OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/WEST AFRICA'S MANAGEMENT OF THE P.L. 480 NON-EMERGENCY MONETIZATION PROGRAM IN BURKINA FASO

AUDIT REPORT NO. 7-624-07-001-P
February 27, 2007

DAKAR, SENEGAL

Office of Inspector General

February 27, 2007

MEMORANDUM

TO: USAID/West Africa Mission Director, Dr. Jatinder Cheema

FROM: RIG/Dakar, Nancy Toolan /s/

SUBJECT: Audit of USAID/West Africa's Management of the P.L. 480 Non-Emergency Monetization Program in Burkina Faso (Audit Report No. 7-624-07-001-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II.

This report contains three recommendations to which you agreed in your response to the draft report. Based on your plans in response to the audit findings, management decisions have been reached on all of the recommendations. However, the three recommendations will remain open until the planned actions are completed by the Mission. Please coordinate final actions on these recommendations with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC).

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

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SUMMARY OF RESULTS

This audit, performed by the Regional Inspector General in Dakar, is one of a series of audits conducted by the Office of Inspector General. The objective of this audit was to determine whether USAID/West Africa's P.L. 480 non-emergency monetization activities in Burkina Faso were achieving selected planned outputs. (See page 3.)

We concluded that USAID/West Africa's P.L. 480 non-emergency monetization activities implemented by Catholic Relief Services (CRS) and Africare in Burkina Faso were not achieving selected planned outputs because only 17 of 22, or 77 percent, of the reviewed outputs were achieved at the 90 percent or higher level – slightly below our threshold of 80 percent. However several outputs were achieved at 100 percent or higher by both cooperating sponsors, demonstrating a positive impact in Burkina Faso. Furthermore, the program activities were well managed and supervised by the USAID/West Africa Food for Peace (FFP) staff. (See pages 4-6).

Despite the positive achievements, CRS had not achieved 2 of its 12 selected outputs, but had taken steps to address problems that resulted in the under-achievement. Africare had not achieved 3 of its 10 selected outputs, and had not taken any steps to address the problems that resulted in its lack of achievement. (See pages 6-8.)

We also found that the monitoring and reporting functions at the two cooperating sponsors could be improved. We discovered discrepancies when comparing the cooperating sponsors' reported results with supporting documentation. In addition, the cooperating sponsors did not always have sufficient documentation for substantiating results reported to USAID/West Africa. In addition, CRS could not sufficiently monitor whether the schools within its school feeding program were being visited at least twice a year, as required. (See pages 9-12.)

This report includes three recommendations to assist USAID/West Africa in the management of its P.L. 480 non-emergency monetization activities. First, we recommend that USAID/West Africa require its cooperating sponsor, Africare, to develop a plan for addressing its internal cash flow problems to mitigate the effect on achieving planned outputs. Second, we recommend that USAID/West Africa require both cooperating sponsors (CRS and Africare) to develop procedures for verifying reported data with source documentation, documenting key assumptions and calculations, and maintaining documentation to support results and other data reported to USAID. Third, we recommend that USAID/West Africa require CRS to develop a system that will enable it to determine whether the schools within its school feeding program are visited at least twice a year as required and that the information indicating frequency of visits and issues encountered during the visits is readily available. (See pages 9-12.)

USAID/West Africa concurred with the recommendations and based on planned actions to be taken by the Mission, management decisions have been reached. However, the three recommendations will remain open until final actions are taken by USAID/West Africa and coordinated with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC). (See pages 17-18).

BACKGROUND

A major response by the U.S. Government to the problem of food insecurity in developing countries is the nearly one billion dollars spent annually on food aid. Under Title II of Public Law (P.L.) 480 or the Agricultural Trade Development and Assistance Act of 1954, the U.S. Government provides agricultural commodities to foreign countries to (1) address famine or other urgent or extraordinary relief requirements; (2) combat malnutrition, especially in children and mothers; (3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity; (4) promote economic and community development; (5) promote sound environmental practices; and (6) carry out feeding programs.

USAID's Office of Food for Peace (FFP), through funding provided by P.L. 480 Title II, makes commodity donations to cooperating sponsors[1] to address the needs of food security in both emergency food assistance programs and non-emergency, multi-year development projects. Title II monetization, the selling of agricultural commodities to obtain foreign currency for use in U.S. assistance programs, began in 1986. Monetization proceeds are used to support the provision of basic health services, nutrition education, agricultural extension and training, and local capacity building, and have grown dramatically becoming a critical resource for cooperating sponsors. As a result, the 1996 amendment of P.L. 480 Title II increased the amount of commodities to be monetized to be not less than 15 percent of the aggregate amounts of all commodities distributed under non-emergency programs annually.

