

Regional Inspector General for Audit  
Dakar

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AUDIT OF REDSO/WCA'S COMPLIANCE WITH  
USAID PROJECT ACCOUNTING AND  
FUNDS CONTROL PROCEDURES

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Audit Report No. 7-624-94-005  
January 31, 1994



UNITED STATES OF AMERICA  
DEPARTMENT OF AGRICULTURE  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AFRICA  
WASHINGTON, D.C. 20250

**Regional Inspector General for Audit  
Dakar**

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**AUDIT REPORT NO. 7-624-94-005  
January 31, 1994**

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

January 31, 1994

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

## MEMORANDUM

TO: Willard Pearson, Director, REDSO/WCA

FROM: *Thomas B. Anklewich*  
Thomas B. Anklewich, RIG/A/Dakar

SUBJECT: Audit of REDSO/WCA's Compliance With USAID Project Accounting and Funds Control Procedures, Audit Report No. 7-624-94-005

Enclosed are five copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate the prompt and positive response of your office to the draft report. Based on your comments and actions to date, Recommendation Nos. 1.1, 1.2, 1.4, and 5 are closed on report issuance. Recommendation Nos. 1.3, 2, 3, and 4 are resolved. These recommendations can be closed upon receipt of evidence that planned actions have been completed. The other recommendations in the report will be responded to by other USAID offices. Additionally, please provide a detailed listing of any Bills of Collection issued for any advances which were identified in the report.

Please notify our office within 30 days of the Mission's progress towards implementing the open recommendations, including documentation supporting any completed actions so that we may consider closure.

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

Attachments: A/S

a

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

UNITED STATES ADDRESS  
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RIG/DAKAR  
C/o AMERICAN EMBASSY  
B.P. 49 DAKAR SENEGAL  
WEST AFRICA

January 31, 1994

**MEMORANDUM**

**TO:** Thomas F. Cornell, USAID/Representative, OAR/Benin

**FROM:** *Thomas B. Anklewich*  
Thomas B. Anklewich, RIG/A/Dakar

**SUBJECT:** Audit of REDSO/WCA/WAAC's Compliance With A.I.D. Project  
Accounting and Funds Control Procedures, Audit Report No. 7-624-  
94-005

Enclosed are three copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate the prompt and positive response of USAID/Benin to the draft report. Based on your planned and reported actions to date, Recommendation No. 9 is resolved on report issuance. Upon receipt of evidence that all planned actions have been completed we can close this recommendations. Additionally, we are requesting that your office send us a listing of Bills of Collection issued for advances identified in this report. No other recommendations in this report require further action on your part.

Please notify our office within 30 days of the Mission's progress towards implementing Recommendation No. 9 including documentation supporting any completed actions so that we may consider closure.

I greatly appreciate past cooperation and courtesies extended to my staff during audit engagements.

Att: A/S

- b

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

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January 31, 1994

INTERNATIONAL ADDRESS  
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B.P. 49 DAKAR SENEGAL  
WEST AFRICA

**MEMORANDUM**

**TO:** Thomas Luche, USAID/REP, OAR/Burkina Faso  
*Thomas B. Anklewich*  
**FROM:** Thomas B. Anklewich, RIG/A/Dakar  
**SUBJECT:** Audit of REDSO/WCA/WAAC's Compliance With A.I.D. Project  
Accounting and Funds Control Procedures, Audit Report No. 7-624-  
94-005

Enclosed are three copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate the prompt and positive response of OAR/Burkina Faso to the draft report. Based on your comments and actions taken to date, Recommendation No. 8 is closed on report issuance. No other recommendations in the report require any action on your part.

I greatly appreciate past cooperation and courtesies extended to my staff during audit engagements.

Att: A/S

-C'

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

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INTERNATIONAL ADDRESS  
RIG/DAKAR  
C/o AMERICAN EMBASSY  
BP 49 DAKAR SENEGAL  
WEST AFRICA

January 31, 1994

**MEMORANDUM**

**TO:** Joseph Goodwin, Director, USAID/Ghana  
**FROM:**   
Thomas B. Anklewich, RIG/A/Dakar  
**SUBJECT:** Audit of REDSO/WCA/WAAC's Compliance With A.I.D. Project  
Accounting and Funds Control Procedures, Audit Report No. 7-624-  
94-005

Enclosed are three copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate the prompt and positive response of USAID/Ghana to the draft report. Based on your planned and reported actions to date, Recommendation No. 10 is resolved on report issuance. Upon receipt of evidence that planned actions have been completed we can close this recommendation. Additionally, we are requesting that your office provide us a listing of any Bills of Collection issued for advances identified in this report. No other recommendations in the report require further action on your part.

Please notify our office within 30 days of the Mission's progress towards implementing the open recommendations, including documentation supporting any completed actions so that we may consider closure.

I greatly appreciate past cooperation and courtesies extended to my staff during audit engagements.

Att: A/S



UNITED STATES OF AMERICA  
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C/o AMERICAN EMBASSY  
B.P. 49 DAKAR SENEGAL  
WEST AFRICA

January 31, 1994

**MEMORANDUM**

**TO:** Wilbur Thomas, Director, USAID/Guinea

**FROM:** *Thomas B. Anklewich*  
Thomas B. Anklewich, RIG/A/Dakar

**SUBJECT:** Audit of REDSO/WCA/WAAC's Compliance With A.I.D. Project  
Accounting and Funds Control Procedures, Audit Report No. 7-624-  
94-005

Enclosed are three copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate USAID/Guinea's prompt and positive response to the draft report. Based on your comments, documentation and actions taken to date, Recommendation No. 6 is closed on report issuance. No other recommendations in the report require further action on your part.

I greatly appreciate the cooperation and courtesies extended to my staff during audit engagements.

Att: A/S

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
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UNITED STATES ADDRESS  
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January 31, 1994

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

**MEMORANDUM**

**TO:** Eugene Chiavaroli, USAID Affairs Officer, Nigeria

**FROM:** *Thomas B. Anklewich*  
Thomas B. Anklewich, RIG/A/Dakar

**SUBJECT:** Audit of REDSO/WCA/WAAC's Compliance With A.I.D. Project Accounting and Funds Control Procedures, Audit Report No. 7-624-94-005

Enclosed are three copies of the subject report. We have reviewed your comments in response to our draft report and have taken them into consideration in preparing this report. Your comments are included in their entirety in Appendix II.

We appreciate the prompt and positive response of the USAID Affairs Office in Nigeria to the draft report. Based on your comments and actions taken to date, Recommendation No. 7 is resolved on report issuance. Upon receipt of evidence that all planned actions have been completed, we can close this recommendation. Additionally, we are requesting that your office send us a listing of all Bills of Collection for outstanding advances that were identified in this report and subsequently issued by your office. No other recommendations in this report require any action on your part.

Please notify our office within 30 days of the Mission's progress towards implementing the above recommendations, including documentation supporting any completed actions so that we may consider closure.

I greatly appreciate past cooperation and courtesies extended to my staff during audit engagements.

Att: A/S

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## EXECUTIVE SUMMARY

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### Introduction

The Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) provides controller and/or automated accounting support services through its West Africa Accounting Center to 18 client countries in West and Central Africa. REDSO/WCA provides (1) both controller and Mission Accounting Control System (MACS)-based accounting services to 12 Missions whose programs are not large enough to justify a controller and staff and (2) MACS-based accounting services to six Missions with controllers but no MACS based accounting system.

In fiscal year 1990, REDSO/WCA maintained financial records for 194 USAID projects comprising 472 allowances with an obligation pipeline of over \$316 million. During that period, it processed 55,000 accounting transactions including almost 8,000 payment vouchers. To carry out these duties, REDSO/WCA had a staff consisting of a controller, three USAID financial management specialists, and 17 local and third country national accounting personnel.

Financial management in USAID is primarily handled by various USAID Controllers who operate the MACS. It then follows that one of the USAID Controller's main functions is to operate the MACS. The system consists of computer data files, computer programs, processing control edits, and procedures governing the interface between accounting personnel and the computer system itself. Thus the MACS is the heart of a complex financial management system made up of guidelines, procedures, and conventions for recording, analyzing, and reporting accounting data within USAID Missions. Accountants, data entry personnel, controllers, financial analysts and budget officers in USAID Missions work within these requirements in using the system.

Among its financial management responsibilities, REDSO/WCA approves and issues advances to 12 USAID country program locations. Since 1984 an estimated \$19.1 million in "project" advances have been issued to these programs in order to facilitate project implementation.

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## **Audit Objectives**

The Office of the Regional Inspector General for Audit/Dakar conducted a performance audit of REDSO/WCA's compliance with USAID project accounting and funds control procedures. The audit covered systems and procedures related to REDSO/WCA's voucher examination, certification, and payment accounting for the period January 1, 1993, through March 31, 1993. The audit also covered systems and procedures related to REDSO/WCA's project cash advance management for the 18 month period beginning October 1, 1991 and ending March 31, 1993. In addition, the audit assessed compliance of REDSO/WCA systems and procedures with standards established in USAID *Handbook 19*, the *Controller's Guidebook*, and the U.S. Treasury Department's *Fiscal Requirements Manual*. Specific audit objectives are stated below.

**Did REDSO/WCA follow USAID project accounting and funds control procedures in:**

- 1) **examining, certifying, authorizing and accounting for the payment of project expenditures; and**
- 2) **approving, processing, and liquidating the payment of project advances?**

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## **Results of Audit**

The audit showed that REDSO/WCA:

- generally followed USAID project accounting and funds control procedures in examining, certifying, authorizing and accounting for the payment of project expenditures. However, REDSO/WCA was not reconciling its MACS A14 (Disbursing Office Reconciliation Report) with the U.S. Disbursing Office-Paris monthly report (SF 1221- Statement of Reconciliation According to Appropriations, Funds and Receipt Accounts), as required (page 5);
- did not always process or resolve a backlog of Advices of Charge in a timely manner (page 8); and
- did not, in a significant number of instances (about \$4.5 million), follow USAID project accounting and funds control procedures in approving, processing, and liquidating project-funded and operating expense-funded advances (page 10).

The audit also found that REDSO/WCA Accounting Records for five USAID/Controller posts showed a significant number of unliquidated (\$6.4 million) project advances (page 16).

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## **Audit Recommendations**

The report makes ten recommendations for corrective actions. The first recommendation urges REDSO/WCA to establish written procedures to reconcile differences between REDSO/WCA and U.S. Disbursing Office-Paris disbursement records, to establish and implement a plan to eliminate the existing backlog of such items, and to perform test runs to identify actual errors and differences. The second recommendation asks REDSO/WCA to develop a plan to resolve the backlog of Advices of Charge. The third recommendation obliges REDSO/WCA to resolve, liquidate or issue Bills of Collection for advances and overdue interest pertaining to such advances for non-controller client posts totaling about \$4.5 million. The fourth recommendation calls for REDSO/WCA to conduct training sessions on processing advances and **perform periodic supervisory reviews to ensure advances are processed properly and that REDSO/WCA staff are fulfilling their responsibilities.** The fifth recommendation requests REDSO/WCA to report untimely liquidation of advances as a material weakness in the next Federal Managers' Financial Integrity Act reporting cycle if this deficiency has not been corrected. Recommendation Nos. six through ten require five client controller posts for which REDSO/WCA provides accounting services to process and liquidate outstanding project advances amounting to \$6.4 million, issue Bills of Collection and charge penalties and interest on such bills as appropriate.

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## **Management Comments and Our Evaluation**

In response to our draft report, REDSO/WCA and the USAID offices in Benin, Burkina Faso, Ghana, Guinea, and Nigeria provided written comments which are included in their entirety as Appendix II. These offices responded positively to our findings and accepted all ten recommendations.

Specifically, REDSO/WCA has developed procedures to reconcile differences between U.S. Disbursing Office and MACS reports and has agreed to address the backlog in these reconciliations. They have developed a plan of action to reduce the backlog of Advices of Charge. Corrective actions have started to liquidate outstanding advances for project-funded and operating expense advances at non-controller posts amounting to \$4.5 million. REDSO/WCA plans to establish formal training programs for the REDSO staff who are responsible for processing advances and to increase supervisory oversight to ensure the staff meet their responsibilities for advances. Also, REDSO has reported its problems related to the processing and liquidation of advances as a material internal control

weakness in the FY 1993 Financial Management Internal Control Assessment.

Based on REDSO/WCA comments and actions, Recommendation Nos. 1.1., 1.2, 1.4, and 5 are closed upon report issuance. Recommendation Nos. 1.3, 2, 3, and 4 are resolved and will be closed when the corrective actions are completed.

As a result of USAID/Guinea and OAR/Burkina Faso comments and actions to liquidate their respective outstanding advances, Recommendation Nos. 6 and 8 are closed upon report issuance. Based on comments by the USAID Affairs Office in Nigeria, USAID/Benin, and USAID/Ghana concerning their respective outstanding advances, Recommendations Nos. 7, 9, and 10 are resolved and will be closed when the necessary actions are taken.

