

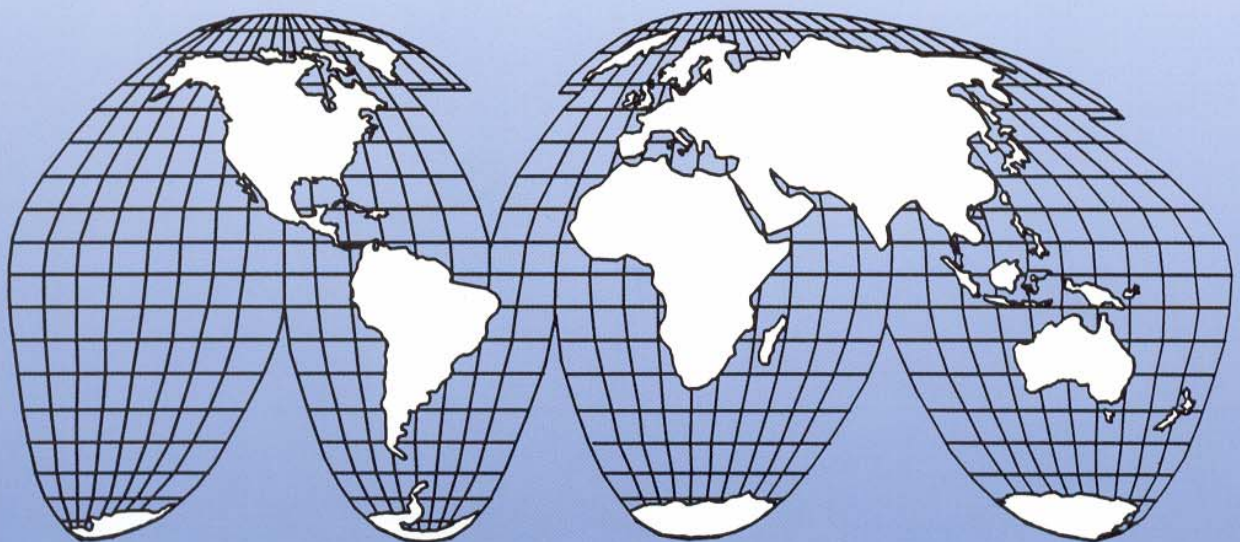
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Haiti's Executive Office Operations

Audit Report No. 1-521-03-004-P

May 29, 2003



San Salvador, El Salvador

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May 29, 2003

MEMORANDUM

FOR: USAID/Haiti Director, David Adams

FROM: RIG/San Salvador, Timothy E. Cox

SUBJECT: Audit of USAID/Haiti's Executive Office Operations (Report No. 1-521-03-004-P)

This memorandum is our report on the subject audit.

Your comments on the draft report were considered in preparing this report. They are included for your reference in Appendix II.

This report contains eight recommendations for your action. Regarding Recommendation No. 7, final action has been taken. Regarding Recommendation Nos. 1, 2, 4, 6, and 8, a management decision has been reached, but final action is pending. No management decision has been reached regarding Recommendation Nos. 3 and 5.

Please advise my office within 30 days of the actions you have planned or taken to implement Recommendation Nos. 3 and 5. Once you have a firm plan of action to implement those recommendations, please provide it to us for our concurrence. The Office of Management Planning and Innovation will make a determination of final action after the recommendations have been completely implemented.

Once again, thank you for the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

As part of its fiscal year 2003 audit plan, the Regional Inspector General/San Salvador performed this audit to determine if USAID/Haiti performed its Executive Office (EXO) operations in accordance with USAID policies and applicable laws and regulations (page 7). The audit covered EXO operations in the areas of (1) procurement, (2) lease management, (3) non-expendable and expendable property management, (4) motor pool, (5) personnel and (6) utilities (page 7). In all six areas, the audit showed that many EXO functions were performed in accordance with USAID policies and applicable laws and regulations (page 7).

The audit also found that:

- The Regional Security Officer did not approve residential leases (page 9).
- Documentation justifying residential swimming pools was not maintained (page 9).
- The proper segregation of duties for non-expendable and expendable property operations, including physical inventories, was not established (page 10).
- An expendable property inventory system was not maintained (page 11).
- Auction procedures were not documented (page 11).
- The proper number of vehicles and drivers was not assessed (page 12).
- A policy for long distance calls was not established (page 13).
- Acceptable residential utility usage rates were not established or monitored (page 13).