The P.L. 480 Title II non-emergency monetization program in Burkina Faso is managed by USAID/West Africa. The USAID/West Africa is located in Accra, Ghana, with a satellite office in Dakar, Senegal, where the FFP staff are located. Program activities in Burkina Faso are implemented by two cooperating sponsors: Catholic Relief Services (CRS) and Africare, with oversight provided by the Regional FFP Office of USAID/West Africa. CRS' development assistance program covers FY 2004 to FY 2009 with activities in agriculture, education, microfinance, and general relief. Africare's development assistance program covers FY 2005 to FY 2009 with activities in agriculture, health and nutrition, microfinance, and capacity building. The amounts programmed by FFP for each cooperating sponsor's program are $62.8 million and $15.6 million, respectively. The majority of these amounts are for the costs of the donated commodities and the related ocean and inland freight charges. The proceeds generated from the monetized commodities are used to fund all of the programmed activities within each cooperating sponsor's development assistance programs.

CRS is the monetizing agent for Africare and provides services in logistics (transportation, storage, and handling of commodities) and monetization for agreed upon fees. Both cooperating sponsors are monetizing parboiled rice.

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[1] Cooperating sponsors are Private Voluntary Organizations, Cooperatives, and International Organization Agencies.

AUDIT OBJECTIVE

This audit was conducted as part of a series of worldwide audits of USAID's management of its P.L. 480 non-emergency monetization activities included in the Office of Inspector General's fiscal year 2006 annual audit plan. The audit was conducted to answer the following question:

- Are USAID/West Africa's P.L. 480 non-emergency monetization activities in Burkina Faso achieving selected planned outputs?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

USAID/West Africa's P.L. 480 non-emergency monetization activities in Burkina Faso were not achieving selected planned outputs because 80 percent of the selected outputs were not achieved at the 90 percent or higher level. For fiscal year (FY) 2005 and FY 2006 combined, 17 of the 22 outputs (77 percent) reviewed for the two cooperating sponsors, Catholic Relief Services (CRS) and Africare, were achieved at 90 percent or higher level. Despite not meeting the 80 percent threshold, we found that for CRS activities, 8 of the 12 selected outputs were achieved at the 100 percent or greater level and 2 outputs were achieved at 90 percent or greater level. For activities conducted by Africare, 7 of the 10 selected outputs were achieved at 100 percent or greater. (See Appendix III for a comparison of the planned and achieved results for the 22 selected outputs.) Furthermore, these activities were well managed and provided adequate oversight by the USAID/West Africa's Food for Peace (FFP) staff.

Accordingly, many of USAID/West Africa's P.L. 480 non-emergency monetization activities were making a positive impact in Burkina Faso. We directly observed the positive results during our site visits, especially in the agriculture projects. Both cooperating sponsors were training farmers in improved production techniques, as well as in anti-erosion and soil conservation techniques. In addition, Africare was assisting villages to construct livestock infrastructures to protect and prevent the straying or theft of livestock intended to be sold.

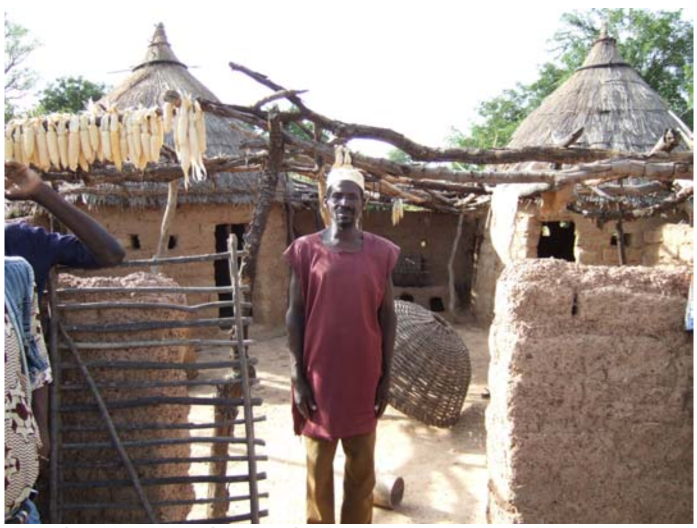

Photo of a man in front of the livestock structure constructed through Africare's project. By constructing the infrastructure, his poultry production and sales doubled during one year. Photo taken in October 2006 by a Regional Inspector General/Dakar auditor in the Village of Kontingue, Zondoma Province.

In the area of education, CRS was contributing to the Government of Burkina Faso's goal of increasing enrollment in schools with its school feeding program implemented in approximately 2,100 schools in FY 2006. CRS provided bulgur, lentils, and vegetable oil to schools where daily meals are prepared for the students. This not only provided an incentive for enrollment, but also fought against hunger which is so prevalent in most remote areas in Burkina Faso, by ensuring that the children have at least one meal each day – sometimes the child's only meal. During a site visit to Silga Rasla School in the province of Sanmatenga, a school that had implemented the school feeding program, we noted an increase in enrollment of approximately 120 students in the past to 221 students enrolled during the 2005-2006 school year. The schoolmaster attributed this increase in enrollment directly to the school feeding program.

