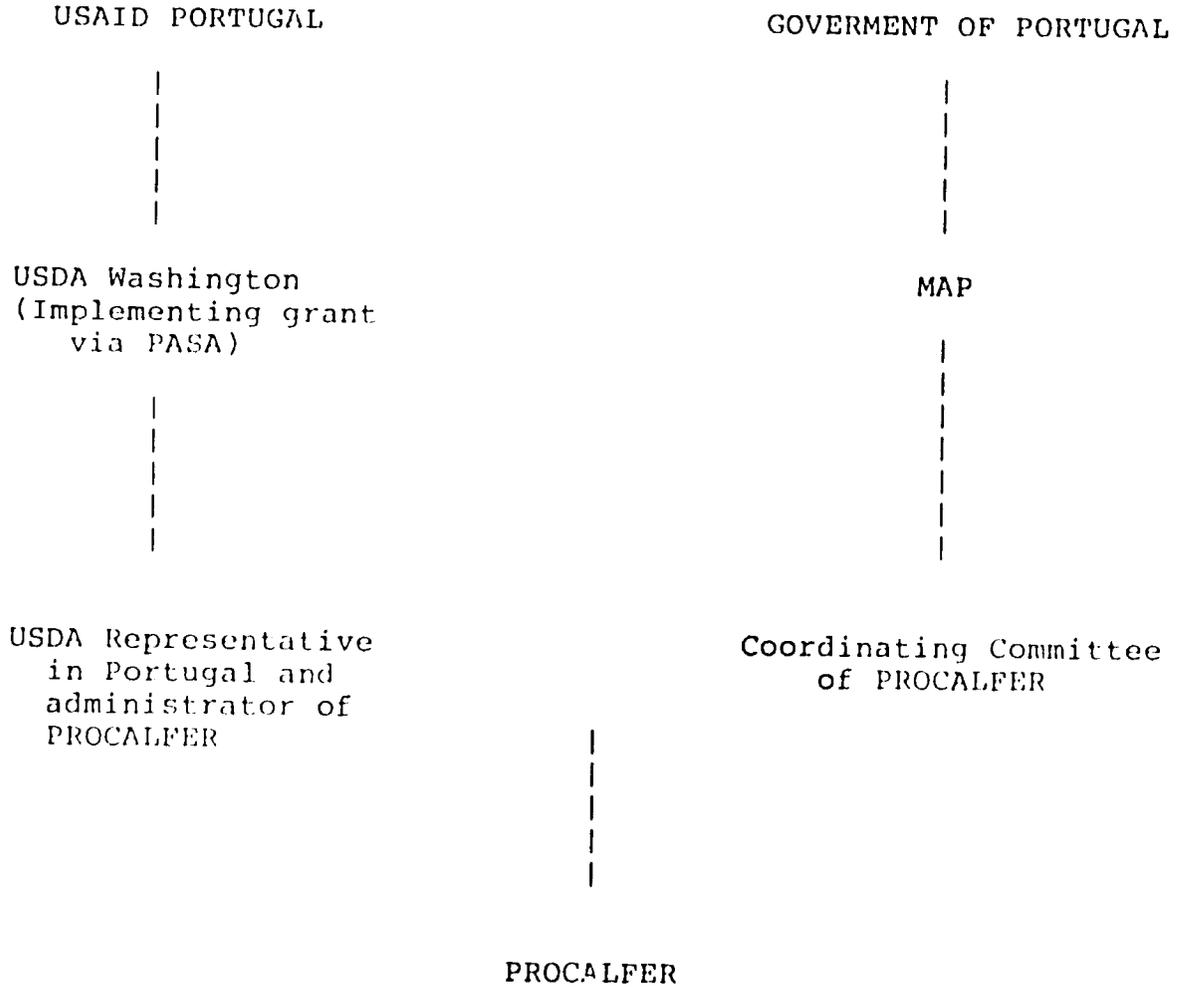


B. Compliance and Internal Controls

In part 2, Results of Audit, Section A - Findings and Recommendations, we identified those items that came to our attention as not being in compliance with the grant agreement as well as internal control weaknesses. Because the project is in its closing stages, in many cases it is not appropriate to propose recommendations for corrective action. We confirm that nothing further came to our attention indicating that other items were not in compliance with applicable laws and regulations under the grant agreement.