*Office of the Inspector General*  
Office of the Inspector General  
January 31, 1994

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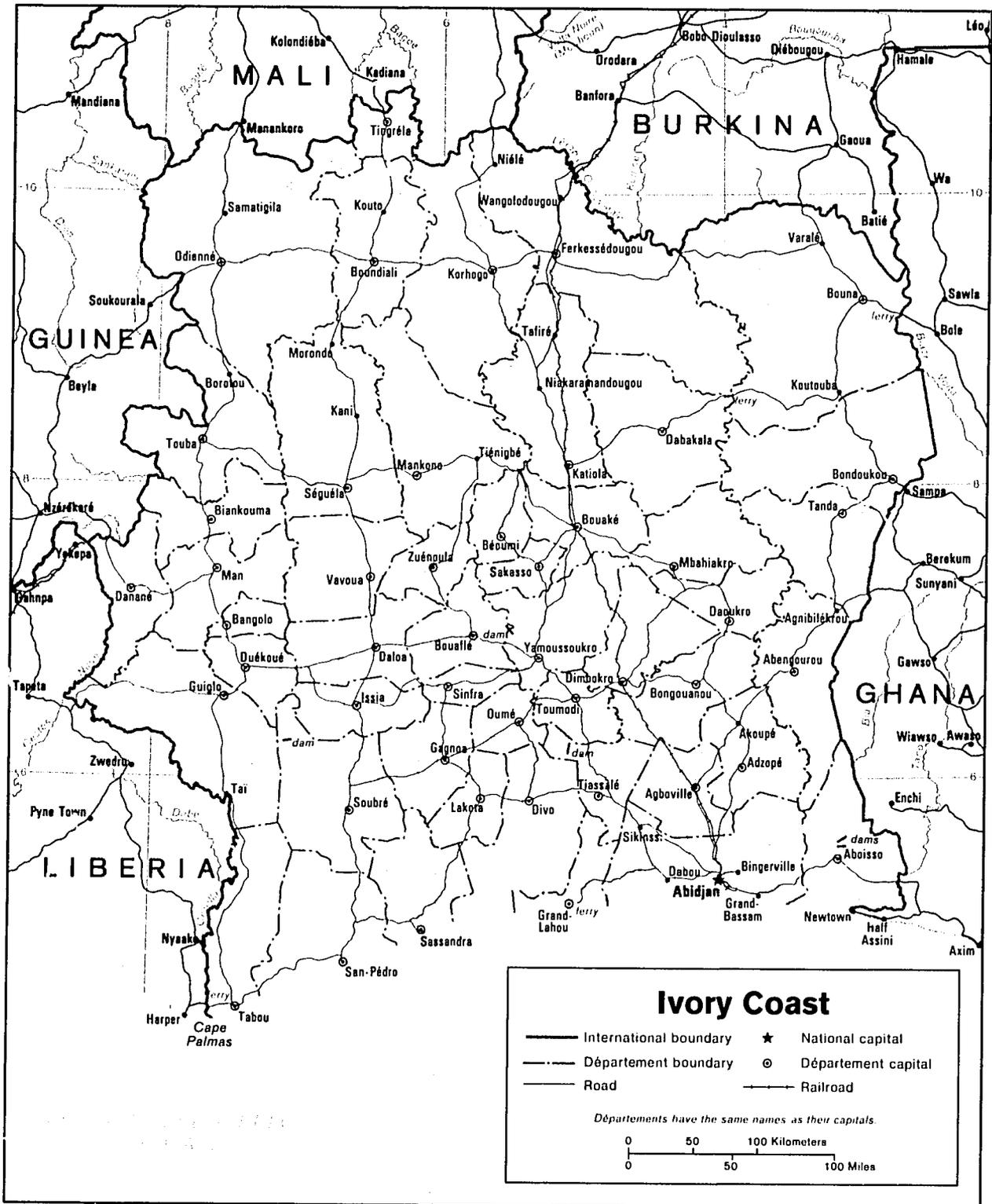
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# INTRODUCTION

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## Background

The Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) provides varying levels of controller and/or automated accounting support services through its West Africa Accounting Center (WAAC) to client Missions in 18 countries in West and Central Africa. Specifically, REDSO/WCA provides (1) both controller and Mission Accounting Control System (MACS)-based accounting services to 12 Missions whose programs are not large enough to justify a controller and staff and (2) MACS-based accounting services to six Missions which have controllers but no MACS on site.

REDSO/WCA regularly provides the MACS financial reports to Mission managers who need to monitor their respective operations. To assist the 12 Missions without controllers, REDSO/WCA managers and financial analysts periodically travel to client Missions to perform internal financial control assessments of USAIDs and host government organizations involved in the implementation of USAID-financed programs. In this process, staff members periodically inspect accounting procedures and practices, and make recommendations to eliminate bottlenecks and internal control vulnerabilities.

REDSO/WCA's regional accounting-services workload is quite large. In fiscal year 1990, REDSO/WCA maintained financial records for 194 USAID projects comprising 472 allowances with an obligation pipeline of over \$316 million. During that period, it processed 55,000 accounting transactions including almost 8,000 payment vouchers. To carry out these duties, REDSO/WCA is assigned an USAID Controller, three other USAID financial management specialists, and 17 local and third country national accounting personnel.

Among other things, REDSO/WCA, for 12 of the 18 West and Central African countries where USAID has development programs, has the responsibility to approve and issue advances to these USAID country program locations. Since 1984, an estimated \$19.1 million in "project" advances have been issued to facilitate project implementation in these programs.

The USAID Controller is normally a member of the USAID Director's senior management team and is charged with the responsibility of installing and maintaining an

accounting and financial reporting system which provides local USAID management with the information necessary to make operating decisions. Similarly, the USAID Controller establishes and maintains fiscal services pursuant to agreements with other United States Government agencies.

Financial management embraces those elements of management which deal with budgeting, accounting, financial analyses, cash management, internal control, and financial reporting. The USAID Controller reports directly to the USAID Director and carries out the financial management aspects of the USAID's operations. The Controller also provides advice and assistance to the USAID Director and other USAID officials with respect to financial practices and procedures applicable to program implementation including determination of methods of financing. By means of special reports, memoranda, and personal consultations, the USAID Controller keeps USAID officials informed of existing control procedures and the financial status of the various projects and programs in effect. Where necessary, the USAID Controller proposes financial management improvements to assure that USAID functions are conducted in an effective and efficient manner.

One of the USAID Controller's main functions is to operate the MACS, a computer-based accounting and financial management system for its overseas Missions. The USAID/Washington Office of Information Resource Management is responsible for developing the computer programs used by MACS. The system consists of computer data files, computer programs, processing control edits, and procedures governing the interface between accounting personnel and the computer system itself. The MACS is located at the center of an accounting environment made up of guidelines, procedures, and conventions for recording, analyzing, and reporting accounting data within USAID Missions.

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## **Audit Objectives**

As part of its fiscal year 1993 audit plan, the Office of the Regional Inspector General for Audit/Dakar, audited REDSO/WCA's compliance with USAID project accounting and funds control procedures. The audit covered systems and procedures related to REDSO/WCA's voucher examination, certification, and payment accounting for the period January 1, 1993, through March 31, 1993. The audit also covered systems and procedures related to REDSO/WCA's project cash advance management for the 18 month period beginning October 1, 1991 and ending March 31, 1993. The audit was designed to answer the following objectives.

**Did REDSO/WCA follow USAID project accounting and funds control procedures in:**

- 1) examining, certifying, authorizing and accounting for the payment of project expenditures; and**
- 2) approving, processing, and liquidating the payment of project advances?**

Appendix I describes the audit's scope and methodology.

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## REPORT OF AUDIT FINDINGS

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### **Did REDSO/WCA follow USAID project accounting and funds control procedures in examining, certifying, authorizing and accounting for the payment of project expenditures?**

REDSO/WCA generally followed USAID project accounting and funds control procedures in examining, certifying, authorizing and accounting for the payment of project expenditures. However, monthly reconciliations between United States Disbursing Office (USDO)-Paris and USAID monthly reports have not been completed as required. This is similar to a person not reconciling his bank account statement to his checkbook register at the end of the month. Also, REDSO/WCA is significantly behind in reconciling and processing Advices of Charge.

We reviewed two categories of disbursement transactions in the test sample: (1) payments processed and posted by REDSO/WCA for its client Missions without controllers and (2) the disbursement transactions posted in the Mission Accounting Control System (MACS) by REDSO/WCA but actually processed at other locations by client Missions with controllers. So, the latter transactions were in the nature of computer processing services while the former were complete financial transactions performed by REDSO/WCA staff. For the first category (posts without controllers), 28 items out of the 108 items we sampled consisted of disbursements processed and posted by REDSO/WCA. **We found that all 28 disbursements processed between January 1, 1993 and March 31, 1993 had adequate supporting documents and met all the USAID project accounting and funds control requirements.** (see Scope and Methodology for complete breakdown of sampled items)

REDSO/WCA reviewed, certified and authorized the 28 payment transactions in accordance with USAID project accounting and funds control procedures contained in USAID *Handbook 19*, the *Controller's Guidebook*, the USAID Financial Bulletins and the REDSO Mission Orders. We reviewed this category of disbursement vouchers to ensure that the following areas of accounting information, such as, the control numbers, dates, and amounts were recorded properly for: (1) Budget Allowances, (2) Obligations, and (3) Earmarks/Commitments. Also, we performed specific tests to verify that; (1) vouchers conformed to obligation documents, (2) funds were available, (3) computations were accurate, (4) statements and certifications were made, (5) voucher currency amounts were in agreement with authorization document amounts, (6) materials and services were

delivered, (7) vouchers were not for a duplicate payment, and (8) the payee was the proper person.

**For the second category**, payments processed for the posts with controllers were based on coding sheets, from the client Missions, which included all necessary accounting data. For these types of accounting transactions, **we determined that, based on its policy and practice, in general, REDSO/WCA has adequately handled the accounting of these transactions.**

The processing of Advices of Charge (AOC) which is a subcategory of financial transactions found in both controller and non-controller posts, has been generally adequate. AOCs are an accounting mechanism used by one Mission to advise of disbursements incurred under its budget allowance on behalf of another Mission for goods and services. Though these transactions occasionally lacked supporting documents, this was not a significant problem.

In spite of the general good picture on AOC management, there was one lingering and significant problem, *the backlog*. Further audit work, which included discussions with Mission officials, revealed that there was a backlog of AOCs unposted because of incomplete background information. REDSO/WCA managers stated that this problem will be dealt with when a new hire employee comes on board in late 1993.

As mentioned previously, REDSO/WCA is not balancing its checkbook. That is, REDSO/WCA is not reconciling its MACS A14 report with the USDO-Paris SF 1221 report. The latter monthly report shows those USAID disbursements processed during the preceding month by the USDO, while the former report shows those USAID disbursements sent to the USDO during the preceding month. Such reconciliations are required of U.S. Government agencies using USDO services. This reconciliation needs to be completed as it results in a major source document, that when forwarded and consolidated in USAID/Washington, provides the Agency's financial status worldwide to the US Treasury Department.

The reconciliation and AOC issues are discussed below.

### **REDSO/WCA Needs to Complete Its Monthly Reconciliations to Improve Its Financial Reporting**

The General Accounting Office's *Standards For Internal Controls In the Federal Government* requires that transactions and significant events be promptly recorded and properly classified to provide relevant and valuable reports to management for controlling operations and making decisions. Further, USAID Financial Management Bulletin No. 3, describes procedures for reconciling USDO and USAID disbursing reports in order to accurately submit required monthly account statement reports to USAID/Washington. Our audit tests showed that about 20 percent of our test sample of 108 transactions

related to adjusting entries, which seemed to be an unusually high number. Further review in this area revealed that many more adjusting entries needed to be made to correct a backlog of unreconciled mismatches between United States Disbursing Office and REDSO/WCA disbursing reports. This situation occurred because of a lack of written procedures for reconciliations of these adjusting entries. As a result, there is inadequate assurance that certain financial information is fairly disclosed in financial reports. Also, any irregularities could go undetected for a significant period of time in the absence of such reconciliations.

**Recommendation No. 1: We recommend that the Director REDSO/WCA:**

- 1.1 perform a computer test-run of United States Disbursing Office and REDSO/WCA transaction data using a three month period in calendar year 1993 following the procedures outlined in REDSO/WCA memorandum dated August 5, 1993;**
- 1.2 if the test-run is determined to be a workable solution to resolve "false error mismatches" primarily involving voucher numbers, then these procedures should be used on the remaining unreconciled data;**
- 1.3 establish and implement a plan of action to eliminate the reconciliation backlog; and**
- 1.4 establish written procedures for monthly cumulative reconciliation of unreconciled items between the U.S. Disbursing Office Standard Report 1221 and USAID Mission Accounting Control System A14 Report.**

The General Accounting Office's (GAO) *Standards For Internal Controls In the Federal Government* require, under its "Supervision" specific standard, that specific internal controls be established resulting in the proper processing of transactions and events including (1) following approved procedures and requirements, (2) detecting and eliminating errors, misunderstandings, and improper practices, and (3) discouraging wrongful acts from occurring or from reoccurring. In addition, the GAO "Recording of Transactions and Events" specific standard requires that transactions and significant events be promptly recorded and properly classified to provide relevant and valuable reports to management for controlling operations and making decisions.

More specifically, USAID Financial Management Bulletin No. 3, "Part II - Budget and Accounting, Financial Reports," describes procedures for reconciling the USDO Standard Report 1221 (Statement of Reconciliation According to Appropriations, Funds and Receipt Accounts) with USAID Mission Accounting Control System (MACS) Report A14 (Disbursing Office Reconciliation Report). This Bulletin describes how and when this reconciliation is to be accomplished and refers to this process as a "checking account

reconciliation." The Bulletin further likens the USDO to a bank and USAID as a customer maintaining an account.

In addition, USAID *Handbook 19* (Financial Management) and the *Controller's Guidebook* advise the Missions to perform monthly reconciliations with the Disbursing Officer's accounts, i.e., making periodic comparisons of actual resources with recorded data to determine whether the two agree. To maintain consistency, cumulative reconciliation exercises are necessary to identify and solve the outstanding unreconciled items in the USDO/MACS database (e.g. the USDO SF 1221/MACs A-14 Report). This reconciliation exercise is an intermediate step in producing a series of reports such as the U-101 (Monthly Summary of Allowance Ledger Transactions and Reconciliation with US Disbursing Offices' Accounts, US Dollars) and U-102 (Monthly Obligation Report) which are major source documents that when consolidated in USAID/Washington provide the Agency's financial status worldwide.

Our audit tests showed that about 20 percent of our test sample of 108 transactions related to adjusting entries, which seemed to be an unusually high number. In order to obtain a clear understanding of the reasons for these numerous and unexpected adjusting entries, we held discussions with Mission officials and analyzed a computer printout of mismatches relating to the adjusting entries. This analysis revealed that there is a large backlog of reconciliations that need to be accomplished between the U.S. Disbursing Office (USDO - RAMC/Paris) Standard Form 1221 Report and the REDSO/WCA MACS Disbursing Office Reconciliation Report (A14) database. These data bases need to be matched and reconciled in order for REDSO/WCA to meet its monthly reporting requirements to the US Treasury on its monthly financial status. For example, based on the latest update of the USDO/MACS reconciliation report as of March 19, 1993, there were about 19,986 unreconciled items between the two reports or approximately 22 percent of the total disbursement records of 183,971. (This is roughly about 300 unreconciled transactions a week).

According to Mission officials, the large number of unreconciled transactions between the USDO and REDSO/WCA resulted from (1) a build-up of unreconciled items between the disbursing transaction reports of the two offices and (2) staff shortages over several years. They stated that the majority of the unreconciled items were "false errors" and not significant because they consisted of small differences between data fields (not necessarily dollar data fields) which have a different structure in MACS and the USDO SF 1221 reports. (For purposes of this discussion, a false error is one that results because one agency's data element field might have nine digits while the other's data field might have 10 digits).

Mission staff stated that any mismatch in any data field whether it was in appropriation code format, schedule number utilized, and month/year field format would result in an adjusting entry from the resulting mismatch. They questioned whether all the data fields needed to be matched for purposes of the monthly reconciliation between the USDO

Paris and REDSO/WCA because these fields likely would not have a significant impact on the accuracy of the reconciliation. A REDSO/WCA/WAAC memorandum dated August 5th, 1993 made a similar conclusion and suggested using a single field, the "USDOMNYR" data field as a control field which could be matched with the transaction data field of the REDSO/WCA MACS report to get a listing of actual errors that needed to be taken care of.