In addition, in the area of microfinance, both CRS and Africare were well on their way to achieving their life-of-project goals of providing credit to 16,000 and 5,600 individuals, respectively. Both cooperating sponsors had established microfinance institutions for providing loan capital and savings opportunities to their target group, women.

Photo of women in the village of Nagbingou who have obtained credit from CRS' microfinance program. The credit enabled the women to start their own businesses, send their children to school, and take care of their families. Photo taken in October 2006 by a Regional Inspector General/Dakar auditor.

We attribute a large part of these positive accomplishments to the management of the program activities by USAID/West Africa's FFP staff. The management and oversight provided by the staff is particularly remarkable as the staff are located in Senegal, the USAID/West Africa Mission which provides administrative support is located in Ghana and the cooperating sponsors and activities are located in Burkina Faso.

The Cognizant Technical Officer (CTO) for the activities has considerable experience, working with Food for Peace for seven years. The CTO is both a Food Aid Specialist and an Agricultural Specialist which enhances the management of the programs which include significant agricultural activities. On an ongoing basis, the CTO performed reviews of evaluation reports from the cooperating sponsors, as well as commodity status reports and monitoring and tracking information. Feedback with the results of his review and concerns was communicated in writing to the cooperating sponsors to address and resolve. In January and February 2006 the FFP staff conducted a data quality assessment review of both cooperating sponsors to verify the accuracy of the results reported in FY 2005 and to evaluate the sponsors' systems to collect and report performance data. As a result of the assessment, recommendations for improvement were made to both cooperating sponsors. In addition, the FFP staff including the CTO and Deputy Team Leader provided direct oversight of the activities in Burkina Faso through site visits. During these visits, the FFP staff met with the cooperating sponsors and beneficiaries to discuss the program activities and the CTO also reviewed the cooperating sponsors' reports and spot checked source documentation for accuracy. In addition, the CTO assessed food distributions which included visits to the central warehouse and individual distribution centers. The FFP staff documented their site visits in writing and communicated regularly with the cooperating sponsors by phone and email. The FFP staff indicated they would like to perform site visits more than the current once-per-year, but their ability to travel is limited by budgetary constraints and workload – the CTO is responsible for 14 programs. However, given these constraints and the distances involved, we found the level and depth of the staff's oversight and management of the activities to be particularly noteworthy.

Despite the cited achievements of the program and the notable management of the program by the USAID/West Africa FFP staff, however, several outputs were not achieved as planned and other shortcomings in the program were noted.

Several Planned Outputs Were Not Achieved

Summary: Of the 22 outputs selected for review, 5 were not achieved at the 90 percent or higher level by the two cooperating sponsors. CRS failed to achieve 2 of its 12 outputs, but has taken action to address the low achievement levels. Africare failed to achieve 3 of its 10 outputs, primarily because of problems managing the cash flow of monetized funds, and has taken no action to address this issue. According to regulations, cooperating sponsors are responsible to ensure efficient operations including planning, implementing and evaluating program activities. Without adequate management addressing the problems affecting the achievement of planned outputs, the overall success of the program is at risk.

The following discusses the outputs not achieved in Burkina Faso during FY 2005 and FY 2006 by each cooperating sponsor.

<u>**CRS**</u>

CRS achieved 10 of 12 outputs (83 percent) selected for review. CRS did not achieve one output related to its Microfinance activities and one output related to its Education activities as described below.

- CRS planned to train 4,000 clients in FY 2005 and FY 2006 (2,000 per year) in various business development skills, but only trained 2,970 clients, a 74 percent achievement rate. Although CRS trained 2,191 clients in FY 2005, exceeding its annual planned output, only 779 clients were trained in FY 2006. According to CRS, the lower results were due to the microfinance institution's loss of four credit agents. These credit agents, responsible for conducting the training were fired because they were stealing the loan payments and savings deposits of clients that were entrusted to them for depositing at the local village bank. As a result, the microfinance institution was short-staffed and unable to conduct all of the necessary training. CRS and the microfinance institution have taken appropriate action by pursuing legal and criminal prosecution and are now collecting payments of the stolen funds. They also focused on revising and implementing better policies and procedures for collecting loan payments and savings deposits in an attempt to prevent such problems in the future.

- CRS had a planned output of constructing 60 school infrastructures a year for FY 2005 and FY 2006. Although CRS constructed 79 school infrastructures in FY 2005, only 11 infrastructures were constructed in FY 2006, decreasing the cumulative achievement rate for the two years to 75 percent. CRS relies on requests from the Government of Burkina Faso (GoBF) and communities to build the school infrastructures and in FY 2006, it received fewer requests than expected. Seeing the lack of requests early in the fiscal year, CRS informed the communities in January 2006 of the available resources for school infrastructure construction. Despite this outreach effort, CRS did not receive enough requests to achieve the planned output. CRS staff presumed that they did not receive many requests from the communities and the GoBF during FY 2006 because of plans for schools to be built in FY 2007 through another project. As a result, CRS has made arrangements for the remaining FY 2006 planned school infrastructures to be completed in FY 2007 in conjunction with this other project.