To address the issues noted in this report, we are making eight recommendations. We recommend that USAID/Haiti obtain written approval from the Regional Security Officer for all USAID/Haiti residential properties (page 9), evaluate the necessity of maintaining residential swimming pools and get Mission Director written approval on each lease where the property contains a swimming pool (page 10), take the necessary steps to allow for adequate segregation of duties with respect to personnel in property management positions and the required annual physical inventory (page 10), establish an inventory record system for expendable property (page 11), issue auction policies and procedures and incorporate in them the requirement to (a) document its rationale for any deviation from auction procedures and (b) obtain approval from the Executive Officer for any deviation (page 12), perform a Dispatch Analysis as required by USAID's Automated Directives System (page 12), establish procedures so that the lowest cost alternative for making long distance calling is utilized (page 13), and track employee utility usage, establish

normal usage rates, and notify employees when usage exceeds the established normal range (page 14).

USAID/Haiti agreed with six (Nos. 1, 2, 4, 6, 7, and 8) of the eight recommendations in this report, implemented final action on one of them (No. 7), and made management decisions on the remaining five. The mission has taken some action on the two recommendations it disagreed with (Nos. 3 and 5) and management decisions will be made on these recommendations after USAID/Haiti has developed and the Office of Inspector General has concurred on a firm plan of action to implement the recommendations. The Office of Management, Planning, and Innovation will determine final action on Recommendation Nos. 1, 2, 3, 4, 5, 6, and 8 after the recommendations have been implemented (page 14).

Background

As discussed in USAID's Automated Directives System, the Executive Office (EXO) within a mission is responsible for providing managerial guidance and directions in the following functional areas: program support, budgetary planning, management analysis and planning, human resources management, administrative and general services including property management, contract management, embassy administrative support, administrative support to contractors, security and safety, travel and transportation, and information resources management.

The EXO, in coordination with the Mission Director and the Controller's Office, is responsible for the administrative management functions of the mission, which may include personnel management, general services, leasing, travel, security, property management, contracting, leasing, information resources management, communications and records management. The size, complexity and diversity of the mission and the availability of local or regional services determine the scope of functions of an Executive Office.

In April 2002, the Regional Inspector General/San Salvador conducted a risk assessment of major functions within USAID/Haiti. We identified USAID/Haiti's major functions based on input from the Mission Director, discussions with mission staff, and review of mission reports. We judged risk exposure (e.g., the likelihood of significant abuse, illegal acts, and/or misuse of resources, failure to achieve program objectives and noncompliance with laws, regulations and management policies) for those major functions. We judged the EXO functions to have a "high" risk exposure, which simply means that they are more vulnerable to not achieving their objectives or to experiencing errors or irregularities.

This audit primarily covered the period from July 1, 2002 through December 31, 2002. During this period, there were 120 employees and obligations totaled approximately \$4.9 million.

Audit Objective

The Regional Inspector General/San Salvador added this audit to its fiscal year 2003 audit plan as a result of its April 2002 risk assessment of major functions within USAID/Haiti. The audit was performed to answer the following audit objective:

- Are USAID/Haiti's Executive Office operations performed in accordance with USAID policies and procedures and applicable laws and regulations?

Audit Findings**Are USAID/Haiti's Executive Office operations performed in accordance with USAID policies and procedures and applicable laws and regulations?**

Except for the problem areas noted in the following sections of the report, USAID/Haiti's Executive Office (EXO) operations were performed in accordance with USAID policies and procedures and applicable laws and regulations.