Further audit work showed that it was not an easy task to determine unreconciled items that might have significant impact on the accuracy of REDSO/WCA financial management reports. However, through detailed analyses of the data elements and discussions with the knowledgeable Mission staff, we determined that a "false error" computer test run (following the procedures discussed in a REDSO/WCA memorandum dated July 28, 1993--see Appendix III) should be a viable option to eliminate adjusting entries pertaining to these types of mismatches. Mission personnel stated their belief that 90 percent of all such adjusting entries were caused by these false errors. If the computer test run is successful in resolving these errors, these same test run procedures should be followed for the remaining unreconciled data. Also, we believe that REDSO/WCA should establish and implement a plan of action to eliminate the reconciliation backlog.

These types of errors occurred because there is a lack of written procedures at REDSO/WCA on the reconciliation of the U.S. Disbursing Office 1221 Report with the USAID Mission Accounting Control System A14 Report. We found that REDSO/WCA personnel were not certain of their responsibilities for these reconciliations. As such, we believe that written procedures, which would describe in detail what procedures to follow for cumulative reconciliations of the USDO 1221 report with the MACS A14 report, should enable the responsible Mission staff to perform the necessary tasks to complete these reconciliations. Once developed, we believe that REDSO/WCA management should periodically assess whether the procedures are understood and followed.

By performing the reconciliations in a complete and timely manner, REDSO/WCA will have better assurance that financial information is accurately and fairly disclosed in financial reports. Moreover, any irregularities could occur and not be timely detected in the absence of such reconciliations.

### **Management Comments and Our Evaluation**

In response to Recommendation Nos. 1.1 and 1.2 REDSO/WCA has developed a variation of the recommended approach to reconcile USDO 1221 reports to MACS. They have prepared (a) computer generated reports which compare the USDO disbursement entries with MACS postings and (b) a reconciliation analysis report which lists those items still outstanding and being investigated. The above actions taken by REDSO/WCA fully complies with Recommendation Nos. 1.1 and 1.2, therefore these

recommendations are closed upon issuance of this report. For Recommendation No. 1.3 REDSO/WCA has agreed to develop an action plan, over the next few months, which will address the backlog issue. As a result of this commitment by REDSO/WCA, Recommendation No. 1.3 is resolved and will be closed upon implementation of the action plan. In response to Recommendation No. 1.4 REDSO/WCA has developed written procedures to conduct the reconciliation of USDO 1221 reports with MACS postings. Therefore Recommendation No. 1.4 is closed upon issuance of this report.

### **REDSO/WCA Needs To Resolve and Process Its Backlog of Outstanding Advices of Charge**

An Advice of Charge (AOC) is an accounting mechanism in which one Mission advises of disbursements incurred under its budget allowance on behalf of another Mission. USAID procedures require that Missions resolve and reconcile outstanding Advices of Charge (AOCs) within 60 days following the receipt of the AOC. However, REDSO/WCA has accumulated a substantial backlog of unresolved and therefore unprocessed AOCs, some date back to 1986, because of staffing constraints and problems in obtaining the prescribed supporting documentation from other USAID offices. This backlog in unprocessed AOCs increases the risk of significant misreporting of Mission financial expenditures.

**Recommendation No. 2: We recommend that the Director, REDSO/WCA develop a plan to resolve the existing backlog of AOCs that are over 60 days old relating to unprocessed and/or problem AOCs from issuing and receiving Missions.**

An incoming or outgoing Advice of Charge (AOC) is a mechanism used by one Mission to advise of disbursements incurred under its budget allowance on behalf of another Mission for goods and services. The receiving Mission uses the AOC, including its supporting documents, to properly charge the expenditures to its records as a disbursement from the other Mission. The sending Mission adjusts its disbursement records downward after notification that the receiving Mission has accepted the AOC. These actions need to be recorded prior to REDSO/WCA issuing its "Monthly Summary of Allowance Ledger Transactions and Reconciliation with U.S. Disbursing Officer Accounts, U.S. Dollars" - the U-101 Report. AOCs accounted for about one third the monthly disbursement entries to be reconciled in the overall summary U-101 Report.

The General Accounting Office's *Standards For Internal Controls In The Federal Government* (under its "Recording of Transactions and Events" specific standard) require that transactions and other significant events are to be promptly recorded and properly classified. In addition, USAID policies and procedures as stated in USAID Financial Bulletin No. 3 requires that Missions should (1) report and/or reconcile on a monthly basis Advices of Charge (AOCs) shown in the U-101 report, (2) resolve outstanding

Advices of Charge within 60 days following the receipt of the AOC.

A large number of transactions in our test sample, 34 out of 108 or about 31 percent, were AOCs. While examining these AOCs, we found that REDSO/WCA had a significant backlog of AOCs to be processed and/or resolved which were beyond the 60-day reconciliation criteria. For example, the USAID/Washington report on outstanding AOCs dated February 2, 1993, as reflected in Missions' U-101 reports, shows that REDSO/WCA client Missions (both controller and non-controller posts) had about 408 outstanding AOCs, some of which date back to 1986, needing resolution because of differences in amounts reported by issuing and receiving Missions in their U-101 reports. This report is designed to help REDSO/WCA issue more accurate financial reports by identifying outstanding Advices of Charges that USAID Washington shows as not processed. These AOCs remain on these reports as unreconciled items until differences are resolved.

We noted that AOC problems have previously been raised in a 1990 Controller's Assessment of REDSO/WCA and that recommendations were made at the time to resolve the backlog. In response to this assessment, REDSO/WCA established an AOC tracking system, referred to as AOCTRAK, to help process and reconcile the AOCs.

The AOCTRAK report is designed to enable REDSO/WCA to be able to determine how to handle transactions listed on the USAID Washington AOC report referred to above. Our review of REDSO/WCA's AOCTRAK system report dated June 30, 1993 revealed that 167 AOCs remained to be completely resolved and processed, 127 of which (amounting to \$496,660) had yet to be entered in the MACS system. The remaining 40 (amounting to \$125,288) were entered in MACS but needed final resolution because of mismatches noted between the MACS and AOC data.

REDSO/WCA officials stated that these AOCs were not processed and/or resolved because most of the outstanding AOCs tend to be "**problem**" AOCs (e.g. receiving and sending Missions do not agree on amounts or other data fields pertaining to the AOCs). Generally, they lack supporting documents including relevant transaction information such as project/contract numbers, appropriation codes, etc. They also stated that other USAID offices are not generally forthcoming in a timely manner with additional documentation on AOCs. This information is needed to make decisions on how to process and record the disputed AOCs. REDSO/WCA officials stated that a shortage of staff is a major reason that the AOC reconciliation process has not been completed in a timely manner. They also stated that these reconciliations can be very time consuming. They expect that additional staff will be on board sometime before the end of 1993.

The inability to resolve and process outstanding AOCs, increases the risk of misreporting of MACS financial information. We believe that REDSO/WCA should develop a plan to resolve the existing backlog of AOCs that are over 60 days old relating to unprocessed and/or problem AOCs from issuing and receiving Missions.

## **Management Comments and Our Evaluation**

In response to Recommendation No. 2, REDSO/WCA officials stated that they will make a focused effort to obtain documentation to enable posting of all outstanding AOCs. They will accomplish this by forwarding cables to the sending mission of each unposted AOC listed on the December 1993 AOCTRAK report requesting sufficient documentation for each charge to enable posting to occur at REDSO/WCA. They stated they will undertake this effort during January 1994. Based on this plan of action, Recommendation No. 2 is resolved on report issuance and can be closed based on receipt of documentation (information cables) indicating that planned actions have been completed.

## **Did REDSO/WCA follow USAID project accounting and funds control procedures in approving, processing, and liquidating the payment of project advances?**

REDSO/WCA records showed that REDSO/WCA did not in a significant number of instances (\$4.5 million in advances) follow USAID project accounting and funds control procedures in approving, processing, and liquidating the payment of project and operating advances. However, they did issue a comprehensive Mission Order detailing individual employee responsibilities and specific steps for the processing of advances. A discussion of the problem with advances is detailed below.

## **REDSO/WCA Needs To Resolve Its Outstanding Advances**

Department of Treasury regulations, USAID Handbooks, and the USAID *Controller's Guidebook* emphasize that advance amounts should not be issued beyond the 90-day disbursing needs of the recipient. Advance amounts requested should be adequately documented and justified and no new advances should be processed until previous advances are liquidated. Also, in those instances when the U.S. Government is not reimbursed promptly for the advance, interest on the outstanding amount must be paid by the recipient of the advance. However, REDSO/WCA had outstanding advances which exceeded this 90-day time frame amounting to \$4.1 million in outstanding project advances and \$388,000 in outstanding operating expense advances for non-controller USAIDs. In addition, for five Missions with controllers, REDSO/WCA accounting records showed outstanding project advances amounting to \$6.4 million. REDSO/WCA advance records often lacked approvals and there were several instances where advance requests were processed prior to liquidating prior advances. These processing and approving problems relating to outstanding advances occurred because of the low priority

given to liquidating them by REDSO/WCA and because REDSO/WCA employees did not have a good knowledge of the advance requirements as stated in Treasury Regulations and USAID and REDSO/WCA policies and procedures. Without the timely liquidation of outstanding advances, REDSO/WCA is unable to determine the proper amount of funds available for deobligation and the U.S. Government is not paid the interest due on these unliquidated advance payments.

**Recommendation No. 3: We recommend that the Director, REDSO/WCA:**

- 3.1 resolve, liquidate, and/or issue Bills of Collection for project-funded advances provided to recipients at non-controller posts amounting to \$4.1 million;**
- 3.2 resolve, liquidate, and/or issue Bills of Collection for operating expense-funded advances provided to recipients at non-controller posts amounting to \$388,000; and**
- 3.3 charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.**

**Recommendation No. 4: We recommend that the Director, REDSO/WCA:**

- 4.1 conduct a training session on the responsibilities of REDSO/WCA staff for processing advances in accordance with U.S. Department of Treasury Regulations, USAID Handbooks, USAID *Controller's Guidebook*, and the REDSO/WCA Mission Order; and**
- 4.2 perform periodic supervisory reviews to ensure advances are processed properly and that REDSO/WCA staff are fulfilling their responsibilities.**

**Recommendation No. 5: We recommend that the Director, REDSO/WCA report in the next Federal Managers' Financial Integrity Act reporting cycle to the Assistant Administrator, Africa Bureau, the internal control weakness related to REDSO/WCA's untimely liquidation of material amounts of outstanding advances, if this deficiency has not been corrected.**

**Recommendation No. 6: We recommend that the Director, USAID/Guinea:**

- 6.1** resolve, liquidate, and/or issue Bills of Collection pertaining to outstanding project-funded advances provided to recipients amounting to \$4.9 million; and
- 6.2** charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.

**Recommendation No. 7: We recommend that the USAID Affairs Officer for Nigeria:**

- 7.1** resolve, liquidate, and/or issue Bills of Collection pertaining to outstanding project-funded advances provided to recipients amounting to \$882,986; and
- 7.2** charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.

**Recommendation No. 8: We recommend that the USAID Representative/Burkina Faso:**

- 8.1** resolve, liquidate, and/or issue Bills of Collection pertaining to outstanding project-funded advances provided to recipients amounting to \$385,930; and
- 8.2** charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.

**Recommendation No. 9: We recommend that the USAID Representative/Benin:**

- 9.1** resolve, liquidate, and/or issue Bills of Collection pertaining to outstanding project-funded advances provided to recipients amounting to \$122,699; and
- 9.2** charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.

**Recommendation No. 10: We recommend that the Director, USAID/Ghana:**

- 10.1 resolve, liquidate, and/or issue Bills of Collection pertaining to outstanding project-funded advances provided to recipients amounting to \$103,123; and**
- 10.2 charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.**

USAID *Handbook 19* (Chapter 3) and 22 (Chapter 4) and the *Controller's Guidebook* (Chapter 16) prescribe USAID policies and procedures for the utilization, processing, and liquidation of cash advances provided for project costs and operating expenses. These policies and procedures are based on the Department of the Treasury's *Fiscal Requirements Manual*. In order to formalize uniform procedures for its own operations, REDSO/WCA issued a Mission Order in July 1991 on project-funded advances. This Mission Order stipulates that project advances should be approved before being processed. Also, they should be limited to immediate disbursement needs. This is further clarified to mean 30 days immediate disbursement needs plus processing time. In no case, the Mission Order goes on to indicate, can the total advance be for more than 90 days' disbursing needs, (e.g., 30-day cash requirement plus 60-day processing time). This Mission Order also states that once the amount required to meet immediate disbursement needs is established, the recipient cannot exceed this amount. This requires that the recipient submit a monthly liquidation voucher prior to or in conjunction with the next advance request.

The *Fiscal Requirements Manual* emphasizes that advance recipients must pay interest to the U.S. Government in those instances when the advance is not liquidated in a timely manner (for example unliquidated advances over 90 days old). The Department of Treasury rate of late payment charge for debt collection for the period beginning on January 1, 1993 and ending on December 31, 1993 is four percent per annum.