Because of the actions taken and plans made by CRS to address the contributing factors of the low achievement, we are not making any recommendations.

<u>Africare</u>

Africare only achieved 7 of 10 outputs (70 percent) selected for review. Africare did not achieve two outputs related to its health and nutrition activities and one output related to capacity-building activities as described below.

- Africare planned to implement health and nutrition activities in 104 villages by the end of FY 2006, but activities were implemented in only 74 villages, an achievement rate of 71 percent. These activities included a growth-monitoring program in which the growth of children aged 0-36 months is monitored with a weekly weighing. In addition, the village citizens are trained in various subjects related to nutrition, hygiene, and health. Africare failed to achieve this output in both years, with activities implemented in 40 of the planned 74 villages in FY 2005.

- Africare also planned for the construction of 30 wells to increase access to potable water by the end of FY 2006. However, only 10 wells were constructed representing a 33 percent achievement rate.

- Africare had a planned output of providing literacy training to 3,575 individuals throughout FY 2005 and FY 2006, but only 1,727 individuals received literacy training, an achievement rate of only 51 percent. In FY 2005, Africare achieved 89 percent of its planned output, but in FY 2006 Africare only reached an achievement level of 32 percent.

According to the program staff in Africare's field office, the lower-than-planned achievement levels for these outputs occurred because of insufficient funding to implement all planned activities. However, the staff could not provide details on the nature of the funding shortage. The interim Country Representative had not been assigned to Burkina Faso during the time periods under audit, and could not provide any additional information, so we contacted Africare's headquarters office in Washington, DC to obtain further explanation of the lack of achievement of the outputs. According to officials at the headquarters, the primary reason for limited achievement in FY 2005 was the timing and amount of effort that went into the baseline survey conducted from March through May 2005, a normal activity during the first year of a program. In addition, Africare stated that delays of up to 3 months in receiving the cash proceeds from CRS for the sales of monetized rice created a cash flow problem that directly affected their ability to implement planned activities. Africare could not provide further explanation about the cause of the nonachievement of the specific outputs.

Title 22 of the Code of Federal Regulations (CFR) Part 211 provides the standard terms and conditions applicable to Title II programs. CFR 211.5 states that cooperating sponsors shall provide adequate supervision for the efficient operation of the program which includes planning, organizing, implementing, controlling, and evaluating programs involving distribution of commodities or use of monetized proceeds and program income.

Through their review of reports submitted by the cooperating sponsors, the USAID/West Africa FFP staff were aware of the achievement levels for some of these outputs and had followed-up with the sponsor. The FFP staff also indicated that FY 2006 was a difficult period for Africare with the turnover of much of the staff, including the departure of the country representative. Africare acknowledged the effect of their internal problems on the achievement of planned outputs, but they had not taken action to address these problems. Although the focus on the baseline study directly impacted the lack of achievement for FY 2005, we realize that it was a one-time event, and no recommendation is being made. However, the problems with Africare's cash flow occurred in both FY 2005 and FY 2006 and could carry forward to future years, which would impact the success of the program. We are, therefore, making the following recommendation.

Recommendation No. 1: We recommend that USAID/West Africa require its cooperating sponsor, Africare, to develop a plan for addressing its internal cash flow problems to mitigate the effect on achieving planned outputs.

Reported Results Need to Be Accurate and Supported With Adequate Documentation

Summary: Discrepancies were found when comparing the cooperating sponsors' reported results with supporting documentation. In addition, the cooperating sponsors did not always have sufficient documentation to substantiate results reported to USAID/West Africa. This occurred because of a lack of understanding, on the part of the cooperating sponsors about the necessity for maintaining supporting documentation to substantiate reported results. USAID guidance and emphasizes the importance of accurate and reliable reported results and the Government Accountability Office's *Standards for Internal Control in the Federal Government* emphasizes the importance of documentation. Although USAID/West Africa staff had made suggestions to the cooperating sponsors to improve their data collection and reporting, problems continue. Reporting of inaccurate results and the inability to support results can lead to inappropriate programmatic decisions.

As part of the audit, we reviewed documentation maintained by each cooperating sponsor for supporting the results reported in their FY 2005 Results Report to USAID/West Africa. Discrepancies were found between source documentation and reported results for both cooperating sponsors. In addition, the cooperating sponsors were not always able to provide sufficient documentation to substantiate the reported results.

For example, the documentation for 4 of the 12 CRS outputs selected for review did not correspond with the Results Report. For 2 of those 4 outputs, CRS staff insisted the figures in the Results Report were correct but could not provide documentation to support those figures. For example, under the General Relief component, CRS reported providing commodity management training to 54 partners, however, each of the attendance lists for the 3 days of training showed that only 50 individuals signed in. CRS staff indicated that they were sure that 54 partners attended the training but had no documentation to substantiate the additional 4 attendees. In another example, CRS reported an output of 1,829 clients with voluntary savings but the documentation supported only 1,734 clients with savings, a difference of 95. CRS staff explained that the reported results included information received verbally from the microfinance institutions, and did not always correspond with documentation submitted later.

