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AUDIT OF
PARTICIPATING AGENCY SERVICE AGREEMENT
NO. IZM-0075-P-CA-4249 WITH THE U.S.
DEPARTMENT OF COMMERCE, BUREAU OF CENSUS

AUDIT REPORT NO. 3-611-88-28
September 26, 1988

UNITED STATES OF AMERICA

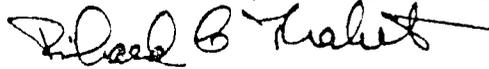
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

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September 26, 1988

MEMORANDUM FOR DIRECTOR, USAID/Zambia, Leslie A. Dean



FROM: RIG/A/Nairobi, Richard C. Thabet

SUBJECT: Audit of Participating Agency Service Agreement
No. IZM-0075-P-CA-4249 with the U.S. Department
of Commerce, Bureau of Census

The Office of the Regional Inspector General for Audit/Nairobi has completed its audit of Participating Agency Service Agreement No. IZM-0075-P-CA-4249 with the U.S. Department of Commerce, Bureau of Census. Five copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment and your comments are attached to the report. The report contains two recommendations which are resolved and will not be closed until completion of planned or promised actions. Please advise me within 30 days of any additional actions taken to implement the recommendations.

I appreciate the co-operation and courtesy extended to my staff during the audit.

Background

On September 26, 1980, USAID/Zambia signed a grant agreement the Zambia Agricultural Training, Planning and Institutional Development (ZAIPID) Project No. 611-0075 with the Government of Zambia to assist in (a) identifying human resources constraints, policy and organizational deficiencies, and training requirements in Government of Zambia (GOZ) agricultural institutions, and (b) subsequently improving the GOZ's performance in agricultural planning, analysis and management activities.

Funding over the Life of Project totalled \$8.9 million; however, USAID/Zambia deobligated \$1.2 million from this project. Thus, the amount of the grant was revised to \$7.7 million. This project ended June 30, 1987. However, the basic thrust is now being continued under a new project called Zambia's Agricultural Training, Planning and Institutional Development (ZATPID) II.

The majority of the funds (\$4.9 million) were used to finance a Cooperative Agreement with Iowa State University. About \$700,000 was used to finance this Participating Agency Service Agreement (PASA) with the U.S. Department of Commerce, Bureau of Census (BUCEN). The remaining funds (\$2.1 million) were retained by USAID/Zambia to provide necessary project support.

The audit covered only those funds made available under the PASA. The purpose of the agreement was to provide funding to BUCEN to assist USAID/Zambia and the Government of Zambia (GOZ) in efforts to improve the collection, processing and analysis of agriculture and population statistics within the Central Statistical Office. Technical assistance was to be provided by BUCEN in the general areas of survey/census design and development procedures for data collection and processing, and data analysis.

The PASA was originally scheduled for completion by June 30, 1987; the Project Assistance Completion Date (PACD) for ZATPID. Although the PACD for ZATPID did not change, Amendment No. 2 of the PASA provided an additional \$96,960 under ZATPID II for activities between July 1 and September 30, 1987.

Of the total amount of \$700,000 made available under ZATPID Project Implementation Orders for Technical Services (PIO/T's) for PASA related activities, \$678,450 was provided to BUCEN, and \$21,550 was retained by USAID/Zambia for support required within Zambia.

The audit covered (a) commitments by A.I.D. under the PASA of \$775,410 (\$678,450 under ZATPID, and \$96,960 under ZATPID II), and (b) billings by BUCEN of \$699,670 (\$589,332 for costs incurred through June 30, 1987, and \$110,338 for costs incurred from July 1 through September 30, 1987).

Audit Objectives and Scope

The Office of the Regional Inspector General for Audit, Nairobi (RIG/A/N) performed a financial and compliance audit of the PASA between A.I.D. and BUCEN as part of an audit of costs expended on the ZATPID project. This audit was undertaken at

the request of the Director, USAID/Zambia. Separate reports were or will be issued covering the Cooperative Agreement with Iowa State University (A.R. 3-611-88-26), and USAID/Zambia's use of retained funds for project support (A.R. 3-611-88-29).