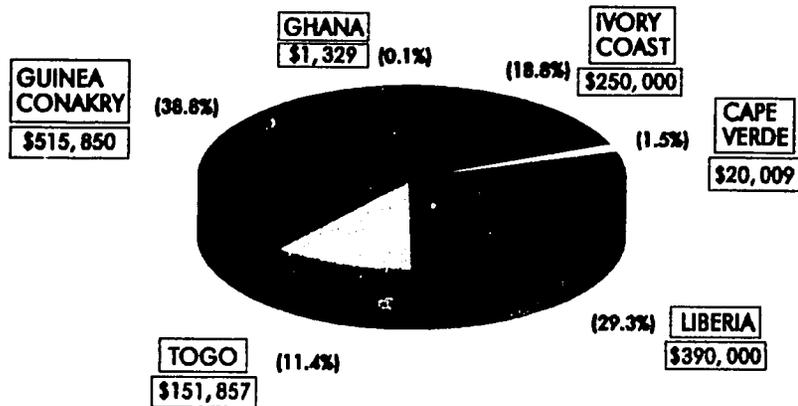
We judgementally selected, from a total universe of \$19.1 million, advances totaling \$1.3 million, which were from both controller and non-controller posts. The advance amounts were obtained from REDSO/WCA's Mission Accounting Control System (MACS) data file, Advance Transaction File (MXADT). A graphical breakdown of the sampled advances by country follows:

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## SAMPLED ADVANCES

### Percentages by Country

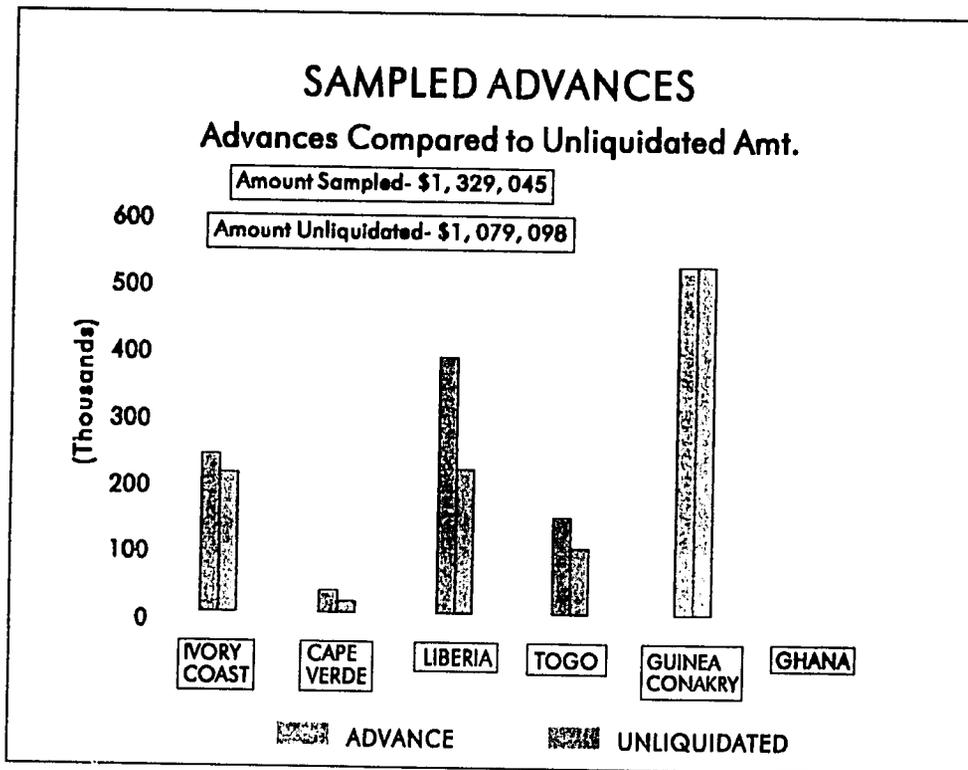
Total Sampled- \$1, 329, 045



We examined the advance files to determine the following:

- Were amounts entered into MACS accurate?
- Were the proper authorizations obtained?
- Were expense vouchers supporting the liquidation amounts present?
- Was the 30/90-day need established?
- Were the advances liquidated promptly?

The result of our testing disclosed that the amounts entered into the MACS were accurate. However, two significant problems existed in five of the six sampled advances. First, there was a lack of documents indicating prior approval for advance amounts. Second, additional advances were granted prior to the liquidation of previously outstanding advances. In conjunction with this latter finding, we determined that there were no effective follow up actions to reduce the backlog of outstanding advances (such as billing recipients of REDSO/WCA advances for the principal and interest on their outstanding unliquidated advances). Thus, of the \$1.3 million sampled, \$1.1 million was not liquidated within the required 90-day time frame (see the graph below).



After our initial test sample, we discussed our audit results with REDSO/WCA officials who provided us lists of outstanding REDSO/WCA project and operating expense advances going back as far as 1984. This REDSO/WCA analysis was performed in May 1993 and included those posts without controllers. These lists for non-controller posts showed, there were 521 outstanding project-funded advances to recipients from these 12 countries totaling \$4.1 million which exceeded the 90-day requirement. Approximately \$3.9 million of this balance pertained to advances made in 1992 and prior years (see Appendix IV). Also, there were 392 outstanding operating expense advances totaling \$388,000 from eight non-controller posts, Cape Verde, Cote d'Ivoire, Guinea Bissau, Liberia, Mauritania, REDSO/WCA, Sierra Leone and Togo (see Appendix V). About \$350,000 of these advances were made in 1992 and prior years. The original audit scope did not include operating expenses. However, since these advances have been outstanding for more than a year we decided to include the operating expense advances in this audit. Since our previous audit tests did not reveal errors in amounts entered, we verified the summary list amounts to the supporting worksheets submitted to the auditors and subsequently accepted the outstanding advance amounts provided by REDSO/WCA.

The average outstanding advance balances at these non-controller posts for the previous four years is estimated to be at least \$1million which at a four percent per annum

rate would total at least \$160,000 in late interest charges on advances.

In analyzing a REDSO/WCA list of unliquidated advances relating to REDSO/WCA's six controller posts (Ghana, Guinea-Conakry, Burkina Faso, Gambia, Nigeria, and Benin), we found that REDSO/WCA accounting records showed that approximately \$6.4 million of project advances exceeded the 90-day requirement for liquidation (see Appendix VI).

In summary, outstanding advances amounting to \$10.9 million (\$4.5 million non-controller posts plus \$6.4 million at controller posts), need to be resolved.

The vast majority of these outstanding advances are one to three years old or well beyond the 90-day disbursing needs period specified in the Treasury *Fiscal Requirements Manual* 6.2000, and 8000; *Controller's Guidebook*, Chapter 14 and the applicable USAID Handbooks. REDSO/WCA should promptly bill the recipients of these advances for both the principal balances remaining on these advances as well as any interest due in accordance with the late payment charge for debt collection established by the U.S. Treasury for the periods in question.

These outstanding advances have not been liquidated in a timely manner for the following reasons.

- One extenuating circumstance of which REDSO/WCA had very little control, concerns over \$1 million in advances pertaining to the suspended USAID development program in Liberia from 1990 and before. This USAID Mission was evacuated in 1990 because of a civil war. REDSO/WCA officials stated that the USAID office in Monrovia, Liberia was ransacked and burned, and that some financial records have been lost making it difficult to resolve advances from that post (e.g. it will be difficult to obtain acceptable documentation to liquidate these advances).
- Over three years have passed since the February 1990 REDSO/WCA Controller's Assessment identified the problem with outstanding advances. The approvals of advances were not documented as specified by the aforementioned Mission Order. In our view, and to a certain extent REDSO/WCA officials agreed, that REDSO/WCA did not place a high priority on liquidating cash advances in a timely manner.
- Based on our interviews, we found that REDSO/WCA personnel, who were responsible for processing cash advances, were not completely aware of the cash advance requirements in the U.S. Treasury Regulations, the REDSO/WCA Mission Order, and USAID policies and procedures. For example, the Mission was processing additional advances even though previous advances were still outstanding. As a result, REDSO/WCA did not have adequate assurance that

advances were given for the proper amounts and for the appropriate period. This condition seems to be an internal control breakdown and has likely exacerbated the growth of outstanding overdue advances at REDSO/WCA.

A February 1990 USAID Controller Assessment of REDSO/WCA operations (performed by various agency personnel) identified a large amount of unliquidated outstanding advances as a problem area. The subsequent follow-up reports to this Assessment (performed internally by REDSO/WCA personnel) for fiscal year 1991 indicated the same problem still existed. However, the 1992 follow-up report (also performed by REDSO/WCA personnel) incorrectly indicated no continuing problems in the funds control advance area.

Because REDSO/WCA has not complied with its Mission Order and USAID policies in a number of cases (521-project advances and 392 O/E advances for non-controller posts), the U.S. Government's financial interest has been adversely impacted because the older the advances become, the more difficult it becomes to obtain adequate documentation to liquidate them. We also determined, that in spite of the fact that the recommendations in the Controller's Assessment were still not satisfied in regards to large outstanding advances, that this area was not reported as unsatisfactory, or a material item in any of the Federal Managers' Financial Integrity Act (FMFIA) Internal Control Assessment (ICA) submissions submitted by REDSO/WCA to USAID Washington. In our opinion, the large balances of unliquidated advances should have been reported as unsatisfactory in the above assessment.

A REDSO/WCA official stated that he was now of the opinion that these outstanding advances should have been reported as a problem area under the funds control section of the REDSO/WCA Internal Control Assessment (ICA) as he considered the situation to not be satisfactory and to be material (e.g. over 21 percent of all advances given to the 12 non-controller posts since 1984 were problem advances).

REDSO/WCA officials agreed that these longstanding problems with advances need attention. They intend to establish "a new internal control technique" to correct this situation from getting any worse in the future. They indicated that henceforth, no recipient with an outstanding advance would be allowed to obtain additional advances without first liquidating all previous advances. Also, REDSO/WCA should bill delinquent advance recipients interest on the remaining principal balances on overdue advances at the applicable rate of late payment charge for debt collection for the applicable periods. For calendar year 1993, this rate is four percent per annum.

Without the timely liquidation of outstanding advances, REDSO/WCA is unable to determine the proper amount of funds available for deobligation and the U.S. Government is not paid the interest due on these unliquidated advance payments. We believe that REDSO/WCA needs to take timely action to liquidate outstanding advances and if necessary collect the amounts outstanding and any interest due on these excess

amounts. Also, REDSO/WCA needs to ensure that its staff understand their responsibilities for cash advances. A training course may be the correct mechanism to not only teach but remind the staff. Once understood, REDSO/WCA management should periodically check that advances are processed properly and that REDSO/WCA staff are performing their responsibilities according to stated procedures. In this way, REDSO/WCA will have better assurance that resource use is consistent with USAID policies and that resources are safeguarded against waste, loss, and misuse.

### **Management Comments and Our Evaluation**

In response to Recommendation No. 3, REDSO/WCA officials stated they had taken action to resolve and liquidate \$4.1 million in project-funded advances and \$388,000 in operating expense-funded advances at non-controller posts. They stated they had established an "outstanding advance tracking log" and had forwarded two follow-up notices to advance recipients. They further indicated they were developing written procedures to formalize the collection process which they would forward to RIG/A/Dakar upon completion. Based on REDSO/WCA's plan of action to resolve and liquidate outstanding advances at non-controller posts, Recommendation Nos. 3.1, 3.2 and 3.3 are resolved at final report issuance. Upon receipt of evidence that all planned actions have been completed, these recommendations can be closed.

Based on REDSO/WCA planned actions to establish formal training programs for the REDSO/WAAC staff responsible for processing advances, Recommendation No. 4.1 is resolved and can be closed upon REDSO/WCA's furnishing a copy of the on-the-job training plan for voucher examiners. In response to Recommendation No. 4.2 REDSO/WCA has agreed to perform periodic supervisory reviews to ensure advances are processed and that REDSO staff are fulfilling their responsibilities. This Recommendation is resolved and can be closed once the supervisory reviews have started.

In reply to Recommendation No. 5, REDSO/WCA has provided a copy of its "Report of Material Internal Control Weakness" related to advances. This action fully complies with Recommendation No. 5 and therefore, this recommendation is closed upon issuance of this report.

Recommendation No. 6 which was directed to USAID/Guinea, a Controller-Post, is closed upon report issuance based upon receipt of documentation that over 98 percent of the outstanding advances pertain to various FAR agreements which permit a 25 percent advance on construction work. According to various project implementation letters, such advances remain outstanding until a unit of work has been completed, inspected and accepted by a USAID Engineer, at which time USAID/Guinea sends the Government of Guinea (GOG) notification of acceptance of this work. At that point, the GOG has 30 days to submit invoices for reimbursement of the work performed, and when processed,

each such invoice will be adjusted downward to liquidate the pertinent advance. As for the remaining balance of advances, the Mission stated they were normal operating advances and that they would issue Bills of Collection and charge interest on any delinquent advances.

Recommendation No. 7, which was directed to the USAID Affairs Officer in Nigeria, is resolved on final report issuance as the Mission reported that it has undertaken a number of actions based on its comprehensive review of these project advances. The Mission stated, that of the \$882,986 listed by REDSO/WCA accounting records as delinquent, that as of January 7, 1994, \$491,214 of vouchers have been previously sent to REDSO/WCA but do not yet appear in REDSO/WCA reports. They further stated that they have also recently liquidated another \$263,805 of these advances, and copies of these processed vouchers will be hand carried to REDSO/WCA for posting. The Mission stated another \$69,000 of vouchers relating to these advances are awaiting required signatures before processing. The Mission expects to have these vouchers processed by January 14, 1994. Finally, the Mission stated that \$43,266 of advances are currently delinquent and that letters of collection are being prepared for distribution. Upon receipt of evidence that all these actions have been completed, we can close Recommendation No. 7.

Recommendation No. 8, which was directed to OAR/Burkina Faso, is closed upon final report issuance as the Mission reported that it has cleared all such advances before the end of December 1993. The Mission noted that some of these clearances have not yet been reflected in REDSO/WCA records but would be so shortly. Finally, the Mission noted that effective February 1, 1994, all of OAR/Burkina controller related functions would be transferred to REDSO/WCA.

Recommendation No. 9, which was directed to USAID/Benin, is resolved upon final report issuance as the Mission reported it was planning and had undertaken a number of actions on project advances. The Mission stated it expected to complete its review of project advances and all related actions by March 31, 1994. Upon receipt of evidence that all planned actions have been completed, we can close this recommendation.

Recommendation No. 10 which was directed to USAID/Ghana is resolved upon final report issuance as the Mission reported that it has undertaken and planned a number of actions related to processing project advances. They stated that many of the reported delinquent advances relate to processed vouchers that were not transmitted and posted due to delays in installing MACS on site. The Mission also reported it plans to visit REDSO/WCA in late February 1994 to coordinate its effort to produce current and accurate lists of outstanding advances. Upon receipt of documentation that all promised actions have been completed, we can close this recommendation.

## SCOPE AND METHODOLOGY

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### SCOPE

As part of its Fiscal Year 1993 Audit Plan, the Office of the Regional Inspector General for Audit, Dakar audited REDSO/WCA controls over Project Funds in accordance with generally accepted government auditing standards. The audit covered the period January 1, 1993 through March 31, 1993 for payment voucher processing and the 18 month period, starting October 1, 1991 through March 30, 1993, for the processing and payment of advances. We began the audit on April 19, 1993 in Abidjan, Cote d'Ivoire. One visit to Guinea-Conakry was required to verify that duplicate payments were not received. We completed our field work in August 1993.

Since the Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) provides controller and automated accounting support services through its West Africa Accounting Center to 12 of its 18 client countries in West and Central Africa, we took a judgmental sample of projects from those countries with the highest amount of expenditures during the audit period covered.

REDSO/WCA's management made various representations concerning the management and controls over project and operating expense funds in a management representation letter signed in September 1993.