CRS also was unable to provide documentation to support the results reported for the output of training farmers in techniques for water and soil conservation. The staff told us that the figure in the Results Report was derived from a calculation, but could not provide the figures used in the calculation or the exact methodology used to compute the result.

Some of the same instances were found at Africare. The reported results for 2 of the 10 outputs selected did not correspond to source documentation. For example, Africare reported the local production of 2,805 kilograms of improved seeds under its Agriculture component, but the supporting documentation showed 3,876 kilograms, a material difference. Africare staff said that the difference between the two figures was due to the inclusion of information on uncertified seed production in the supporting documentation, which should not be included in the reported amount. However, they were unable to provide documentation to substantiate the reported result of the improved seeds separately from the uncertified seeds. In addition, Africare reported enrolling 6,262 children in the growth monitoring program and although immaterial, the supporting documentation stated 6,330.

Results reported to USAID need to be accurate and supported with adequate documentation in order to be validated. USAID guidance emphasizes the importance of high quality, accurate and reliable results reporting information in order to properly measure results. According to the Automated Directives System (ADS) 203.3.5.1, data quality standards include validity, integrity, precision, reliability, and timeliness. Valid data should clearly and adequately represent the intended result. In addition, the Government Accountability Office's *Standards for Internal Control in the Federal Government* states that all transactions and significant events need to be clearly documented, and that the documentation should be readily available for examination.

The lack of adequate documentation resulted from a lack of understanding on the part of the cooperating sponsors of the importance of supporting documentation for reported results and the documentary support that needs to be maintained. The errors in reporting occurred because the cooperating sponsors did not completely verify data before reporting to USAID. As stated earlier, in early 2006 the FFP staff had conducted a data quality assessment of both CRS and Africare and provided recommendations to the cooperating sponsors to improve the accuracy of their reported data. According to the Deputy Team leader, CRS had made some improvements. However, despite the close attention of the FFP staff, problems with the cooperating sponsors' data accuracy and validation still remain.

Validation of data and maintenance of documentation are important events in the overall monitoring process. Without verification of reported data and maintenance of proper supporting documentation, the data being reported to USAID/West Africa could be either underreported or overreported. Since performance information is used to influence program decision-making and resource allocation, this incorrect information could be used to make inappropriate programmatic decisions for future activities. Therefore, we are making the following recommendation.

Recommendation No. 2: We recommend that USAID/West Africa require both cooperating sponsors, Catholic Relief Services and Africare, to develop procedures for verifying reported data with source documentation, documenting key assumptions and calculations, and maintaining documentation to support results and other data reported to USAID.

Improvement Needed in Monitoring of School Feeding Program

Summary: CRS did not know whether the schools within its school feeding program were being visited at least twice a year as required because it did not have a system for tracking the monitoring visits. According to USAID guidance, recipients of USAID funding are responsible for the managing and monitoring of its activities. In addition, the Government Accountability Office's *Standards for Internal Control in the Federal Government* describes monitoring as a part of internal control. Without a tracking system for determining whether the schools are being monitored adequately, CRS lacks information that could identify deficiencies in the monitoring program and thus cannot take appropriate corrective action. Furthermore, it leaves the program open to vulnerability to theft of the donated commodities used in the school feeding program.

CRS has established a "Memorandum of Understanding" (MOU) with the Government of Burkina Faso's (GoBF) Ministry of Basic Education and Literacy (MEBA) to monitor the school feeding program activities in approximately 2,100 schools. To achieve this, MEBA has assigned 54 controllers to various provinces and under the terms of the MOU, the controllers are required to perform monitoring visits at each of their assigned schools at least twice per year. CRS also has 5 controllers who perform general oversight of the MEBA controllers, conducting their own visits of a sample of schools to verify the validity and accuracy of MEBA's data. The MEBA controllers use a standard form to document the results of their monitoring visits and those forms are submitted to CRS.

Although CRS receives the forms submitted by the MEBA controllers, they did not know whether the schools were actually being visited twice a year because they did not have a system that allows them to readily track the monitoring visits. CRS cannot determine which schools were visited and how often unless they manually sort through the documentation. CRS suspected that all of the schools were not being visited twice a year by MEBA controllers, as required by the MOU. For example, CRS mentioned that in FY 2005 the MEBA controllers did not receive sufficient fuel from the GoBF for conducting all of the visits. In addition, during one of our site visits to a school with the feeding program, the cognizant MEBA controller told us that he is responsible for 201 schools in his zone and that the distance between schools makes visiting all of his schools twice a year difficult. Without a system for tracking the monitoring visits, CRS cannot assess the extent to which these factors affect the monitoring program.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that internal control should generally be designed to ensure that ongoing monitoring occurs in the course of normal operations, which include regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. Furthermore, Title 22 of the Code of Federal Regulations (CFR) Part 211.5, states that cooperating sponsors shall provide adequate supervision for the efficient operation of the program. This includes implementing, controlling, and evaluating programs involving distribution of commodities, and making warehouse inspections, physical inventories, and end-use checks of food.