The audit covered EXO operations in (1) procurement, (2) lease management, (3) non-expendable and expendable property management, (4) motor pool, (5) personnel and (6) utilities. The audit showed that many EXO functions were performed correctly:

- In the area of procurement, the audit found that (a) appropriate specifications were provided for procurements, (b) required competition in the procurement process was obtained, (c) documentation to support the use of simplified acquisition was provided, (d) purchase order forms were correctly prepared and approved, and (e) items procured showed evidence of receipt.
- For the mission's management of leases, the audit found that (a) landlords were host country residents and no off-shore lease payments were made, (b) where possible, required security upgrades were paid by the landlord as a condition of the execution of leases, (c) employees were assigned housing according to their position grade and family size, and an interagency housing board approved all assignments, and (d) approval for non-residential space leases and residential leases over \$25,000 per year was obtained from USAID/Washington.
- With respect to non-expendable property: (a) inventory records were in agreement with the physical inventory count, (b) the warehouse was secure, and (c) good storage practices were generally followed. Also, with respect to expendable property: (a) the supply room was secure and (b) good storage practices were generally followed.
- In the motor pool, the audit found that (a) the mission maintained purchase invoices, purchase orders, registrations, and customs documentation for all

vehicles, (b) accident reports were prepared when necessary, (c) work orders were prepared when necessary, (d) trip reports were prepared daily and filed, (e) vehicle maintenance was regularly performed, and (f) monthly and annually required motor pool reports were prepared and submitted to USAID/Washington.

- With respect to the mission's personnel management, the audit found that (a) all hiring of personnel was done in accordance with applicable criteria, (b) required documentation for all personnel actions was maintained, (c) local staff was compensated as required by U.S. and Haitian laws, and (d) leave for local staff was accrued and carried forward as required.
- For the management of utilities, the audit found that (a) the distribution of cell phones and phone cards was tracked and accomplished through proper authorization, (b) procedures for approving, processing, paying and collecting utility costs were in place and being adhered to, and (c) bill of collection procedures for non-official long distance phone calls and fax transmissions were in place.

Improvements are needed in four functions: (1) management of leases, (2) non-expendable and expendable property management, (3) motor pool operations, and (4) utilities. As is described in more detail in the following sections:

- The mission did not obtain approval from the Regional Security Office prior to the execution of residential leases.
- Waivers justifying the leasing of residences with swimming pools for USAID employees were not prepared or approved.
- An appropriate separation of duties for non-expendable and expendable property operations was not established.
- An inventory system was not maintained for expendable property.
- Auction procedures were not documented and the latest auction was not managed in a transparent manner.
- The EXO did not assess the proper number and distribution of vehicles and drivers.
- The mission was not utilizing the most economical means of making long distance phone calls.
- The mission has not determined acceptable residential utility usage rates and does not have a policy of notifying employees when there are unreasonably large increases in utility usage.

Regional Security Officer Approval Is Needed Prior to Residential Lease Signing

Although required by USAID's Automated Directives System (ADS) 562.3.6 and the Foreign Affairs Manual (6 FAM 732), the mission was not obtaining approval from the Regional Security Officer (RSO) in Haiti prior to lease signing. Of the 15 residential leases currently managed by the EXO, the RSO had not provided final security approval on any of them. Five residences received an initial inspection by the RSO, who made security recommendations, but there was no final RSO approval of the residences. Additionally, according to a security inspection performed in the summer of 2000 by the Department of State, all of the USAID residences needed security improvements in order to be compliant with security requirements.

According to the RSO, the mission frequently failed to request a final inspection by their office, which may be because USAID misinterpreted its initial inspection as approval. The former EXO, who was responsible for signing the 15 residential leases, could not be reached for comment. Current EXO personnel are new and have not negotiated any leases. The current EXO stated that he would have discovered and corrected this misinterpretation when he was negotiating the first new lease. RSO approvals prior to leasing residential properties are required to ensure that USAID personnel, as well as their dependents and personal property, are reasonably safe from criminal threats. This is particularly important in Haiti, which has been designated by the RSO as a "critical" post in terms of the prevalence of crime.

Recommendation No. 1: We recommend that USAID/Haiti obtain written approval from the Regional Security Officer for all USAID/Haiti residential properties.

Determination of the Necessity of Residential Swimming Pools Needed

Effective December 28, 1998, ADS 535.3.3 states that no residential leases may be entered into if the property includes a swimming pool unless no other adequate quarters are available as established and documented by USAID and approved by the Mission Director for each such lease. USAID/Haiti entered into or renewed 13 leases after December 28, 1998, in which the properties being leased contained swimming pools. The mission did not document the rationale for not adhering to this USAID policy.

