



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

September 22, 2006

MEMORANDUM

TO: Sudan Field Office, Mission Director Katherine Almquist

FROM: Regional Inspector General/Pretoria Nathan S. Lokos /s/

SUBJECT: Memorandum on Fieldwork Conducted at the USAID/Sudan Field Office in Support of the Fiscal Year 2006 USAID Financial Statement Audit (Report No. 4-650-06-002-S)

This memorandum transmits our findings and recommendations for assuring the fair presentation of financial statements and improving the internal control structure for the USAID/Sudan Field Office. Your comments on our draft memorandum were considered and are included as an attachment to this final memorandum.

This memorandum includes three recommendations. In response to the draft memorandum USAID/Sudan Field Office concurred with all of the recommendations and included corrective action plans and target completion dates. Management decisions have been reached on all three recommendations. Please provide documentation supporting final action for Recommendation Nos. 1, 2, and 3 to the Bureau for Management, Audit Performance and Compliance Division.

This memorandum is not an audit report. The findings were developed during our Audit of the USAID/Sudan Field Office in Support of the Fiscal Year 2006 USAID Financial Statement Audit. We are issuing this memorandum because the findings from the audit will be part of a worldwide effort that is not expected to be issued until November 2006. We believe that these recommendations should be brought to your attention and acted upon before that time.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff throughout this audit.

BACKGROUND

During the period July 17, 2006, to August 11, 2006, the Regional Inspector General (RIG)/Pretoria performed the Audit of the USAID/Sudan Field Office in Support of the Fiscal Year 2006 USAID Financial Statement Audit.¹ This resulted in an audit summary that was prepared and sent by RIG/Pretoria to the Office of Inspector General in Washington D.C. The audit summary had identified 12 recommendations to assure the fair presentation of financial information and improve the internal control structure for the USAID/Sudan Field Office. Three of the twelve recommendations provided in the audit summary are also being provided in the discussion section of this memorandum.

DISCUSSION

RIG/Pretoria is including the following findings and associated recommendations in this memorandum because Recommendation Nos. 1 and 2 were considered time sensitive, needing to be completed by the end of fiscal year 2006 in order to assure the fair presentation of financial information for the USAID/Sudan Field Office. Recommendation No. 3 is being presented in this memorandum in order to strengthen the procurement process used by the Mission.

Accounts Receivable Should Be Posted to Phoenix

Recent communications from USAID's Office of the Chief Financial Officer require missions to directly enter their accounts receivable information into Phoenix rather than through DATA CALL, an internet-based information collection tool. Despite this requirement, as of the time of our audit, USAID/Sudan Field Office had not entered its accounts receivable into Phoenix, reportedly due to an initial absence of clear guidance from USAID/Washington. These accounts receivable numbered 94 and totaled approximately \$87,000. As a result, the Mission's accounts receivable are not reflected in USAID's account balances. We are making the following recommendation to address this situation:

Recommendation No. 1: We recommend that USAID/Sudan Field Office immediately post accounts receivable into Phoenix so that the proper accounts receivable balances are available for the end of fiscal year 2006.

Data Certification Needs to Be Carried Out

USAID's Office of the Chief Financial Officer's DATA CALL has been developed to collect data from USAID missions for the preparation of USAID's financial statements. For the past several years, data was collected on an annual basis. Beginning in FY 2003, Office of Management and Budget (OMB) mandated that all agencies prepare financial statements on a quarterly basis. To help meet OMB's accelerated financial statement reporting deadline, the required input and certification for the quarter had to be completed no later than the eighth day of the month following the end of the quarter. USAID's web tool guidelines state that the DATA CALL certification is extremely important.

¹ The USAID/Sudan Field Office relied upon accounting staff from the USAID/East Africa/Regional Financial Management Center to assist with and handle various accounting activities.

The Mission's Khartoum office submitted the required account balances for USAID/Sudan Field Office into the DATA CALL, but the USAID/East Africa/Regional Financial Management Center chief accountant did not certify the DATA CALL, believing that the DATA CALL was no longer required with the implementation of Phoenix. The web tool guidelines also state that if missions do not enter their data and certify the reports, it could adversely affect the financial statement opinion for the entire agency. In this instance, USAID/Washington did not receive the certified balances for June 30, 2006, thus the Agency's relevant quarterly financial statement balances are understated, including accounts receivable.

Recommendation No. 2: We recommend that USAID/Sudan Field Office (1) submit all required data except accounts receivable through the web tool, as of September 30, 2006, and (2) work with USAID/East Africa/Regional Financial Management Center to certify this data by October 8, 2006.

Procurement Issue

On February 20, 2004, USAID/Sudan Field Office entered into an indefinite quantity contract with Express Travel Group to provide logistical support services. Among such services, were air and road transport, accommodation and meals, travel, workshops in Nairobi and Southern Sudan, and studies. On September 27, 2004, the contract type was changed to a "requirements contract," with the disbursements to be accomplished through work orders. Under the contract's statement of work are examples of the logistical services, including U.S. consultants conducting studies in Southern Sudan.