Even though CRS has an MOU with MEBA, CRS is responsible for providing sufficient oversight and monitoring to ensure its program is being implemented as intended. Actively monitoring the schools as required is important because donated commodities are highly vulnerable to theft. The oversight of a program of this magnitude should include a tracking system with which one can readily determine the status of the monitoring activities. Without such a system, CRS lacks specific data that could identify deficiencies in MEBA's monitoring and cannot take appropriate corrective action. USAID/West Africa's FFP staff were aware that neither CRS nor MEBA were able to perform sufficient oversight of the school feeding program and have been monitoring the situation closely. Therefore, to assist the USAID/West Africa FFP staff, we make the following recommendation.

> *Recommendation No. 3: We recommend that USAID/West Africa require Catholic Relief Services to develop a system that will enable it to determine whether the schools within its school feeding program are visited at least twice per year as required and that this information indicating frequency of visits and issues encountered during the visits is readily available.*

EVALUATION OF MANAGEMENT COMMENTS

USAID/West Africa concurred with all of the findings and recommendations in the draft audit report, and indicated that appropriate actions would be taken to address the three recommendations. Therefore, management decisions have been reached for the recommendations. However, because the planned actions have not been completed by the issuance date of this report, the three recommendations remain open until final actions are taken by USAID/West Africa and coordinated with USAID's Audit Performance and Compliance Division within the Management Bureau's Office of the Chief Financial Officer (M/CFO/APC). The Mission anticipates final actions to be completed by March 31, 2007.

Recommendation No. 1 recommends that USAID/West Africa require its cooperating sponsor, Africare, to develop a plan for addressing its internal cash flow problems to mitigate the effect on achieving planned outputs. The Mission concurred with our recommendation and stated that it will require Africare to develop a cash-flow plan by March 31, 2007. This plan will include reasons for the cash flow problems, effects and mitigating factors. The plan must be approved by USAID/West Africa and will be monitored through quarterly reports and monitoring missions.

Recommendation No. 2 states that USAID/West Africa should require both cooperating sponsors, Catholic Relief Services and Africare, to develop procedures for verifying reported data with source documentation, documenting key assumptions and calculations, and maintaining documentation to support results and other data reported to USAID. The Mission concurred with our recommendation and indicated it will require each cooperating sponsor to submit a narrative description and template regarding their verification and documentation procedures by March 31, 2007. In addition, the Mission indicated it intends to conduct another Data Quality Assessment in Burkina Faso in 2009 to comply with the 3-year requirement of section 203.3.5.3 of USAID Automated Directives Series (ADS).

Recommendation No. 3 recommends that USAID/West Africa require Catholic Relief Services to develop a system that will enable it to determine whether the schools within its school feeding program are visited at least twice per year as required and that this information indicating frequency of visits and issues encountered during the visits is readily available. USAID/West Africa concurred with the recommendation and stated it will require Catholic Relief Services to develop and submit a formalized plan to meet this recommendation by March 31, 2007 for approval by the Mission. The system will include the name of the school, visiting official, observations, signature and date, etc. and this information will be included in the quarterly reports and verified during regular monitoring trips.

Management's comments are included in their entirety in Appendix II.

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SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards. This audit is part of a worldwide audit of USAID's P.L. 480 non-emergency monetization activities. The audit was designed to determine if USAID/West Africa's P.L. 480 non-emergency monetization activities in Burkina Faso are achieving selected planned outputs.

In planning and performing the audit, we reviewed and assessed the effectiveness of management control related to the non-emergency monetization program. We identified pertinent management control as monitoring of monetization activities, accurate and timely recording of transactions and events, and maintenance of documentation.

The audit focused on USAID/West Africa's monetization activities in Burkina Faso and the selected planned outputs for fiscal years (FY) 2005 and FY 2006 for activities implemented by the two cooperating sponsors, Catholic Relief Services (CRS) and Africare. In FY 2005, actual monetization proceeds totaled $5.3 million (CRS - $4.0 million and Africare - $1.3 million), and in FY 2006, budgeted monetization proceeds totaled $4.1 million (CRS - $2.8 million and Africare - $1.3 million). The planned outputs were selected from the universe of development assistance programs which were being implemented by CRS and Africare. In reviewing the development assistance programs for both cooperating sponsors, we identified 75 outputs (45 for CRS and 30 for Africare) and judgmentally selected 22 outputs (12 for CRS and 10 for Africare) for in-depth review. Our selection of outputs was made to ensure we included outputs for activities in the various sectors such as education, agriculture, health and microfinance.