ORGANIZATION AND STRUCTURE OF AGRICULTURAL PRODUCTION PROGRAM  
IN PORTUGAL (150-0023)



## KEY OFFICIALS THROUGHOUT PROJECT

## (1) PROCALFER/MAP COORDINATING COMMITTEE

	FY	81	82	83	84	85	86	87	88
J Almeida Alves	(1)	Y	Y	Y	Y	Y	Y	Y	Y
A Rosa Azevedo	(2)	Y	Y	Y	Y	Y	Y	Y	Y
J Oliveira		Y	Y	Y	Y	Y	Y	Y	Y
T Salgueiro	(3)	Y							
F Louro Mendes	(4)		Y	Y	Y	Y	Y		
CS Gonçalves	(5)	Y	Y	Y	Y	Y			
MS Monteiro	(6)			Y	Y	Y	Y		
AM Dordio	(7)			Y	Y	Y	Y	Y	Y
L Telo da Gama	(8)					Y			
R Carolino	(9)					Y	Y	Y	Y

- (1) Coordinator of the project  
(2) Subcoordinator of the project  
(3) Up to August 1981  
(4) From October 1981 up to July 1986  
(5) Up to December 1984  
(6) From April 1983 up to December 1985  
(7) From April 1983  
(8) From November 1984 up to July 1985  
(9) From August 1985  
Y On Committee



(2) USAID PORTUGAL

USAID REPRESENTATIVES

D Finberg	Up to June 1983
M Lukomski	From June 1983 to June 1985
W Gelabert	From September 1985 to July 1987
D Liebson	From July 1, 1987

USAID PROJECT MANAGERS

C Buchanan	Up to October 1984
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USAID PROGRAM SPECIALIST

JL Pinheiro	Up to December 1986
-------------	---------------------

(3) PROCALFER/USDA REPRESENTATIVES

PROCALFER ADMINISTRATOR

J Black	Throughout the project period
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TEAM LEADERS

G Purnell	From September 1981 to September 1983
D Warnken	From June 1984 to July 1987



OFFICIALS AND OTHER STAFF CONTACTS DURING THE COURSE  
OF OUR AUDIT

- P. Darcy - RIG/A/DAKAR official
- D. Liebson - USAID Portugal Representative
- C. Barradas - USAID Portugal official
- J. Alves - PROCALFER Coordinator (Coordinator of Coordinating Committee)
- C. Nobre - MAP official
- J. Black - PROCALFER Administrator (USDA representative in Portugal in absence of a Team Leader)
- M. do Rosário Sousa - PROCALFER bookkeeper
- M. do Monte Gomes - PROCALFER bookkeeper (left before commencement of detailed work, being replaced by M. do Rosário)
- A. Oliveira - US Embassy Lisbon - Budget and Fiscal Department staff



ACTION: RIG-2 INFO: DCM

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DE RUFHLI #4196/01 1271545

ZNR UUUUU ZZH

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FM AMEMBASSY LISBON

TO RUEHDK/AMEMBASSY DAKAR IMMEDIATE 0906

INFO RUFHRA/AMEMBASSY RABAT 1692

BT

UNCLAS SECTION 01 OF 02 LISBON 04196

LOC: 252 39  
06 MAY 88 1050  
CN: 21605  
CHRG: AID  
DIST: RIG

AIDAC

DAKAR FOR RIG/A/W, RABAT FOR REGIONAL CONTROLLER

E.O. 12356:N/A

SUBJECT: AUDIT OF PORTUGAL AGRICULTURE PRODUCTION  
PROGRAM (150-2023)REF.: A) TELCON DARCY/LEIRSON 4/22/88  
- B) TELCON BARRADAS/WAPIN 05/05/88USAID/LISBON RESPONSE TO PRICE WATERHOUSE  
RECOMMENDATIONS THEIR REPORT SUBJECT AUDIT AS FOLLOWS:

1. WITH REGARD TO COMMODITIES, THE A/AID REPRESENTATIVE AND CHIEF ACCOUNTANT MET WITH THE GRANTEE PROJECT COORDINATOR WHO ADVISED THAT A COMMODITY REGISTER HAD BEEN MAINTAINED AND WAS BEING COMPLETED. THE USDA PROJECT ADMINISTRATOR ADVISED PRIOR TO HIS DEPARTURE THAT HE HAD REVIEWED THE COMMODITY REGISTER AND CERTIFIED IT TO BE CORRECT. USAID/PORTUGAL UNDERSTANDS THAT THE GRANTEE IS CHECKING THE INVENTORY AT FIELD SITES AGAINST THE REGISTER PRIOR TO SUBMITTING IT TO USAID. USAID WILL ASK USDA WASHINGTON TO COMPARE THE REGISTER, WHEN SUBMITTED, TO COMMODITIES PURCHASED.

2. WITH REGARD TO ADJUSTMENTS USDA TABLE SUMMARIZING LOCAL EXPENDITURES:

- A) THE A/AID REPRESENTATIVE AND CHIEF ACCOUNTANT
- MET WITH A FORMER USDA LOCAL EMPLOYEE AND
- UNDERSTAND THAT THE TABLE EXAMINED BY PRICE
- WATERHOUSE SUMMARIZES DATA FROM A MEMORANDUM
- ACCOUNT FIRST PUT ON THE COMPUTER IN 1984, SEVERAL
- YEARS AFTER THE PROJECT WAS UNDERWAY AND DESIGNED
- TO ASSIST WITH PROGRAM PLANNING - NOT FOR OFFICIAL
- RECORDS. THE EMPLOYEE, WHO CONSTRUCTED THE TABLE
- AND THE PROGRAM ON THE COMPUTER, RECALLS THAT AFTER
- ENTERING THE DATA AVAILABLE, THE TOTALS WERE
- DIFFERENT FROM THOSE SHOWN ON USAID'S OFFICIAL
- RECORDS. AN ATTEMPT WAS MADE TO RECONCILE THE
- TABLE WITH THE OFFICIAL RECORDS BUT THAT PROVED
- TIME CONSUMING AND THE USDA PROJECT ADMINISTRATIVE