According to USAID/Haiti officials, it is virtually impossible to lease a residential unit in Haiti, suitable for a U.S. government employee, which does not have a swimming pool. Mission management stated that, having come from prior posts in Africa where swimming pools were commonplace, upon arriving in Haiti they

did not question the fact that most USAID residences had swimming pools. They stated that the absence of waivers would have come to their attention and would have been corrected when the first new lease was processed.

Leasing properties with swimming pools is an extremely sensitive issue since USAID's mission is to support development in developing and transitional countries, and there is a special need to avoid the appearance that USAID employees are living extravagant lifestyles that are inconsistent with USAID's mission. In addition, properties with swimming pools create safety issues and expose the U.S. government to potential liability in the event of accidents.

Recommendation No. 2: We recommend that USAID/Haiti (a) evaluate the necessity of maintaining residential swimming pools, and (b) get Mission Director written approval on each lease where the property contains a swimming pool.

Separation of Duties Needed For Property Operations

The Foreign Affairs Manual (6 FAM 221.2), *Personal Property Management for Posts Abroad – Delegated Responsibilities – Separation of Duties*, states that a proper management control system ensures that no one individual is in the position to control all aspects of any transaction affecting the receipt, storage, or disposition of expendable or non-expendable property. For the mission's property operations regarding both expendable and non-expendable property, the same employees perform the duties of receiving property, record keeping and storage, and conducting physical inventories.

According to mission officials, the warehouse operations have been in a state of flux for the last year because the former property supervisor's performance was poor and new personnel for both expendable and non-expendable property had only recently been working in their respective positions. They have been operating without benefit of adequate supervision, written operating procedures and, for expendable property, an adequate computerized inventory system. The mission had also only recently moved into a new warehouse facility and is currently short one position. Additionally, current mission management was unaware that physical inventories were not being performed by someone other than property personnel. Not only does this lack of separation of duties violate management control principles, it makes it difficult for mission management to protect against and/or detect any irregularities.

Recommendation No. 3: We recommend that USAID/Haiti take the necessary steps to allow for adequate segregation of duties with respect to personnel in property management positions and the required annual physical inventory.

Inventory System Needed For Expendable Property

The Foreign Affairs Manual (6 FAM 224), *Control of Personal Property*, requires that property management personnel establish procedures which reasonably ensure that all personal property is controlled. This includes maintaining inventory records on all accountable property. For its expendable property, the mission did not have an inventory system in place to maintain accurate and reliable records.

USAID/Haiti's Information and Management Office was tasked with developing a computerized system to account for expendable property. It developed a property inventory database in September 2002, but due to conflicting priorities, it had not completed its testing of the new system. As a result, the mission cannot be assured of what expendable property it has, what materials will be needed or are not being used, or if there is any unaccounted for property. It is also unable to perform annual inventory reconciliations to records as required by 6 FAM 226.1.

Recommendation No. 4: We recommend that USAID/Haiti establish an inventory record system for expendable property.

Auction Procedures Need To Be Documented

ADS 527.5.1, *Functions of the Mission Executive Office*, states that the Executive Office shall normally be responsible for planning and directing the mission's personal property including acquisition, management, and disposal programs and develop standards for issuing, using and controlling the personal property of the mission. Further, the Code of Federal Regulations (41 CFR 109-45.304-51[h]), *Documentation*, states that files pertaining to surplus property sales shall contain copies of all documents necessary to provide a complete record of the sales transactions and shall include a justification concerning any award made to other than the high bidder.

In June 2002, USAID/Haiti held a sealed-bid auction to dispose of excess or obsolete property. However, contrary to the above requirements, of the 72 transactions reviewed from this auction, there were 22 instances (31 percent) where the highest bidder did not win, and the mission did not document its reasons for these departures from normal auction procedures. In addition, in the 22 instances where the highest bidder did not win, 13 (59 percent) of the winners were either a USAID employee or a relative of an employee. According to the property supervisor, this could have occurred because in the past USAID/Haiti has shown preferential treatment in awarding bids to its employees and their relatives. On the other hand, according to other EXO officials, the only preferential treatment that employees and their families enjoyed were less stringent payment terms when they did win a bid. They stated that frequently the

highest bidder did not win because they were not physically present at the auction and the item was (1) given to the next highest bidder, (2) left at the end of the day, so the mission chose to sell it to whoever was there for the minimum bid, or (3) considered junk, so the mission chose to sell it to whoever was there for the minimum bid or lower. However, there was no documentation maintained to support what actually happened.