Fieldwork for this audit was performed from September 28, 2006 to October 3, 2006 and was conducted at the USAID/West Africa Regional Food for Peace Office in Dakar, Senegal, and in Burkina Faso at the offices of the cooperating sponsors Catholic Relief Services and Africare in Ouagadougou, and field sites in the provinces of Gnagna, Sanmatenga, and Zondomo.

Methodology

To answer the audit objective, we reviewed documentation such as relevant laws and regulations governing the P.L. 480 Title II Program and applicable USAID policies and procedures. In addition, we reviewed cooperating sponsors' funding agreements, development assistance proposals, implementation plans, annual results reports, annual resource reports, quarterly commodity reports, and the 2005 Bellmon Analysis. We also reviewed the Office of Food for Peace's Strategic Plan and the Federal Manager's Financial Integrity Act Report for FY 2005.

We interviewed USAID/West Africa staff regarding their roles and responsibilities for monitoring and oversight of the monetization program and the activities being implemented by each cooperating sponsor, CRS and Africare. We also interviewed cooperating sponsor program staff regarding the activities being implemented, their roles and responsibilities for monitoring of the activities, and data collection and reporting. In addition, we interviewed cooperating sponsor commodities management staff about the monetization process, commodities management, roles and responsibilities for monitoring and oversight, and data collection and reporting. Furthermore, we verified the accuracy of a sample of quarterly commodity reports submitted to USAID/West Africa in FY 2005 and FY 2006.

The audit team reviewed the cooperating sponsors' development assistance proposals, FY 2005 results reports, and implementation plans to identify outputs for review. We judgmentally selected 22 outputs (12 for CRS and 10 for Africare) for in-depth review. We measured whether the selected outputs had been achieved by comparing the results with planned outputs. We also determined progress by conducting site visits to observe the activities first-hand.

The following criteria were used to answer the audit objective:

- If 90 percent of the selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered positively.

- If 80 to 89 percent of the selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered positively but with a qualification.

- If less than 80 percent of the selected planned outputs achieved 90 percent of the targeted outputs, the audit objective would be answered negatively.

By reviewing source documentation, we verified the results of the selected outputs reported by the cooperating sponsors' for FY 2005. We also verified the cooperating sponsors' preliminary FY 2006 results of the same outputs. In assessing data quality and verifying and validating the performance data with source documentation, we used a materiality threshold of 5 percent for reporting accuracy.

MANAGEMENT COMMENTS

USAID | WEST AFRICA
FROM THE AMERICAN PEOPLE

February 7, 2007

MEMORANDUM

TO: Nancy T. Toolan, RIG/Dakar

FROM: Jatinder Cheema, Director, USAID/West Africa /s/

SUBJECT: **RESPONSE TO IG AUDIT OF USAID/WEST AFRICA'S MANAGEMENT OF THE P.L.480 NON-EMERGENCY MONETIZATION PROGRAM IN BURKINA FASO. (AUDIT REPORT NO. 7-624-07-001-P)**

USAID/West Africa (USAID/WA) acknowledges receipt of the Inspector General's draft audit report of the USAID/WEST Africa's management of the P.L.480 non-emergency monetization program in Burkina Faso. Mission Management would like to thank the IG auditors for their professionalism and collaboration/coordination with USAID/WA throughout this exercise. Below are USAID/West Africa's responses to the three recommendations of subject audit report.

Recommendation No.1: We recommend that USAID/West Africa require its cooperating sponsor, Africare, to develop a plan for addressing its internal cash flow problems to mitigate the effect on achieving planned outputs.

Mission's comments: Mission concurs with the recommendation.

Action to be taken: USAID/West Africa will require Africare to develop a cash-flow plan by March 31, 2007. This plan will include reasons for the cash flow problems, effects and mitigating factors. The plan will be approved by USAID/West Africa and monitored through quarterly reports and monitoring missions.

Recommendation No.2: We recommend that USAID/West Africa require both cooperating sponsors (CRS and Africare) to develop procedures for verifying reported data with source documentation, documenting key assumptions and calculations, and maintaining documentation to support results and other data reported to USAID.

<u>Mission's comments</u>: Mission concurs with the recommendation.

Action to be taken: USAID/West Africa will require both Cooperating Sponsors (CSs) to meet this requirement by March 31, 2007. USAID/West Africa will request a written narrative and template on how they have met or plan to meet this specific recommendation, which is also contained in the Data Quality Assessment (DQA) conducted by USAID/WA and FFP/W in January 2006. The Monitoring and Evaluation unit of each organization will be responsible for this template, which will be included in their Annual Results Reports. USAID/WA will verify CSs' compliance in implementing this recommendation shortly after the March 31, 2007 deadline. Mission also intends to conduct another DQA in Burkina Faso in 2009 to comply with the 3-year requirement of section 203.3.5.3 of USAID Automated Directives Series (ADS).

<u>Recommendation No.3:</u> **We recommend that USAID/West Africa require CRS to develop a system that will enable it to determine whether the schools within its school feeding program are visited at least twice a year as required and that the information indicating frequency of visits and issues encountered during the visits is readily available.**

<u>Mission's comments</u>: Mission concurs with the recommendation.