We interviewed the REDSO/WCA Controller, Office Directors and Division Chiefs, the Chief Financial Analyst, and selected Project Officers to establish their perspectives on (1) their roles and responsibilities for establishing and maintaining the systems for obtaining and recording the information, and (2) who is responsible for ensuring compliance with the applicable requirements of USAID *Handbook 19*, the *Controllers Guidebook*, the REDSO/WCA Mission Order, and the U.S. Treasury Department *Fiscal Requirements Manual*. In addition, we assessed whether REDSO/WCA was fully complying with these requirements. We obtained copies of the Mission Orders and any other existing documentation to further identify the system in place and to verify the validity of the testimonial evidence obtained from Mission personnel.

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## METHODOLOGY

For Audit Objective one, we examined a total sample of 108 accounting entries out of our universe of 2712 MACS accounting entries for the period beginning January 1, 1993 through March 31, 1993. We stratified the sample universe to items over \$100,000 and those items over \$5,000 but less than \$100,000. We performed a 100 percent review of those items over \$100,000 and reviewed a random sample of the remaining items between \$5,000 and \$99,999. Out of the 108 items, there were 28 disbursement transactions (\$705,058) directly processed by REDSO/WCA; 34 AOC line items (\$6.7 million); and 46 miscellaneous disbursement actions (i.e. controller posts disbursements posted by REDSO/WCA and adjusting entries amounting to \$2 million). Of the 46 miscellaneous entries, 20 were adjusting entries relating to prior periods as early as 1988.

To answer Audit Objective two, we initially chose six project-funded advances totaling \$1.3 million from a total universe of \$19.1 million to determine whether REDSO/WCA ensured that (1) project advances were properly authorized; (2) detailed vouchers were submitted explaining the use of project advances; (3) all project advances made to profit-making institutions were authorized by USAID/Washington; (4) project advances did not exceed the 90-day cash requirements of recipients; and (5) the project advances were promptly liquidated or returned. In addition, we examined and verified that the advance file data entered into MACS were reliable and accurate.

The result of our testing disclosed that the advance amounts entered into the MACS were accurate. However, two significant problems existed in five of the six advances reviewed. These problems are discussed in the body of the report on page 16. After our initial test sample, we discussed our audit results with REDSO/WCA officials who provided us listings of outstanding REDSO/WCA project and operating expense advances at both controller and non-controller posts going back as far as 1984. These listings were prepared in May 1993. The lists for non-controller posts (e.g. those posts for which REDSO/WCA is the official accounting station) showed, there were 521 outstanding project-funded advances to recipients from these 12 countries totaling \$4.1 million which exceeded the 90-day requirement. Approximately \$3.9 million of this balance pertained to advances made in 1992 and prior years (see Appendix IV). Also, there were 392 outstanding operating expense advances totaling \$388,000 from eight non-controller posts (see Appendix V). About \$350,000 of these advances were made in 1992 and prior years. The original audit scope did not include operating expense advances. However, since these operating expense advances have been outstanding for greater than a year we decided to include them in our audit.

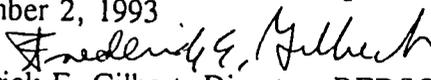
Because of the significant amount of unliquidated project-funded advances at the non-controller posts, which were over 90 days old, we expanded testing to determine if this problem existed there also. We reviewed six such REDSO/WCA-provided listings and found significant amounts of unliquidated project-funded advances at five of these posts.

(see Appendix VI).

Since our audit tests disclosed that the amounts entered into MACS were accurate, we verified the various REDSO/WCA listings of advance amounts to the supporting worksheets submitted to the auditors and subsequently accepted the outstanding advance amounts provided by REDSO/WCA.

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MEMORANDUM

Date: December 2, 1993  
 From:   
 Frederick E. Gilbert, Director, REDSO/WCA  
 RE: Audit of REDSO/WCA/WAAC's Compliance with A.I.D. Project Accounting and Funds Control Procedures, Draft Report dated November 2, 1993  
 To: Thomas B. Anklewich, RIG/A/Dakar

We have reviewed the draft audit report of REDSO/WCA/WAAC's Compliance with A.I.D. Project Accounting and Funds Control Procedures dated November 2, 1993 and received at REDSO/WCA on November 4, 1993. We have also reviewed the revisions to the draft audit recommendations received today and on Tuesday, November 30. Our comments provided below are intended to respond to RIG's findings and draft recommendations.

.....

We believe that the audit staff performed a thorough review of WAAC's compliance with A.I.D. project accounting and funds control procedures. We concur with most of the findings of the draft report, although we believe some of the recommendations found therein should be altered or removed completely. In particular, we believe that the REDSO/WCA/WAAC system for tracking unposted Advices of Charge is generally adequate. WAAC accountants are already performing those actions which were suggested by Recommendation No. 2. We also find fault with Recommendations No. 3 and 4 regarding the calculation of interest on outstanding advances and the resolution of advances at client controller posts. Firstly, interest and penalties due on debts to the U.S. government cannot be assessed until initial notification has been given to the debtor via a bill for collection. Secondly, the Director of REDSO/WCA should not have to act as coordinator for follow-up and collection activities which are the responsibilities of other A.I.D. missions. Our specific concerns with the findings and recommendations are further elaborated in the comments which follow.

.....

Finding: **REDSO/WCA Needs to Complete Its Monthly Reconciliations to Improve Its Financial Reporting**

REDSO/WCA fully concurs with this finding. In fact, WAAC management had been working on the reconciliation problem for a number of years. During FY1991 and part of FY1992 a team of FSN contractors were wholly dedicated to resolving reconciling items between the USDO 1221 reports and MACS. This early effort did not meet with success due to the lack of a comprehensive plan to attack this problem and WAAC management's other priorities (filling a staffing shortage and reorganizing WAAC operations). WAAC simply did not have a full understanding of how serious the problem had become. This lack of a formalized plan coupled with a shortage of staffing through FY1992 were the real reasons why the MACS/USDO report reconciliations were not being completed and a backlog accumulated. We do not agree with the

## APPENDIX II

statement at the top of page 6 which says "this situation occurred because of a lack of written procedures for reconciliations of these adjusting entries." The existence of written procedures would not have made a difference given the under-staffing and lack of a comprehensive approach to resolving the reconciliation problem. In any case, as the report points out, there is plenty of written guidance available on the topic if one chooses to consult it (USAID Financial Management Bulletin No. 3, USAID Handbook 19, and the Controller's Guidebook). Despite the availability of this written guidance within WAAC, the reconciliations were not being completed.

It was in FY1993 that WAAC management began to fully focus its attention on resolving the reconciliation problem. As management began to thoroughly examine the cause of the problem, it was discovered that an exceedingly large number of reconciling items were accumulating each month that could not be explained by timing differences. To gain a fuller understanding of how such differences could keep occurring, WAAC sent its Chief Accountant to Paris to learn how disbursement transactions were processed and reported by the USDO in the Regional Administrative Management Center (RAMC-Paris). The Chief Accountant was joined by a REDSO/WCA-contracted former USAID controller who assisted in the analysis of the problem. They spent two days discussing and reviewing USDO reports and processing procedures with the U.S. Disbursing Officer and his staff. During this visit, three important items were uncovered which complicate the reconciliation process conducted by WAAC. They are:

- a) RAMC's processing system will not accept appropriation codes with three-digit fiscal years;
- b) RAMC bureau codes are different from the post codes used by A.I.D.; and
- c) RAMC's processing system only picks up the last five digits of WAAC voucher numbers.

The first item noted above creates problems in the WAAC reconciliation because certain A.I.D. appropriations under which WAAC disburses are two-year appropriations which carry a three-digit fiscal year code (e.g. "2/3" for funds appropriated for expenditure in FY1992-93). If RAMC's automated system cannot properly read a three-digit fiscal year code, the USDO postings may be made to a different appropriation than those in MACS, thus resulting in reconciling items which would be difficult to identify and rectify.

The second item noted above also poses problems for WAAC since A.I.D. posts codes must be reconciled to the appropriate U.S. Treasury bureau code. U.S. dollar payments for WAAC client missions have been processed as WAAC disbursements for at least two years using REDSO/WCA's post code. Consequently, U.S. dollar disbursements for these missions appear as REDSO/WCA disbursements on the USDO reports, thus creating additional items to be reconciled.

The third item noted above results in frequent "false errors" since the voucher number of the RAMC processing system is only five digits selected from the WAAC voucher number in MACSTRAX (nine-digits). The coding convention used by RAMC to select its voucher number

from WAAC's MACSTRAX telecom transmission results in numerous mismatches in voucher numbers which must then be identified and reconciled.

WAAC management is examining the possibility of resolving certain aspects of the above noted problems from Abidjan. It is generally assumed that RAMC cannot change their systems since they handle disbursements not only for A.I.D., but also for State, Peace Corps, the Department of Defense, GAO, and a number of other U.S. government agencies operating in the region. WAAC management is also constrained by A.I.D.'s established system for processing disbursement transactions (MACSTRAX). It should be further noted that WAAC is faced with reconciling hundreds of disbursements under thirty-five separate appropriations every month. Now that WAAC has a fuller understanding of the problem and its related complexities, we hope that our comments have sufficiently informed you of the daunting task with which WAAC management is grappling. On the positive side, WAAC has already developed procedures for reconciling the USDO 1221 reports for the current months. This methodology will be further spelled out in our response to the recommendations below.

**Recommendation No. 1: We recommend that the Director REDSO/WCA:**

- 1.1 perform a computer test-run of United States Disbursing Office and REDSO/WCA transaction data using a three month period in calendar year 1993 following the procedures outlined in REDSO/WCA memorandum dated August 5, 1993;**
- 1.2 if the test-run is determined to be a workable solution to resolve "false error mismatches" primarily involving voucher numbers, then these procedures should be used on the remaining unreconciled data;**

Recommendations 1.1 and 1.2 refer specifically to an approach to solve the MACS/USDO reconciliation problem espoused by a recently-departed WAAC officer. We have already developed and implemented a variation of this approach to reconcile USDO 1221 reports to MACS. This approach involves producing two computer-generated reports which compare MACS and USDO disbursement data. One report extracts MACS disbursement postings for one month and compares these postings to disbursement entries on the USDO reports covering a five-month period. Similarly, another report is run which compares USDO disbursement entries for the same month to an extract of MACS disbursement postings covering a three-month period (the number of months in the comparison period may vary depending on the success of matching entries). Such reports are generated for each appropriation appearing in REDSO/WCA/WAAC's U-101 reports. WAAC accounting technicians then download these reports into spreadsheet reports and sort the data to line up possible "false error mismatches". Sorting the data in such a way helps the technicians to reconcile timing differences and minor discrepancies in voucher numbers. All remaining reconciling items are downloaded into a reconciliation report from which they are tracked and investigated by accounting technicians until resolved. Attached as Exhibits A and B are the computer-generated reports which compare USDO disbursement entries

with MACS postings under appropriation 72-112/31021 for September 1993. The attached reports have already been downloaded and sorted by the absolute value of the difference between MACS and the USDO to help identify matching reconciling items. Exhibit C is the reconciliation analysis report for the same appropriation which lists those reconciling items still outstanding and being investigated.

With the above described process, WAAC has successfully developed and implemented a methodology for reconciling its disbursement postings with the USDO in Paris. This new methodology is based on the procedures outlined in the REDSO/WCA memorandum dated August 5, 1993. Having implemented such a methodology, we believe REDSO/WCA/WAAC has fully complied with Recommendations 1.1 and 1.2. Accordingly, we request that these recommendations be closed.

**Recommendation No. 1: We recommend that the Director REDSO/WCA:**

- 1.3 establish and implement a plan of action to eliminate the reconciliation backlog; and
- 1.4 establish written procedures for cumulative reconciliation of unreconciled items between the U.S. Disbursing Office Standard Report 1221 and A.I.D.'s Mission Accounting and Control System A14 Report.

Resolving the backlog of reconciling items poses a more difficult problem for WAAC management. Not only must a comprehensive and systematic approach be developed to attack the backlog, but staff must be assigned to this burdensome task which could very well take upwards of a year or more to resolve. WAAC management will be developing a plan over the next few months which will likely utilize a similar approach to the process which was described in the response to Recommendations 1.1 and 1.2 above. Once this approach has been formalized in an action plan, we will forward a copy to you in Dakar. For the time being, we request that Recommendation 1.3 be considered resolved, and that it be closed upon implementation of the action plan.

You will find attached as Exhibit D the written procedures WAAC has developed to conduct the reconciliation of USDO 1221 reports with MACS posting. These procedures, which are summarized in our comments addressing Recommendations 1.1 and 1.2, have been formally established and implemented in WAAC's Accounting Division. Having instituted and thoroughly documented the process for performing the reconciliation, we request that Recommendation 1.4 be closed.

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Finding: **REDSO/WCA Needs To Resolve and Process Its Backlog of Outstanding Advices of Charge**

## APPENDIX II

It is unclear to us whether the backlog referred to in the audit finding relates to the 408 AOCs in the AID/W report (page 9) or the 167 AOCs in WAAC's AOCTRAK system report (page 10). The backlog in the AID/W report is the responsibility of AID/W to resolve, as outlined in the USAID Controller's Guidebook<sup>1</sup>, Chapter 4, page 4.101, para. VI.B.2. as follows: "It is the responsibility of offices initiating an Advice of Charge and FM/CAR/FAB, AID/W to see that the receiving office completes the Advice of Charge and that the total amount of the Advice of Charge is fully accounted for in the current or next monthly U-101 reporting cycle. If the AOC number does not appear on the receiving mission's U-101 Report within a reasonable time, **AID/W, FM/CAR/FAB will initiate follow-up correspondence** with the issuing office to ensure prompt recording and liquidation of the transaction."

Unfortunately, AID/W appears to lack an effective system to follow-up on charges paid by one USAID on another's behalf. WAAC only occasionally receives a copy of the AID/W report on open AOC charges and acceptances (two such reports received in FY1993). This problem is compounded by FM's recognition that it would be difficult for the receiving office of AOCs to continually chase down all those charges it should be receiving. USAIDs in the field are not adequately staffed to take on such responsibilities and are not likely to be in the future. Accordingly, REDSO/WAAC's AOC follow-up activities focus on those AOCs which have been received.

The AOCTRAK system was implemented in FY1992 in order to assist WAAC management in tracking AOC problems. The system presents a reconciliation between AOCs received at WAAC and its client missions and AOC postings to MACS. AOCTRAK system reports are run monthly to identify and track problem AOCs which WAAC project accountants and budget analysts are instructed to follow-up to ensure prompt posting to MACS. The 167 outstanding AOCs in the June 1993 AOCTRAK report consisted primarily of AOCs received by WAAC or its client missions which have not been posted due to inadequate or missing documentation. Approximately sixty-seven percent (67%) of the AOCs on the June 1993 report were older than sixty days, the oldest of which were sent to Mauritania in September and October 1989 when WAAC did not have accounting responsibility for the mission. The accountants follow-up on the outstanding AOCs for their assigned countries on a monthly basis, which consists primarily of contacting the sending office to request additional documentation or clarification of charges. Sixty-five percent (65%) of the incoming AOCs on the June 1993 AOCTRAK report listed AID/W as the sending office. WAAC accountants have generally been unable to obtain adequate documentation from AID/W to resolve outstanding AOCs despite repeated requests.