EXO officials did not issue written auction procedures and/or provide the necessary management oversight to ensure a transparent and fair sealed-bid auction. In addition, at the time of the June 2002 auction, the EXO office was in a state of transition as the former EXO was about to retire and depart post. As a result, the U.S. government may not have received the highest proceeds possible on the June sale of excess property and, there could have been unfair bidding practices.

Recommendation No. 5: We recommend that USAID/Haiti issue auction policies and procedures and incorporate in them the requirement to (a) document its rationale for any deviation from auction procedures and (b) obtain approval from the Executive Officer for any deviation.

Correct Number of Vehicles and Drivers Needs to be Assessed

ADS 536.3.4(a) states that missions must annually conduct a dispatch analysis to determine if the post has the correct number and distribution of vehicles and drivers. Instructions on how to perform this assessment are detailed in 6 FAM 228.1-2(B) and ADS 536.3.4(b). The mission has not performed a dispatch analysis, or the equivalent, in several years and the current EXO, having recently arrived at post, has expressed concerns over the number of vehicles—38 for a mission with 14 Americans—maintained by his office.

According to an EXO official, there are several unique circumstances present in Haiti, such as bad roads, extensive traffic in the capital, and security concerns that necessitate the need for USAID to provide shuttle services to Americans traveling to and from the office, that require the mission to have more than the average number of vehicles and drivers. However, this official was not aware of the annual requirement to assess the mix of vehicles and drivers. The former EXO had not performed a dispatch analysis in several years and the new EXO had only recently arrived at post. Therefore, USAID/Haiti is not assured that it has the correct number and distribution of vehicles and drivers and may therefore, be neglecting opportunities to improve mission cost and performance efficiencies.

Recommendation No. 6: We recommend that USAID/Haiti perform a Dispatch Analysis as required by USAID's Automated Directives System.

Policy for Long Distance Calls Should Be Established

USAID Notice 633 *Long Distance Calling Policy and Telephone System Information*¹ applies to USAID/Washington and states that missions are encouraged to develop policy and guidelines for their staff. We did not find a mission policy in this area. The audit found that mission personnel, utilizing a U.S. Embassy dedicated phone line to Washington, D.C., used AT&T calling cards for making long distance calls to the U.S. In addition, personnel used the AT&T cards for making calls to the U.S. and the Dominican Republic directly from Haiti.

The mission's long distance records for September 2002 were analyzed. This analysis showed that calls made using the AT&T calling card cost between 92 cents and \$11 per minute. If instead, personnel had made all calls to the U.S. and the Dominican Republic utilizing pre-paid calling cards, costing 5 to 10 cents per minute, and utilizing the dedicated line through Washington, D.C., the mission could have saved approximately \$25,000 per year. In the future, these savings could increase due to the January 2003 installation of a new Voice Over Internet Protocol (VOIP) phone system, which, when utilized, will enable free long distance calling to the U.S.

Because of competing priorities and changes in EXO personnel, this issue had not previously been addressed. In addition, mission management was unaware of the cost per unit charge of long distance calls utilizing the AT&T calling cards.

Recommendation No. 7: We recommend that USAID/Haiti establish procedures so that the lowest cost alternative for making long distance calling is utilized.

Acceptable Utility Usage Rates for Residences Should Be Established

Foreign Affairs Manual (FAM) section 6 FAM 717.9-2 *Residential Cost Controls for Utilities* states that the Executive Officer for USAID is responsible for ensuring that costs of utilities for U.S. Government-held residences are carefully controlled and held to reasonable levels. Since USAID/Dominican Republic became the accounting station for USAID/Haiti in October 2002, the mission sends all records of utility costs for each residence to them and did not maintain copies of receipts. Therefore, usage rates by household were not tracked for highs and low in order to track variances and establish acceptable use rates. Also, the mission did not have a policy for notifying employees in the event of large increases in utility usage. This occurred because EXO officials considered their

¹ USAID/Washington Notice 633 was issued on October 7, 1992 and was included as a mandatory reference to the ADS effective September 21, 1998.

current process, which included a review of invoices that are then signed by the EXO, to be sufficient. However, since their review did not include a month-to-month comparison, excess utility usage, which could be adjusted by changes in employee habits, or which could be the result of problems with the house or utility theft, may not be corrected.