- OFFICER DECIDED THAT THE DIFFERENCES WERE TOO SMALL
- TO BE WORTH THE TIME IT WOULD TAKE, ESPECIALLY AS
- THE TABLE WAS ONLY FOR PLANNING PURPOSES.
- CONSEQUENTLY, THE DIFFERENCES WERE LEFT IN THE
- RECONCILING ITEMS LINE.
  
- B) WE UNDERSTAND THAT THE DIFFERENCES MAY RESULT
- FROM :
  
- (I) PAYMENTS MADE AND RECORDED IN USAID'S
- OFFICIAL RECORDS, BUT NOT RECORDED BY USDA IN
- THEIR MEMORANDUM ACCOUNT;
  
- (II) ERRORS IN DATA ENTRY
  
- (III) GROUPING ERRORS IN THE COMPUTER PROGRAM;
- AND/OR
  
- (IV) ARITHMETIC AND OTHER ERRORS IN THE
- MEMORANDUM ACCOUNT.
  
- WE HAVE NO EVIDENCE TO BELIEVE THAT THOSE
- DIFFERENCES INCLUDE OTHER THAN ELIGIBLE
- EXPENDITURES INCURRED UNDER THE GRANT AND
- SUPPORTED BY PAYMENT DOCUMENTATION.
- PAYMENTS RECORDED IN USAID/LISBON'S ALLOTMENT
- AND OFFICIAL PROJECT LEDGERS ARE RECONCILED AND DO
- AGREE WITH THE USDO IN PARIS.
  
- C) RECONCILING USDA'S MEMORANDUM ACCOUNT WITH
- USAID'S OFFICIAL RECORDS, AT THIS POINT, WOULD
- REQUIRE A RECONSTRUCTION OF USDA'S WHOLE TABLE AND
- A COMPARISON OF THE MEMORANDUM ACCOUNT REGISTER
- WITH USAID'S OFFICIAL RECORDS, FOR OVER 1,400
- ENTRIES AND PAYMENT VOUCHERS.
- DUE TO PHASE OUT, USAID/LISBON DOES NOT HAVE THE
- CAPACITY TO MAKE THAT RECONSTRUCTION NOR WILL IT
- HAVE SUFFICIENT O.E. FUNDS TO CONTRACT WITH LOCAL
- CPA FOR ASSISTANCE.
  
- D) RECONCILIATION WOULD IN ANY CASE BE DIFFICULT
- IF NOT IMPOSSIBLE NOW THAT THE PASA WITH USDA IS
- COMPLETED AND USDA OFFICIALS RESPONSIBLE FOR THE
- PLANNING TABLE HAVE DEPARTED. FROM THE STANDPOINT

- OF USAID/LISBON, THE ORIGINAL DECISION BY THE USDA  
- PROJECT ADMINISTRATIVE OFFICER THAT COMPLETE  
- RECONCILIATION OF THE MEMORANDUM ACCOUNT AND  
- OFFICIAL RECORDS WAS NOT NECESSARY FOR PLANNING  
- PURPOSES WAS REASONABLE.

- E) THE A/AID REPRESENTATIVE/LISECON DOES NOT  
- BELIEVE THAT THE EFFORT AND ASSOCIATED COSTS  
- TO RECONCILE THE USDA PLANNING TABLE WITH AID'S  
- OFFICIAL RECORDS WOULD BE IN THE AGENCY'S INTEREST.  
- NOR WOULD SUCH UNDERTAKING AT THIS POINT CONTRIBUTE  
- TO EFFECTIVE MANAGEMENT OF THE PROJECT.

3. AID'S REGIONAL CONTROLLER IN RABAT CONCURS WITH  
THESE CONCLUSIONS AND HAS CLEARED THIS RESPONSE TO THE  
PRICE WATERHOUSE RECOMMENDATIONS.

4. BASED ON THE FACTS SET FORTH HEREIN WE REQUEST THAT  
YOU CLOSE BOTH RECOMMENDATIONS.

ROWELL

BT

#4196

NNNN

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Report Distribution

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ANE/PD	1
ANE/LE	1
AA/XA	2
XA/PR	1
LEG	1
GC	1
M/PM	2
PPC/CDIE	3
SAA/S&T/Agriculture	1
USAID/Morocco	1
IG	1
Deputy Inspector General	1
IG/PFO	2
IG/AMM	12
IG/LC	1
ALG/I	1
RIG/I/Dakar	1
RIG/A/Washington	1
RIG/A/Cairo	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/A/Tequigalpa	1
Director, PSA/Washington (IG)	1