Also of note in the AOCTRAK system are AOCs which have been posted to MACS but for which a hardcopy has not been received at WAAC. This mismatch arises when AOCs are sent directly to client missions who prepare and forward MACS coding sheets for the charge but fail to forward the AOC to WAAC. These differences are less frequent since WAAC has instructed all missions to forward AOCs to WAAC for posting. They are also less serious since the

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<sup>1</sup> The USAID Controller Guidebook is gradually being replaced and superseded by USAID Financial Management Bulletins issued by M/FM/FPS. Bulletins issued to date do not provide comprehensive guidance on AOCs.

MACS posting has taken place and WAAC can generally obtain the AOC documentation from the client mission which prepared the coding sheet.

Admittedly, the A.I.D. system for ensuring the prompt processing and posting of AOCs between missions worldwide is flawed. However, we believe REDSO/WAAC has developed a sound method for working within this flawed environment to minimize the risk of misreporting financial information. For WAAC to have less than \$500,000 in unposted AOCs when it is the accounting station for eighteen client missions and REDSO/WCA should be looked upon as an accomplishment. We believe this to be noteworthy even before one considers that effort has been devoted to resolve each and every AOC listed in the AOCTRAK system. If there is a flaw in WAAC's methodology, it would be in the documentation of the follow-up effort taken on each unposted AOC in the AOCTRAK system. WAAC accountants and budgets analysts do not currently document each follow-up action taken due to the constraints on their time. We do not feel it is necessary to create follow-up files for each delinquent AOC when the accountant receives a monthly report to prompt him/her to take follow-up action.

With the above discussion in mind, the remainder of our comments address Recommendation No. 2.

**Recommendation No. 2: We recommend that the Director, REDSO/WCA:**

- 2.1 obtain supporting documents and/or explanations regarding issues relating to unprocessed and/or problem AOCs from issuing and receiving missions; and**
- 2.2 process/post outstanding AOCs within a stated time frame.**

While we recognize that it would be desirable to post AOCs to MACS in a more timely manner, we do not find Recommendation No. 2 (2.1 and 2.2) to be helpful. REDSO/WAAC is already in the process of trying to obtain supporting documents/explanations from issuing/receiving missions. Furthermore, WAAC does post AOCs as soon as adequate documentation allows an accurate determination to be made on where to post in MACS. Posting time varies depending on the time necessary to obtain the required documentation. WAAC generally posts AOC transactions within 30 days of receipt at WAAC. After that time, only those AOCs which lack adequate documentation are left on the system to be tracked and addressed by accountants and budget analysts.

The recommendation as written more or less states actions which WAAC staff are already taking. We repeat our belief that WAAC has established a reasonable system for the tracking and follow-up of unposted AOCs. Unless RIG can succinctly state what further realistic actions can be taken by the mission to improve upon the system described above, we request that Recommendation No. 2 (parts 2.1 and 2.2) be removed from the audit report.

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Finding: **REDSO/WCA Needs To Resolve and Process Its Outstanding Advances and Issue Appropriate Bills of Collection**

REDSO/WCA fully concurs with this finding. Follow-up and collection of outstanding advances has been less than satisfactory, and WAAC management is currently rectifying this situation. However, we do not agree with some of the statements made in the draft report relating to REDSO/WCA's collection responsibilities and the calculation of interest. Given the range of issues raised by this audit finding, we will address each as it relates to the proposed recommendations.

**Recommendation No. 3:** We recommend that the Director, REDSO/WCA resolve, liquidate, and/or issue Bills of Collection for project funded and operating expense funded advances provided to recipients at:

- 3.1 non-controller posts amounting to \$4.1 million for project advances and \$388,000 for operating expenses; and
- 3.2 determine the amount of interest due to the U.S. Government on the \$4.5 million in outstanding project and operating expense advances and issue Bills of Collection to the advance recipients for that overdue interest.

REDSO/WCA admits to its responsibility for follow-up and collection action on advances made for non-controller posts. WAAC has lacked a system for staying on top of the situation and until this Fall had not placed a high priority on the liquidation of outstanding advances. In addition, the Accounting Section's responsibility for following-up on longstanding advances in the accounting records was not well defined. During October and November 1993 WAAC took action to address the problems raised by Recommendation 3.1. With the assistance of a PSC former USAID controller, a log for tracking outstanding advances was developed and two follow-up notices were forwarded to advance recipients. Exhibit E is a copy of the log being kept to monitor follow-up notices to advance recipients in Bissau. Also included as Exhibits F and G are examples of the first and second notices of outstanding advances which have been forwarded to all recipients holding outstanding advances. Note that the first notices were issued on October 6 and the second notices were issued on November 12. Third notices will be issued in December, after which all advances which remain outstanding will be acted upon through the issuance of bills for collection, through administrative offsets, or, in the case of USAID employees, through deductions from pay. Written procedures are being developed to formalize the process which we will forward to RIG upon completion. Based on the actions taken by REDSO/WAAC to resolve and liquidate advances outstanding at non-controller posts, we request that Recommendation 3.1 be considered resolved and that it be closed upon the issuance of written procedures.

While WAAC has admittedly been remiss in its responsibility to follow-up and collect advances outstanding greater than ninety days, A.I.D. procedures do not allow for interest to be calculated

on amounts advanced to recipients until initial notification is given. According to Chapter 7 of USAID Handbook 19, initial notification of amounts due to the U.S. government occurs when a bill for collection is issued. Bills for collection serve as notice to the debtor (advance recipient in our case) that an amount is due for settlement by payment or other arrangement with A.I.D. It is the first formal notification to the debtor that interest and penalty charges will accrue on the outstanding debts. The bill for collection also explains how interest and penalty charges are to be applied to the debt. Accordingly, the A.I.D. controller cannot charge interest on debts outstanding until the appropriate bills for collection are issued.

Given the inappropriateness of charging interest to advancees prior to initial notification through a bill for collection, we request that Recommendation 3.2 be removed from the audit report. In addressing Recommendation 3.1, WAAC will very likely be faced with issuing a large number of bills for collection. It is at that point that the appropriate advance recipients will be advised of the interest to be applied to their outstanding debt amounts. Until this formal, initial notification is given, WAAC is not able to charge advance recipients for overdue interest.

**Recommendation No. 4:** We recommend that the Director REDSO/WCA coordinate with its client controller posts:

- 4.1 to resolve, liquidate, and/or issue Bills for Collection pertaining to outstanding project advances provided to recipients amounting to \$6.4 million; and
- 4.2 to determine the amount of interest due to the U.S. Government on the \$6.4 million in outstanding advances and issue Bills of Collection to the advance recipients for that overdue interest.

REDSO/WCA cannot accept responsibility for coordinating collection activities at posts which have resident controllers. Neither the Director of REDSO/WCA nor the Controller of the West Africa Accounting Center has a reporting relationship with the A.I.D. Representative or Controller in these missions. The Controller's Office in each mission is responsible for its own follow-up and collection actions without direction or interference from WAAC. REDSO/WAAC has on a number of occasions attempted to make clear the delineation of responsibilities between WAAC and its client missions. For those client missions with resident controllers, WAAC essentially operates as a data processing center, providing only the basic accounting and reporting services (e.g. posting of MACS code sheets and producing/distributing reports). Included as Exhibit H is Attachment A-1 from the Strategy Statement for the West Africa Accounting Center which was drafted in May 1993 (a courtesy copy was provided to RIG). This exhibit presents the division of responsibilities between WAAC and Category A posts, or posts with resident controllers, with follow-up and collection activities highlighted under Category A responsibilities. WAAC's responsibility is to provide these posts with the MACS accounting reports necessary to track and monitor the status of its outstanding advances. The resident controllers themselves are responsible for developing and implementing procedures to

pursue the collection of these outstanding amounts. Having clearly established this division of responsibility with our client posts, we request that Recommendation 4 be removed from the audit report as written. Should RIG choose to include a recommendation for collection of outstanding advances at controller posts, we request that it be directed to those specific missions which possess advance follow-up and collection responsibility. Not having a reporting relationship with these the client mission managers, the Director of REDSO/WCA and the Regional Controller lack the authority to impose collection actions on these missions. Accordingly, it would not be appropriate for RIG to delegate action for this activity to REDSO/WCA.

**Recommendation No. 5: We recommend that the Director, REDSO/WCA:**

- 5.1 conduct a training session on the responsibilities of REDSO staff for processing advances in accordance with U.S. Department of Treasury Regulations, A.I.D. Handbooks, A.I.D. Controller's Guidebook, and the REDSO Mission Order; and**
- 5.2 perform periodic supervisory reviews to ensure advances are processed and that REDSO staff are fulfilling their responsibilities.**

In the draft report RIG asserts that there was an internal control breakdown at WAAC caused by the payment personnel's unfamiliarity with the REDSO Mission Order and A.I.D. policies and procedures for processing cash advances. WAAC management is planning to address this breakdown by establishing formal training programs for the REDSO/WAAC staff responsible for processing advances. The Regional B&A Officer supervising the Payments Section, in conjunction with the Chief Voucher Examiner, will develop a detailed on-the-job training plan to be completed by each WAAC voucher examiner. This training plan will emphasize adherence to A.I.D. Handbook procedures and the REDSO Mission Order on project-funded advance payments. In addition, WAAC management will target outside training opportunities for Payments personnel in the REDSO/WAAC Training Plan for FSN employees. Based on the planned actions to be taken with regard to training WAAC Payments personnel, we request that RIG consider Recommendation 5.1 as resolved, and that it be closed upon REDSO/WCA's furnishing a copy of the on-the-job training plan for voucher examiners to RIG.

In response to Recommendation 5.2, the REDSO/WAAC Controller will direct the Regional B&A Officer supervising the Payments Section to review, on a monthly basis, a sampling of advance vouchers processed during the month to ensure that the voucher examination staff are fulfilling their responsibilities. This review should be performed for at least a six-month period to run concurrently with the implementation of the on-the-job training for voucher examiners. Upon issuance of these instructions by the REDSO/WAAC Controller, we request that Recommendation 5.2 be closed.

## APPENDIX II

**Recommendation No. 6:** We recommend that the Director, REDSO/WCA report in the next Federal Managers' Financial Integrity Act reporting cycle to the Assistant Administrator, Africa Bureau, the internal control weakness related to REDSO/WCA's untimely liquidation of material amounts of outstanding advances, if this deficiency has not been corrected.

REDSO/WCA reported its problems related to the processing and liquidation of advances as a material internal control weakness in the FY1993 Financial Management Internal Control Assessment. Included as Exhibit I is the Report of Material Internal Control Weakness which was forwarded to AID/W in October 1993. Based on REDSO/WCA's reporting of this weakness as material during the FY1993 internal control review exercise, we request that Recommendation No. 6 be closed.

M E M O R A N D U M

APPENDIX II

Date: December 17, 1993

From: Frederick E. Gilbert, Director, REDSO/WCA *Frederick E. Gilbert*

RE: Revisions to Draft Report of the Audit of REDSO/WCA/WAAC's Compliance with A.I.D. Project Accounting and Funds Control Procedures

To: Thomas B. Anklewich, RIG/A/Dakar

References: A) Revised Report dated 12/15/93  
B) DAKAR 12889  
C) Anklewich/Gilbert Fax dated 12/6/93

We have reviewed the revisions to the recommendations included in the draft audit report of REDSO/WCA/WAAC's Compliance with A.I.D. Project Accounting and Funds Control Procedures. REDSO/WCA appreciates RIG's willingness to revise earlier recommendations based on our comments. The comments provided below supplement those previously submitted.

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**Recommendation No. 2:** We recommend that the Director, REDSO/WCA develop a plan to resolve the existing backlog of Advices of Charge (AOCs) that are over 60 days old relating to unprocessed and/or problem AOCs from issuing and receiving missions.

In our previous comments we noted that the backlog of unposted AOCs (older than 60 days) was not significant given that WAAC is the accounting station for eighteen bilateral programs plus REDSO. Most of the AOC backlog (65 percent) consists of incoming AOCs from AID/W who has not been exceedingly forthcoming with supporting documentation for AOCs despite repeated requests from WAAC accountants. It is not clear what can be done to facilitate a more successful response on AOCs originating in AID/W. We are already tracking the backlog through our AOCTRAK system, and WAAC accountants have been pursuing documentation for outstanding AOCs from AID/W and other sending missions through E-mail and cable correspondence. However, in order to address this recommendation, REDSO/WCA/WAAC will make a focused effort to obtain documentation to enable posting of all outstanding AOCs. WAAC will accomplish this by forwarding cables to the sending mission of each unposted AOC listed on the December AOCTRAK report requesting sufficient documentation for each charge to enable posting to occur at WAAC. RIG/A/Dakar will be info'd on each of these cables. Based on this focused effort, to be undertaken during January 1994, we request that RIG consider this recommendation resolved.

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**Recommendation No. 3:** We recommend that the Director, REDSO/WCA:

- 3.1 resolve, liquidate, and/or issue Bills of Collection for project-funded advances provided to recipients at non-controller posts amounting to \$4.1 million;

- 3.2 resolve, liquidate, and/or issue Bills of Collection for operating expense-funded advances provided to recipients at non-controller posts amounting to \$388,000; and**
- 3.3 charge appropriate penalties and interest on those advances for which Bills of Collection have been issued.**

As was noted in our previous comments, REDSO/WCA has taken action to resolve and liquidate the \$4.1 million project-funded advances and \$388,000 operating expense-funded advances at non-controller posts. An outstanding advance tracking log has been established and two follow-up notices have been forwarded to advance recipients. The third notices have been prepared and will be sent out the week of December 20th. Further examples of the advance tracking logs (REDSO/WCA/Cote d'Ivoire and Togo) and the follow-up notices are provided as Exhibits 1 through 5 attached. If no resolution is reached thirty days after the third notice is sent, WAAC will take action through the issuance of bills for collection, through administrative offsets, or through deductions from pay in the case of current USAID employees. For those instances in which bills for collection are issued, interest will be charged on the outstanding amount at the current annual rate of four percent if the payment is received after the due date (thirty days after issuance). A penalty charge of six percent per annum will be assessed if full payment is not received within ninety days from the due date. An example of a bill for collection recently issued by WAAC which notes the interest and penalties due is included as Exhibit 6. Written procedures are being developed to formalize the collection process which we will forward to RIG upon completion in January.