Action to be taken: Mission management will require CRS to develop a formalized plan to meet this recommendation by March 31, 2007 for approval by USAID/WA. The system will include the name of the school, visiting official, observations, signature and date, etc. USAID/WA will ensure that this is included in the quarterly reports and verified during regular monitoring trips.

Thank you.

COMPARISON OF PLANNED AND ACHIEVED OUTPUTS

Table 1: Catholic Relief Services (CRS)

	Output	FY 2005 Results Planned	FY 2005 Results Achieved	FY 2005 Results Percent Achieved	FY 2006 Results[a] Planned	FY 2006 Results[a] Achieved	FY 2006 Results[a] Percent Achieved	Results for 2-Year Period[b] Planned	Results for 2-Year Period[b] Achieved	Results for 2-Year Period[b] Percent Achieved
Agriculture										
1	Prepare sites for market gardening (in hectares)	15	31	207%	30	31	103%	30	31	103%
2	Allocate plots to individual farmers	300	551	184%	600	551	92%	600	551	92%
3	Train farmers in production techniques	0	0	N/A	300	550	183%	300	550	183%
4	Train farmers in water and soil conservation techniques	500	1,063[c]	213%	1,250	1,522	122%	1,250	1,522	122%
Education										
5	Provide food to schools for daily meals (# of beneficiaries)	305,283	321,665	105%	319,159	468,736	147%	624,442	790,401	127%
6	Provide take home rations to girls	5,792	7,892	136%	5,960	6,935	116%	11,752	14,827	126%
7	Construct school infrastructures	60	79	132%	60	11	18%	120	90	75%
Microfinance										
8	Progress towards creating the microfinance institution	1	1	100%	1	1	100%	2	2	100%
9	Number of clients with voluntary savings	2,900	1,734[d]	60%	3,500	3,381	97%	3,500	3,381	97%
10	Train clients in various business development skills	2,000	2,191[d]	110%	2,000	779[c]	39%	4,000	2,970	74%

	General Relief									
		FY 2005 Results			FY 2006 Results[a]			Results for 2-Year Period[b]		
	Output	Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved
11	Provide Title II commodities to targeted beneficiaries	13,033	13,502	104%	13,033	13,998	107%	26,066	27,500	106%
12	Provide commodity management training to partners	26	50[d]	192%	26	54	208%	52	104	200%

Notes:
[a] FY2006 results are year-end results compiled by the cooperating sponsor, but had not yet been formally reported to USAID in the FY 2006 Results Report.
[b] The planned outputs and achievements for the two-year period are either additive (FY 2005 added to FY 2006) or cumulative (FY 2006 incorporates FY 2005).
[c] Achievement for this output could not be verified.
[d] Discrepancies were found between the reported amount and source documentation. We used the data indicated in the source documentation.

Table 2: Africare

	Agriculture									
		FY 2005 Results			FY 2006 Results[a]			Results for 2-Year Period[b]		
	Output	Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved
1	Support in the development of anti-erosive constructions (in hectares)	164	278	169%	230	1,719	747%	394	1,997	507%
2	Construction of livestock infrastructures	200	0	0%	200	492	246%	400	492	123%
3	Conduct demonstrations of improved techniques	220	250	114%	320	418	131%	540	668	124%
4	Support local production of improved seeds (in hectares)	15	30	200%	25	37	148%	40	67	168%
	Support local production of improved seeds (in kg)	N/A	2,805[c]	N/A	N/A	5,996	N/A	N/A	8,801	N/A

	Output	FY 2005 Results			FY 2006 Results[a]			Results for 2-Year Period[b]		
		Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved	Planned	Achieved	Percent Achieved
Microfinance										
5	Finalize collaboration protocols with regional savings union	1	1	100%	1	1	100%	2	2	100%
6	Provide individuals microcredit	0	0	N/A	800	1,695	212%	800	1,695	212%
7	Training of individuals in income generating activities	15	15	100%	1,500	1,751	117%	1,515	1,766	117%
Health and Nutrition										
8	Enrollment in growth monitoring program (# of villages)	74	40	54%	104	74	71%	104	74	71%
	Enrollment in growth monitoring program (# of individuals)	N/A	6,330[d]	N/A	N/A	12,976[c]	N/A	N/A	12,976	N/A
9	Construction of wells	0	0	N/A	30	10	33%	30	10	33%
Capacity Building										
10	Provide literacy training	1,150	1,019	89%	2,425	787	32%	3,575	1,806	51%

Notes:
[a] FY2006 results are year-end results compiled by the cooperating sponsor, but had not yet been formally reported to USAID in the FY 2006 Results Report.
[b] The planned outputs and achievements for the two-year period are either additive (FY 2005 added to FY 2006) or cumulative (FY 2006 incorporates FY 2005).
[c] Achievement for this output could not be verified.
[d] Discrepancies were found between the reported amount and source documentation. We used the data indicated in the source documentation.

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