This audit covered costs claimed by BUCEN totalling to \$699,670 (\$589,132 for costs incurred through June 30, 1987 and \$110,338 for costs incurred for the quarter ended September 30, 1987). The audit objectives were to determine whether the costs that were claimed by BUCEN were (a) allocable, allowable, reasonable, and properly accumulated; and (b) in accordance with the applicable laws, regulations and terms and conditions of the agreement between A.I.D. and BUCEN. We also reviewed A.I.D.'s official financial records to determine if commitments and disbursements for the PASA had been properly recorded.

The audit was performed at BUCEN offices in Suitland, Maryland during March 1988, with follow-up at A.I.D.'s Regional Financial Management Center (RFMC) located in Nairobi, Kenya, and at USAID/Zambia in Lusaka in June and July 1988. The audit was made in accordance with generally accepted government auditing standards.

Results of Audit

Although the costs claimed by BUCEN were properly accumulated and allocated, errors were noted in the accounting records. Further, the funding level authorized in the Agreement was exceeded by \$13,378.

To correct these problems the report recommends that USAID/Zambia in coordination with RFMC correct errors identified in the accounting records; and either request an increase in the funding level, or request recovery of excess costs.

1. Accounting records should be adjusted to show the correct current financial status - Good financial management practices require keeping accurate and valid accounting records. The audit disclosed that errors existed in accounting records, thus distorting the financial status of the PASA.

Discussion - The audit disclosed that various errors existed in the accounting records. For example:

- BUCEN's billing No. 87-09-006 submitted in September 1987 in the amount of \$145,361, and covering costs incurred through June 1987. According to BUCEN records, this voucher was paid on December 22, 1987. The RFMC listing of June 7, 1988 did not include this payment.

Accounting codes shown on the last billing submitted by BUCEN (\$108,715) showed charges of \$84,054 to ZATPID and \$24,661 to ZATPID II. The charges should be \$110,338 (for July through September 1987 costs) to ZATPID II; and \$1,623 credit (for adjustments prior to June 30, 1987) to ZATPID.

Other errors noted were presented in the audit report titled "USAID/Zambia Use of Retained Funds from the Agriculture Training, Planning and Institutional Development" project (A.R. 3-611-88-29) dated September 27, 1988.

Based on auditors' review and analysis of documentation and BUCEN records, Commitments and Disbursements against PASA No. IZM-0075-P-CA-4249 through September 30, 1987 should be:

| | Commitment | Disbursement | |
|------------------------------|------------|--------------|----|
| ZATPID (Project 611-0075) | \$678,450 | \$589,332 | 1/ |
| ZATPID II (Project 611-0207) | 96,960 | 110,338 | 2/ |
| | \$775,410 | \$699,670 | 3/ |

- 1/ Disbursements are equal to total BUCEN adjusted costs from inception through June 30, 1987.
- 2/ Disbursements are equal to BUCEN costs for the period from July 1 through September 30, 1987.
- 3/ Disbursements agree with total billings from BUCEN from inception through September 30, 1987.

In conclusion, USAID/Zambia in coordination with RFMC should make adjustments to correct errors in the accounting records.

Recommendation No. 1

We recommend that USAID/Zambia in coordination with the Regional Financial Management Centre make adjustments to correct errors in the project accounting records by:

- a. transferring the \$146,361 disbursed from wherever the Regional Financial Management Centre recorded it to Project 611-0075; and,
- b. correcting the account classifications for the last U.S. Department of Commerce, Bureau of Census billing to charge USAID/Zambia's Agricultural Training, Planning and Institutional Development project I (\$1,623) and USAID/Zambia's Agricultural Training, Planning and Institutional Development project II \$110,338.

USAID/Zambia generally agreed with Recommendation No. 1. The Mission stated that recording commitments and disbursements under the BUCEN-PASA Agreement will be coordinated by the Mission together with RFMC and BUCEN. RIG/A/N will be advised of action taken.

The Office of the Inspector General considers Recommendation No. 1 resolved. It will be closed when the planned or promised actions have been fully implemented.

2. Costs Incurred by BUCEN exceeded the PASA Authorized Limit - The Participating Agency Service Agreement limited the costs which could be incurred by BUCEN. The audit disclosed that this limit was exceeded by \$13,378, thus resulting into a cost overrun.