Based on the audit work we performed at the Mission as part of the FY 2006 Financial Statement Audit, it appears that the authority in the Express Travel Group to procure U.S. consultants may circumvent the competition requirements included in USAID Automated Directives System (ADS) and the Federal Acquisition Regulation (FAR). ADS Section 302.3.1.1 notes that USAID executes all direct procurement in accordance with the FAR. The FAR states that contracting officers should promote and provide for full and open competition in soliciting offers and awarding government contracts.² The FAR also cites the U.S. Code, which states that the head of an agency, with limited exceptions, shall obtain full and open competition in conducting procurements for property or services.

Despite these requirements for full and open competition, in September 2005 the Mission issued a work order to the Express Travel Group for the noncompetitive procurement of a specific consultant and a researcher to provide reports on various subjects. This work order totaled \$262,099, which is over and above the threshold set for the limited justification for less than full and open competition cited in the ADS.³ As a result of passing this procurement through the Express Travel Group contract, a justification for less than full and open competition for this procurement was not subjected to the review of the Agency Competition Advocate as required for all awards exceeding \$250,000.

We believe that while the authority to procure consultants may have originally been included in the Express Travel Group contract to expedite the procurement process, the proven potential it provides to circumvent the Agency's controls over full and open competition raise the risk that

² This is found in FAR 6.101.

³ ADS 302.3.4.1 states that overseas contracts of \$250,000 or less may be exempted from full and open competition without justification.

USAID/Sudan Field Office will perform procurements that do not comply with USAID and Federal Government requirements. Accordingly, we are making the following recommendation:

Recommendation No. 3: We recommend that USAID/Sudan Field Office take immediate action to modify the Express Travel Group's contract so that in the future they will not be able to procure consultants for the Mission.

EVALUATION OF MANAGEMENT COMMENTS

In responding to our draft memorandum USAID/Sudan Field Office management concurred with Recommendation Nos. 1, 2, and 3. For Recommendation No. 1, the Mission indicated that they have posted all accounts receivable in Phoenix, except those which may exist in their Khartoum office. The remaining accounts receivable will be entered into Phoenix by the end of September 2006. The Mission stated that for Recommendation No. 2, it had received additional clarification from the Office of the Chief Financial Officer. Based on this clarification, Mission management understands that the Mission must continue to capitalize all property, plant, and equipment costs over \$25K into the web reporting tool. They also noted that by September 30, 2006, they will enter into the web reporting tool all qualified assets as well as possible foreign service nationals' salary and benefits. For Recommendation No. 3, the Mission indicated that the Acquisition Office is working through the Regional Legal Advisor to modify the Express Travel Group's contract to prohibit the procurement of consultants for the Mission, this will be completed by the end of September 2006. In the interim, Mission staff was informed on September 11, 2006, that all such procurements by Travel Express Group were prohibited immediately. Based upon the above information, we consider that a management decision has been reached for Recommendation Nos. 1, 2, and 3.

Management's comments are included in their entirety in the attachment to this memorandum.



USAID
FROM THE AMERICAN PEOPLE

Memorandum

To: Regional Inspector General, Nathan S. Lokos
From: USAID/Sudan, Mission Director Katherine Almquist
Date: 9/20/2006

SUBJECT: Response to Memorandum regarding the Assuring of the Fair Presentation of Financial Statements and Improving of Internal Control Structure for the USAID/Sudan Field Office (Report No. 4-650-06-00X-S)

This memorandum is to respond to your Memo dated September 7, 2006 regarding 3 of the 12 recommendations made by the audit team in August.

We are in agreement with all three and are including our corrective action plan and target completion dates.

Recommendation No. 1: We recommend that USAID/Sudan Field Office immediately post accounts receivable into Phoenix so that the proper accounts receivable balances are available for the end of fiscal year 2006.

We agree with this recommendation and have posted all accounts receivable in Phoenix except for those which may exist in our Khartoum office. These remaining accounts receivable will be entered in Phoenix by end of the month.

Recommendation No. 2: We recommend that USAID/Sudan Field Office submit and certify all required data except accounts receivable through the web tool, as of September 30, 2006.

We agree with this recommendation. After some additional clarification from the CFO's office we now understand that we must continue to enter all capitalizable costs for property plant and equipment over \$25K into the web

reporting tool. We are currently reviewing the recently completed inventory property plant and equipment and will enter all qualified assets by September 30, 2006. Additionally, there may be some accrual information related to our FSN salary and benefits that will need to be entered. This information will also be entered by September 30, 2006.

Recommendation No. 3: We recommend that USAID/Sudan Field Office take immediate action to modify Express Travel Group's contract so that in the future they will not be able to procure consultants for the Mission.

We agree with the recommendation. The Acquisition office is currently working with RLA to modify the Express Travel Group's contract to prohibit the procurement of consultants for the Mission. This action will be completed by end of month. Additionally, this issue was discussed in the general staff meeting held on Monday September 11th and staff was informed that all such procurements are prohibited effective immediately. Those in process will be reviewed by the Acquisition Officer and or Executive Officer for approval.

We also want to express our thanks to your audit team they were extremely professional and helpful. As a result of their efforts we will be making significant improvements in our FM operations during the coming year.

Sincerely,

[signed by Gene Villagran for Katherine Almquist]