Based on the actions taken by REDSO/WCA/WAAC to resolve and liquidate advances outstanding at non-controller posts, we request that Recommendation 3.1 (parts 3.1, 3.2, and 3.3) be considered resolved and that the recommendation be closed upon the issuance of written procedures to formalize the advance follow-up/collection process.

Attachments

ACTION: AID-1  
INFO: DCM-1 AMB-1 RIG-1 ECON-1

DISTRIBUTION: AID  
CHARGE: AID

VZCZCDKO312  
RR RUEHDK  
DE RUEHAR #1406 3571559  
ZNR UUUUU ZZH  
R 231542Z DEC 93  
FM AMEMBASSY ACCRA  
TO RUEHDK/AMEMBASSY DAKAR 0004  
RUEHAB/AMEMBASSY ABIDJAN 0908  
BT  
UNCLAS ACCRA 11406

AIDAC

FOR RIG/A/DAKAR AND WAAC CONTROLLER

E.O. 12356: N/A  
SUBJECT: DRAFT AUDIT OF REDSO/WCA/WAAC'S  
COMPLIANCE WITH FUNDS CONTROL PROCEDURES

REF: (A) DAKAR 12858, (B) DAKAR 13175

1. USAID/GHANA ACKNOWLEDGES RECEIPT OF DRAFT AUDIT REPORT OF REDSO/WCA'S COMPLIANCE WITH USAID PROJECT ACCOUNTING AND FUNDS CONTROL PROCEDURES ON 12/20/93.
2. REGARDING RECOMMENDATION NO. 10 WHICH PERTAINS TO USAID/GHANA'S OUTSTANDING ADVANCES LISTED ON MACS, THE ACTUAL AMOUNTS OUTSTANDING ARE CONSIDERABLE LESS. OUR CHIEF ACCOUNTANT HAS SPENT PAST WEEK ON TDY AT WAAC ASSISTING WITH POSTING OF ADVANCE LIQUIDATIONS AND REFUNDS. MUCH OF THIS BACKLOG RESULTED FROM MISSION'S ATTEMPT TO INSTALL MACS ON-SITE. STAFF WERE INSTRUCTED TO HOLD VOUCHERS FOR INPUT PRIOR TO TRANSMISSION. UNFORTUNATELY THERE WERE EXTRACTION PROBLEMS WITH THE DATABASE WHICH DELAYED ACCESS. THAT HAS NOW BEEN RESOLVED AND MISSION IS IN MIDST OF CATCHING UP ON TRANSMISSION AND POSTING OF VOUCHERS. MISSION PROPOSES FMO VISIT WAAC IN LATE FEBRUARY TO COORDINATE EFFORT TO PRODUCE CURRENT AND ACCURATE LIST OF O/S ADVANCES.
3. PRIOR TO RECEIVING RIG DRAFT AUDIT REPORT, GHANA HAD RECOGNIZED PROBLEM OF TIMELY POSTING OF ADVANCES AND HAD TAKEN STEPS TO IMPROVE PROCEDURES. MEMORANDUMS OF AMOUNTS DUE ARE ISSUED SIMULTANEOUSLY WITH THE VOUCHER PROCESSING. THIS IS FOLLOWED BY A BILL FOR COLLECTION IF NOT REIMBURSED IN TIMELY FASHION. STAFF IS AWARE THAT NO FURTHER ADVANCES ARE GIVEN TO INDIVIDUALS WITH

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AIDAC

ACCRA 11406

**APPENDIX II**

OUTSTANDING BALANCES. INTEREST WILL BE CHARGED WHERE  
DEEMED APPROPRIATE. BROWN

BT  
#1406

NNNN

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ACCRA 11406

OAR/BURKINA  
AMERICAN EMBASSY  
OUAGADOUGOU - BURKINA FASO

APPENDIX II  
Tel: (226) 30-68-08  
or 30-67-26  
Tlx: 5290 BP  
FAX: (226) 30-89-03

FAX COVER SHEET

DATE: January 04, 1994

TO: NAME Mr. Thomas B. Anklewich  
ORGANIZATION RIG/A/DAKAR  
ADDRESS \_\_\_\_\_  
\_\_\_\_\_  
FAX NUMBER (221) 23-61-55  
TELEPHONE NUMBER \_\_\_\_\_  
FROM: NAME Mr. Thomas C. Luche  
ADDRESS AID/Representative  
OAR/Burkina  
NUMBER OF PAGES (Including Cover Sheet) 5

January 04, 1994

Thomas C. Luche, AID/Representative, OAR/Burkina Faso

Audit of REDSO/WAAC's Compliance with AID Project Accounting and Funds Control Procedure.

Mr. Thomas B. Anklewich, RIG/A/Dakar

REF: Your Memorandum of December 15, 1993 transmitting Draft Copy of Subject Report.

Effective February 1, 1994, OAR/Burkina certification and related Controller functions will be transferred to REDSO/WCA/WAAC. Thus, OAR/Burkina will be added to the client countries which receive "both Controller and Mission Accounting System-based accounting services."

Your draft report states there were \$385,930.00 of outstanding project-funded advances. The source document for the \$385,930.00 was the REDSO/WAAC's Project Advance Status Report dated July 19, 1993.

According to our OFM records, \$134,098.18 of the cited \$385,930.00 were cleared prior to July 1, 1993. All of the remaining balances were cleared during the past several months. Attached is a schedule listing the advances comprising the \$385,930.00, together with specifics as to when advances were cleared according to our OFM records. We also have cited the

## APPENDIX II

date of REDSO/WAAC's Project Advance Status Reports which reflects clearance per REDSO/WAAC records. The attachment shows that the entire \$385,930.00 of outstanding advances cited in your report have been settled.

FYI our current total of outstanding project advances as of December 31, 1993 amounts to \$200,248.44. All of these advances are outstanding less than 90 days.

The Mission acknowledges we should have maintained more frequent contact with REDSO/WCA/WAAC as to ways and means we could assist them in recording our advance settlements on a timely basis. These next several weeks we will be in touch with REDSO to clarify differences in advance settlements.

Also during the interim period, and after the February 1, 1994 transfer, OAR/Burkina will continue its efforts to be more demanding with respect to requests for advances in order to minimize excessive advance payments. Furthermore, we will be more aggressive in following up on outstanding advances. When called for, and prior to February 1, 1994 we will issue necessary Bills for Collection. After February 1, 1994, we will coordinate closely with REDSO/WCA/WAAC our requests that they issue Bills for collection on our behalf.

We wish to add a comment about a related area, REDSO/WAAC staffing. Admittedly this is not an OAR/Burkina responsibility. Nevertheless, our TDY and other contacts with REDSO/WAAC have impressed upon us the obvious conclusion that REDSO/WAAC is considerably understaffed vis-a-vis its complex and rapidly growing workload. We believe the RIC and other AID Offices may wish to consider REDSO/WAAC staffing needs from a practical (efficiency) point of view, notwithstanding the current "rightsizing" policies of AID/W.

In closing we found your report to be operationally practical as well as providing a clear statement of project advance management procedures.

Thomas Fallon  
Controller  
REDSO/WCA/WAAC  
Djan

UNCLAS

AIDAC USAID

COTONOU 00053 **APPENDIX II**

ACTION: RIG-1  
INFO: AMB-1 DCM-1

DISTRIBUTION: RIG  
CHARGE: RIG

VZCZCDKO957  
OO RUEHDK  
DE RUEHCO #0053 0071413  
ZNR UUUUU ZZH  
O 071412Z JAN 94  
FM AMEMBASSY COTONOU  
TO AMEMBASSY DAKAR IMMEDIATE 0008  
BT  
UNCLAS COTONOU 00053

AIDAC

USAID/DAKAR FOR RIG/A/DAKAR, THOMAS B. ANKLEWICH

E.O. 12356: N/A

TAGS: N/A

SUBJECT: RECOMMENDATION NO. 9 BELATED TO OUTSTANDING  
- PROJECT ADVANCES FOR USAID/BENIN.

REF: DRAFT REPORT ON AUDIT OF REDSO/WCA/WAAC'S  
COMPLIANCE WITH A.I.D. PROJECT ACCOUNTING AND FUNDS  
CONTROL

USAID/BENIN HAS RECEIVED YOUR REPORT RELATED TO THE  
OUTSTANDING ADVANCES.

MISSION HAS REQUESTED FROM REDSO THE MACS REPORT THAT  
SHOWS THE DETAIL OF THE OUTSTANDING U.S. DOLS  
122,699.00. THIS DOCUMENT HAS NOT YET BEEN RECEIVED.

HOWEVER, WE HAVE IMPLEMENTED AN ALTERNATIVE PROCEDURE  
BY USING THE UNLIQUIDATED PROJECT ADVANCE (MACS  
MXPRADV1) REPORT ISSUED 12/03/93.

WE HAVE SELECTED THE OLDEST ITEMS AMOUNTING U.S. DOLS  
132,267.68 AND NOTED THAT MOST OF THE OUTSTANDING  
ADVANCES WERE FOR SELF HELP ACTIVITIES INITIATED IN  
1988 THRU 1990 UNDER THE AUSPICES OF EMBASSY  
PERSONNEL AND PEACE CORPS VOLUNTEERS. SOME CONSIST OF  
GRANTS MANAGED BY USAID/TOGO.

WE HAVE PERFORMED A PRELIMINARY REVIEW OF THE EXISTING  
DOCUMENTATION AND NOTED THAT THE ADVANCE LIQUIDATION  
DOCUMENTATION IS NOT FULLY AVAILABLE. IN ADDITION SOME  
DOCUMENTS WERE NOT TRANSFERED TO USAID/BENIN BY  
USAID/TOGO. THIS REQUIRES ADDITIONAL INVESTIGATION.  
USAID/BENIN WILL CONSIDER THE COST DERIVED FROM THIS

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COTONOU 00053 **APPENDIX II**

INVESTIGATION AND MAKE THE APPROPRIATE DECISION.  
UPON RECEIPT OF THE MACS REPORT AND AFTER GATHERING  
REQUIRED SUBSTANTIATION MATERIALS, USAID/BENIN WILL  
REVIEW AND TAKE APPROPRIATE ACTION (LIQUIDATION, LEVY  
INTEREST PENALTIES WHEN APPLICABLE) REGARDING THESE  
ADVANCES.

THESE ACTIONS WILL BE COMPLETED BY MARCH 31, 1994.

NOTE: THIS MESSAGE HAS ALREADY BEEN SENT BY FAX ON  
01/06/94.  
DAVIS

BT  
#0053

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AIDAC USAID

COTONOU 00053

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CONAKRY 07732 APPENDIX II

ACTION: RIG-1  
INFO: DCM-1 AMB-1

DISTRIBUTION: RIG  
CHARGE: RIG

VZCZCDKO631  
RR RUEHDK  
DE RUTARY #7732 3501331  
ZNR UUUUU ZZH  
R 161331Z DEC 93  
FM AMEMBASSY CONAKRY  
TO AMEMBASSY DAKAR 0017  
BT  
UNCLAS CONAKRY 007732

AIDAC

FOR RIG/A/DAKAR, THOMAS B. ANKLEWICH

E.O. 12356: N/A

SUBJECT: COORDINATION NEEDED FROM YOUR OFFICE ON  
- TWO RECOMMENDATIONS IN THE DRAFT AUDIT  
- REPORT OF REDSO/WCA/WAAC'S COMPLIANCE  
- WITH A.I.D. PROJECT ACCOUNTING AND FUNDS  
- CONTROL PROCEDURES.

REF: (A) DAKAR 12715, (B) FAX DATED 12/2/93

1. MISSION HAS RECEIVED REFTEL AND RESPONDS AS  
FOLLOWS: THE PRESENT TOTAL OUTSTANDING PROJECT  
ADVANCES IS USDOLS 4,672,341.50, AS OF 11/26/93  
THIS AMOUNT COMPRISES OF THE FOLLOWING:  
A. FAR AGREEMENTS - RURAL ROADS, USDOLS 4,652,991  
.50 (99.5 PERCENT OF TOTAL ADVANCES). THE PAYMENT  
OF THESE ADVANCES BY USAID IS INCLUDED IN THE  
WRITTEN PROJECT POLICY, AND REPRESENT A POLICY OF  
25 PERCENT ADVANCE ON WORK. ALL THESE ADVANCES  
ARE CURRENT, AND NOT DELINQUENT.  
B. SPECIAL SELF HELP PROJECT, USDOLS 19,350.00  
(0.4 PERCENT OF TOTAL ADVANCES). THE WRITTEN  
AGREEMENTS IN THIS PROJECT ALSO ALLOW ADVANCES TO  
ANOTHER GOVERNMENT AGENCY. THESE ADVANCES ARE  
CURRENT AND NOT DELINQUENT.  
C. ALL OTHER ADVANCES TOTALLING USDOLS 5,417.00  
(0.1 PERCENT OF TOTAL) ARE NORMAL OPERATING  
ADVANCES.  
2. MISSION WILL ISSUE BILLS OF COLLECTION AND  
CHARGE FOR ANY DELINQUENT ADVANCES IN SECTION 1C  
REGARDS.

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#7732

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APPENDIX II

ACTION: RIG-1  
INFO: DCM-1 AMB-1

DISTRIBUTION: RIG  
CHARGE: RIG

VZCZCDKO631  
RR RUEHDK  
DE RUTARY #7732 3501331  
ZNR UUUUU ZZH  
R 161331Z DEC 93  
FM AMEMBASSY CONAKRY  
TO AMEMBASSY DAKAR 0017  
BT  
UNCLAS CONAKRY 007732

AIDAC

FOR RIG/A/DAKAR, THOMAS B. ANKLEWICH

E.O. 12356: N/A

SUBJECT: COORDINATION NEEDED FROM YOUR OFFICE ON  
- TWO RECOMMENDATIONS IN THE DRAFT AUDIT  
- REPORT OF REDSO/WCA/WAAC'S COMPLIANCE  
- WITH A.I.D. PROJECT ACCOUNTING AND FUNDS  
- CONTROL PROCEDURES.

REF: (A) DAKAR 12715, (B) FAX DATED 12/2/93

1. MISSION HAS RECEIVED REFTEL AND RESPONDS AS FOLLOWS: THE PRESENT TOTAL OUTSTANDING PROJECT ADVANCES IS USDOLS 4,672,341.50, AS OF 11/26/93 THIS AMOUNT COMPRISES OF THE FOLLOWING:

A. FAR AGREEMENTS - RURAL ROADS, USDOLS 4,652,991.50 (99.5 PERCENT OF TOTAL ADVANCES). THE PAYMENT OF THESE ADVANCES BY USAID IS INCLUDED IN THE WRITTEN PROJECT POLICY, AND REPRESENT A POLICY OF 25 PERCENT ADVANCE ON WORK. ALL THESE ADVANCES ARE CURRENT, AND NOT DELINQUENT.