Discussion - About \$700,000 was originally budgeted to finance the Participating Agency Service Agreement (PASA) with the U.S. Department of Commerce, Bureau of Census (BUCEN). Amendment No. 2 of the PASA increased the funding by \$96,900 under ZATPID II for activities from July 1 to September 30, 1987.

Nevertheless, the audit disclosed that costs incurred by BUCEN for the period from July 1 through September 30, 1987 exceeded the amount of funds authorized in the PASA by \$13,378.

Discussions with officials at BUCEN disclosed that the PASA was considered as one Agreement. Further, the officials were not concerned about splitting costs between the ZATPID and ZATPID II projects. The Agreement, however, was explicit that funds from ZATPID were provided for costs incurred through June 30, 1987; and funds from ZATPID II for costs to be incurred from July 1 through September 30, 1987.

In conclusion, USAID/Zambia will have to determine whether to provide additional funds from ZATPID II (Project No. 611-0207) to fund the overrun for the July to September period, or request for a recovery.

Recommendation No. 2

We recommend that USAID/Zambia (1) determine whether additional funds should be made available to the U.S. Department of Commerce, Bureau of Census from Project No. 611-0207 to cover the the cost overrun of \$13,378 for the July through September 30, 1967 period, or (2) submit a claim for recovery of this amount from the Bureau of Census.

Management Comments

USAID/Zambia generally agreed with the recommendation and stated that the BUCEN cost overrun of \$13,378 for the July through September 1967 period will be reviewed by the Mission in coordination with the BUCEN. RIG/A/N will be advised on the Mission's decision.

The Office of Inspector General considers recommendation No. 2 resolved. It will be closed when either additional funds are authorized to cover the overrun or a claim is lodged to BUCEN for recovery.

EXTRACT OF
USAID/ZAMBIA COMMENTS TO DRAFT REPORT

AUDIT REPORT ON
PARTICIPATING AGENCY SERVICE AGREEMENT
NO. IZM-0075-P-CA-4249 WITH THE U.S.
DEPARTMENT OF COMMERCE, BUREAU OF CENSUS

A. RECOMMENDATION NO. 1

FINDINGS CONCERNING THE RECORDING OF COMMITMENTS AND DISBURSEMENTS UNDER THE BUCEN PASA AGREEMENT WILL BE COORDINATED BY THE MISSION WITH RFMC AND WITH THE BUCEN, AS NECESSARY. MISSION WILL ADVISE RIG/A/N OF ANY DEVELOPMENTS ON THIS ACTION WITHIN THE NEXT THIRTY DAYS.

B. RECOMMENDATION NO. 2

THE BUCEN COSI OVERRUN OF DOLS 13,378 FOR THE JULY THROUGH SEPTEMBER, 1987 PERIOD WILL BE REVIEWED BY THE MISSION AND WILL BE COORDINATED WITH THE BUCEN. RIG/A/N WILL BE ADVISED ON THE MISSION'S DECISION, AS SOON AS POSSIBLE.

Appendix 2

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|--------------------------------|----|
| Mission Director, USAID/Zambia | 5 |
| AA/AFR | 1 |
| AFR/SA/ZMSARZ | 1 |
| AFR/CONT | 1 |
| REDSG/ESA | 1 |
| AA/XA | 2 |
| XA/PR | 1 |
| LEG | 1 |
| GC | 1 |
| AA/M | 2 |
| M/FM/ASD | 2 |
| SAA/S&T | 1 |
| PPC/CDIE | 3 |
| M/SER/MO | 1 |
| IG | 1 |
| DIG | 1 |
| IG/PPO | 1 |
| IG/LC | 1 |
| IG/ADM/C&R | 12 |
| AIG/I | 1 |
| RIG/I/N | 1 |
| IG/PSA | 1 |
| RIG/A/C | 1 |
| RIG/A/D | 1 |
| RIG/A/M | 1 |
| RIG/A/S | 1 |
| RIG/A/T | 1 |
| RIG/A/W | 1 |
| RFMC/Nairobi | 1 |