B. SPECIAL SELF HELP PROJECT, USDOLS 19,350.00 (0.4 PERCENT OF TOTAL ADVANCES). THE WRITTEN AGREEMENTS IN THIS PROJECT ALSO ALLOW ADVANCES TO ANOTHER GOVERNMENT AGENCY. THESE ADVANCES ARE CURRENT AND NOT DELINQUENT.

C. ALL OTHER ADVANCES TALLING USDOLS 5,417.00 (0.1 PERCENT OF TOTAL) ARE NORMAL OPERATING ADVANCES.

2. MISSION WILL ISSUE BILLS OF COLLECTION AND CHARGE FOR ANY DELINQUENT ADVANCES IN SECTION 1C REGARDS.

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BT  
#7732

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CONAKRY 07732

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CONAKRY 07732 APPENDIX II

ACTION: RIG-1  
INFO: DCM-1 AMB-1

DISTRIBUTION: RIG  
CHARGE: RIG

VZCZCDKO631  
RR RUEHDK  
DE RUTARY #7732 3501331  
ZNR UUUUU ZZH  
R 161331Z DEC 93  
FM AMEMBASSY CONAKRY  
TO AMEMBASSY DAKAR 0017  
BT  
UNCLAS CONAKRY 007732

AIDAC

FOR RIG/A/DAKAR, THOMAS B. ANKLEWICH

E.O. 12356: N/A

SUBJECT: COORDINATION NEEDED FROM YOUR OFFICE ON  
- TWO RECOMMENDATIONS IN THE DRAFT AUDIT  
- REPORT OF REDSO/WCA/WAAC'S COMPLIANCE  
- WITH A.I.D. PROJECT ACCOUNTING AND FUNDS  
- CONTROL PROCEDURES.

REF: (A) DAKAR 12715, (B) FAX DATED 12/2/93

1. MISSION HAS RECEIVED REFTEL AND RESPONDS AS  
FOLLOWS: THE PRESENT TOTAL OUTSTANDING PROJECT  
ADVANCES IS USDOLS 4,672,341.50, AS OF 11/26/93  
THIS AMOUNT COMPRISES OF THE FOLLOWING:  
A. FAR AGREEMENTS - RURAL ROADS, USDOLS 4,652,991  
.50 (99.5 PERCENT OF TOTAL ADVANCES). THE PAYMENT  
OF THESE ADVANCES BY USAID IS INCLUDED IN THE  
WRITTEN PROJECT POLICY, AND REPRESENT A POLICY OF  
25 PERCENT ADVANCE ON WORK. ALL THESE ADVANCES  
ARE CURRENT, AND NOT DELINQUENT.  
B. SPECIAL SELF HELP PROJECT, USDOLS 19,350.00  
(0.4 PERCENT OF TOTAL ADVANCES). THE WRITTEN  
AGREEMENTS IN THIS PROJECT ALSO ALLOW ADVANCES TO  
ANOTHER GOVERNMENT AGENCY. THESE ADVANCES ARE  
CURRENT AND NOT DELINQUENT.  
C. ALL OTHER ADVANCES TOTALLING USDOLS 5,417.00  
(0.1 PERCENT OF TOTAL) ARE NORMAL OPERATING  
ADVANCES.

2. MISSION WILL ISSUE BILLS OF COLLECTION AND  
CHARGE FOR ANY DELINQUENT ADVANCES IN SECTION 1C  
REGARDS.

SALOOM

BT

#7732

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AIDAC

CONAKRY 07732

UNCLAS

AIDAC

LAGOS 00253

ACTION: ~~RIG-1~~  
 INFO: AMB-1 DCM-1

DISTRIBUTION: RIG  
 CHARGE: RIG

VZCZCDKO998  
 PP RUEHDK  
 DE RUEHOS #0253 0071653  
 ZNR UUUUU ZZH  
 P 071653Z JAN 94  
 FM AMEMBASSY LAGOS  
 TO RUEHDK/AMEMBASSY DAKAR PRIORITY 0006  
 INFO RUEHAB/AMEMBASSY ABIDJAN 0498  
 BT  
 UNCLAS LAGOS 00253

AIDAC

FOR RIG/A/DAKAR, T.B. ANKLEWICH  
 ABIDJAN FOR REDSO/WCA/WAAC

E.O. 12356: N/A  
 SUBJECT: COMMENTS ON REVISED DRAFT REPORT REGARDING AUDIT  
 OF REDSO/WCA/WAAC'S CCMPLIANCE WITH A.I.D. PROJECT  
 ACCOUNTING AND FUNDS CONTROL PROCEDURES

REFS: (A) 93DAKAR 012856  
 (B) ANKLEWICH/CHIAVAROLI FAX, 12/2/93  
 (C) ANKLEWICH/CHIAVAROLI MEMO, 12/15/93

1. REFS (B) AND (C) INDICATE THAT AAO/NIGERIA, A  
 CONTROLLER POST, HAS \$882,986 IN DELINQUENT PROJECT  
 FUNDED ADVANCES.

2. MISSION UNDERTOOK A COMPREHENSIVE REVIEW OF THE  
 PROJECT ADVANCES STATUS, USING THE INFORMATION IN REF (B)  
 AS THE POOL OF ADVANCES FOR REVIEW, TALLING \$882,986.  
 THIS POOL OF ADVANCES IS FROM THE 07/19/93 MACS REPORT,  
 MXPRADV1.

3. SUMMARY RESULTS OF MISSION REVIEW:

A. OUTSTANDING BALANCE:	\$882,986
B. VOUCHERS LIQUIDATED BUT NOT YET APPEARING IN MACS	\$491,214
C. ADVANCES RECENTLY LIQUIDATED	\$263,805
D. ADVANCES LIQUIDATED, AWAITING TECHNICAL CLEARANCE FROM MISSION	\$69,172
E. ACTUAL CURRENT OUTSTANDING ADVANCES	\$58,795
4. REGARDING 3.B: OUR FILES INDICATE LIQUIDATION	

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LAGOS 00253

VOUCHERS TOTTALLING \$491,214 HAVE BEEN PREVIOUSLY SENT TO WAAC, BUT ARE NOT REFLECTED ON ANY OF THE MACS REPORTS TO DATE. DURING A SCHEDULED TDY FOR USAID/LAGOS CONTROLLER STAFF MEMBER TO REDSO/WCA/WAAC FOR THE WEEK OF JANUARY 10, 1994, OUR TDYER WILL CARRY OFFICE COPIES TO ABIDJAN TO EFFECT NECESSARY UP-DATE ON THE MACS.

5. REGARDING 3.C: MISSION HAS PROCESSED LIQUIDATING VOUCHERS TOTTALLING \$263,805. THESE VOUCHERS WILL BE CARRIED BY THE SAME MISSION CONTROLLER STAFF TDYER TO ABIDJAN FOR POSTING, THUS FULLY LIQUIDATING THESE ADVANCES.

6. REGARDING 3.D: MISSION HAS PREPARED FOR APPROVAL LIQUIDATION VOUCHERS TOTTALLING \$69,172. EACH VOUCHER CONTAINS A TECHNICAL DELAY, SUCH AS LACK OF ONE (OF THE SIX REQUIRED) SIGNATURE. MISSION EXPECTS TO HAVE THESE TECHNICAL MATTERS SETTLED BY THE COB JANUARY 14, 1994.

7. REGARDING 3.E:

-- \$15,529 OF THIS AMOUNT IS FOR OPERATIONS RESEARCH. IN THE CCCD PROJECT, OPERATIONS RESEARCH PROVIDED FUNDING TO INDIVIDUAL RESEARCHERS TO CONDUCT RESEARCH IN CLINICAL AREAS RELATED TO THE GOALS OF THE PROJECT. CCCD IS PURCHASING THE RESEARCH REPORT, BUT WITH PROVISION FOR INITIAL PAYMENT TO RESEARCHERS. RESEARCHERS WERE GIVEN AN EIGHTEEN MONTH PERIOD IN WHICH TO COMPLETE THEIR RESEARCH, THEN TO SUBMIT RESULTS TO THE FMOH; AFTER THIS, THE OPERATIONS RESEARCH COMMITTEE MEETS TO REVIEW THE RESULTS, AND IF ALL IS JUDGED AS ADEQUATE, CCCD CAN THEN LIQUIDATE THE ADVANCE. THE RESEARCH STUDIES RELATING TO THE OUTSTANDING ADVANCES IN QUESTION WERE INITIATED IN MID-1992 AND ARE CURRENTLY IN THE PROCESS OF BEING REVIEWED BY THE OPERATIONS RESEARCH COMMITTEE. THEREFORE, IT IS NOT POSSIBLE TO LIQUIDATE THE AMOUNT OF \$15,529 AT THIS TIME. MISSION NOTES THAT THIS IS VIEWED AS A DELINQUENT ADVANCE, YET WE ARE MONITORING THE USE OF THE FUNDS AND INTEND TO LIQUIDATE THE ADVANCE AS SOON AS PRACTICAL.

-- \$43,266 OF THIS AMOUNT IS DELINQUENT PROJECT FUNDED ADVANCES, AND LETTERS OF COLLECTION HAVE BEEN PREPARED FOR DISTRIBUTION. CARRINGTON

BT  
#0253

Date : July 28, 1993

From : *Ma. Natividad Y. Wage*  
Ma. Natividad Y. Wage, Asst. B&A Officer

Subject : USDO MACS RECONCILIATION

To : Mike Hase, Acting Controller *MESH*

Thru : Gyamfi Kwabena, *AG* System Analyst

In conjunction with the problem of reconciliation between MACS and the Disbursing Officer's record, I am suggesting the following procedure to tackle the reconciling problems without need to correct voucher number and post code errors which is the major bulk of the reconciliation leaving only the real reconciling items related to appropriation and amount error and unposted items. This procedure also provides an easy assessible measure of accomplishment (reconciled as of March 1993, or June 1993 etc).

The basic idea is to put the SF 1221 date on the current working file created by Gyamfi. By adding the USDO date on the UCDCMNYR field with 000000, it would enable us to produce a report comparable to the SF 1221. Capability to produce an SF 1221 report out of the MACS record is proof that all vouchers are posted and appropriation posting errors corrected.

Information to update this working file is available right from the Schedule number field for all incoming vouchers. Bulk of the errors come from this area. Other reports like the absolute value could also supply the required information.

I suggest the use of this procedure on activities starting from Jan 1993.

Requirements to succeed in the reconciliation:

1. The OTHERDO file created by the project secretary should be reviewed and reconciled with the hard copy 1221. Period to be covered by review is October 1992 to current.
2. The extract file made should also be reconciled with the U101. Period covered by extract is from February 1993 to current reconciling month.
3. Once full review is done for a given month or months, request Gyamfi to combine the files .

### APPENDIX III

4. Research the 1221 dates for items with 00000 USDOMNYR. Real reconciling items showing on the DOMACS report should be reviewed and action taken. The ABSOLUTE REPORT should be generated and reviewed for Appropriation errors. Update the working file for SF 1221.
5. Generate MX1221 report for review and final reconciliation. A copy of the reconciled report is file.
6. Some rules should be established: example full posting of an SF 1221 be completed within 2mos. Full reconciliation of an SF 1221 be completed on the 3rd month. Responsible accountant should inform the supervisor why an item could not be posted.

Based on series of discussion with the Systems Analyst, the above procedures are feasible. Since my time is very limited and I need to help in other areas, I am suggesting that one accounting technician with my guidance complete one 1221 month to enable the office to decide and finalize.

111

**OUTSTANDING PROJECT ADVANCES AT NON-CONTROLLER POSTS    APPENDIX IV**

**MAY 1993  
(S000)**

CODE	COUNTRY	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	TOTAL
676	C.A.R.									15.1		15.1
655	CAPE VERDE	53.1		(4.0)		2.5	54.8	11.3	8.6	35.4	17.2	178.9
681	COTE D'IVOIRE (RHUDO)			57.0	1.2	5.1	7.6	33.7	514.5	563.1	73.3	1,255.5
679	CONGO									106.0	125.0	231.0
653	EQUITORIAL GUINEA										49.3	49.3
657	GUINEA BISSAU			130.2		1.2	6.4	6.3	68.7	42.1		254.9
669	LIBERIA			94.1	12.5	51.7	877.2					1,035.5
682	MAURITANIA	(0.1)	(1.5)			0.2		30.4				29.0
624	REDSO			27.8	(0.4)		0.2		246.9	27.7	4.0	306.2
658	SAO TOME			2.7		41.6						44.3
636	SIERRA LEONE				2.2	3.5	8.1	24.5	63.1	120.4		221.8
693	TOGO			1.1	138.8	7.3	126.0	20.7	127.0	80.0	7.6	508.5
	TOTAL	53.0	(1.5)	308.9	154.3	113.1	1,080.3	126.9	1,028.8	989.8	276.4	4,130.0

## Outstanding Operating Expense Advances At Non-Controller Posts

APPENDIX V

May 1993  
(\$000)

COUNTRY	1986	1987	1988	1989	1990	1991	1992	1993	TOTAL
Cape Verde		.1	7.6		.5	4.5	2.8	1.1	16.6
Cote d'Ivoire (RHUDO)							.5		.5
Guinea Bissau	.2	6.8	2.9	.1	1.2		(1.5)	(.4)	9.3
Liberia		10.2	1.5	.2	37.9				49.8
Mauritania		.2	.9			(.5)		.8	1.4
REDSO	13.9	.6	1.0	8.9	5.1	23.8	204.6	33.4	291.3
Sierra Leone						1.7	1.5	.2	3.4
Togo	.8	1.9	2.1	1.4	1.9	2.5	1.6	3.5	15.7
Total	14.9	19.8	16.0	10.6	46.6	32.0	209.5	38.6	388.00

**OUTSTANDING PROJECT ADVANCES AT CONTROLLER POSTS**

**APPENDIX VI**

Code	Country	Amount
641	Ghana	\$103,123
675	Guinea, Conakry	\$4,903,071
686	Burkina Faso	\$385,930
635	Gambia	\$126
620	Nigeria	\$882,986
680	Benin	\$122,699
	<b>Grand Total</b>	<b>\$6,397,935</b>

APPENDIX VII

Report Distribution

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Director, USAID/Guinea	3
Director, OAR/Nigeria	3
A/AID	2
AA/AFR	1
AFR/CONT	5
AFR/PD	1
AFR/CCWA	1
AFR/SWA	1
AA/XA	1
XA/PR	1
LEG	1
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FA/FM/FPS	1
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APPENDIX VII

Report Distribution

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AIG/I&S	1
IG/I/DFO	1
RIG/A/Bonn	1
RIG/A/Cairo	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIG/A/San Jose	1
RIG/A/EUR/Washington	1

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