Recommendation No. 8: We recommend that USAID/Haiti track employee utility usage, establish normal usage rates, and notify employees when usage exceeds the established normal range.

**Management
Comments and
Our Evaluation**

In responding to our draft report, USAID/Haiti presented steps being taken to address each recommendation. Its comments are included in their entirety in Appendix II.

Regarding Recommendation Nos. 1, 2, 4, 6, and 8, the mission agreed with the reported findings and has developed a firm plan of action to address each recommendation. Consequently, a management decision has been made.

Regarding Recommendation No. 7, the mission agreed with the reported finding and has already implemented procedures and a system which provides it with a no-cost alternative for making long distance calls. Therefore, final action has been taken on this recommendation.

USAID/Haiti has taken some action on the two recommendations it disagreed with (Nos. 3 and 5) and management decisions will be made on these recommendations after the mission has developed and the Office of Inspector General has concurred on a firm plan of action to implement the recommendations.

Scope and Methodology

Scope

The Regional Inspector General/San Salvador conducted an audit of USAID/Haiti's Executive Office (EXO) operations. The audit was performed in accordance with generally accepted government auditing standards at the offices of USAID/Haiti from January 13 to 30, 2003.

The audit examined USAID/Haiti's EXO operations in procurement, lease management, non-expendable and expendable property management, motor pool, personnel, and utilities for the period July 1, 2002 to December 31, 2002. In addition, the audit examined the auction process that was held in June 2002. It did not cover any other EXO operations.

We used statistical sampling techniques to draw three of the samples used in this audit (procurements, non-expendable property, and personnel). For the first two categories, a 95 percent confidence level with plus or minus 4 percent precision limit and expected occurrence rate of 5 percent was used. For procurements, this resulted in a sample of 95 procurement actions. The sample of non-expendable property included 114 items. For part of our personnel testing, we utilized discovery sampling by randomly selecting 30 employees.

Because populations were small, one hundred percent reviews were performed for lease management, motor pool, and personnel actions. For utilities, we judgmentally selected one month, September, and reviewed all items in that month. Lastly, in the examination of the auction process, we selected the first 72 lots that were sold. We considered non-compliance exceeding 5 percent of the cases reviewed (by number) to represent material non-compliance.

We assessed the mission's risk exposure and control effectiveness over EXO processes in procurement, lease management, non-expendable and expendable property management, motor pool, personnel and utilities. We interviewed USAID/Haiti officials and reviewed the mission's October 2002 self-assessment of its compliance with the Federal Manager's Financial Integrity Act of 1982. In addition, we analyzed the leave taken by key EXO employees from July 1, 2002 to December 31, 2002 and analyzed responses to a questionnaire sent to all USAID/Haiti employees, which solicited employee opinions on EXO operations.

Methodology

The audit objective was to determine if USAID/Haiti's Executive Office operations were performed in accordance with USAID policies and applicable

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laws and regulations. Specifically, we reviewed EXO operations in procurement, lease management, non-expendable and expendable property management, motor pool, personnel, and utilities.

In examining procurement, we used reports provided by USAID/Dominican Republic, the accounting station for USAID/Haiti, which it obtained from the Mission Accounting and Control System (MACS). These reports provided a list of all procurement actions initiated by USAID/Haiti during the period July 1, 2002 to December 31, 2002. We reviewed a random sample of 95 procurement actions totaling \$405,531 out of a universe of 524 procurement actions totaling \$4,925,178.

In examining leases, we obtained a list of all active leases in force during the period under audit and compared this list against the physical files of leases in the Executive Office. We determined that there were a total of 17 active leases in force for the period under audit. We reviewed 100 percent of the lease files.

For non-expendable and expendable property management, we obtained separate samples. For non-expendable property, we obtained a list of all non-expendable property sorted by location. The resultant list was comprised of 9,784 items, which was our audit population. The sample size for this population was determined to be 114 items (only 80 had monetary values attributed to them) valued at \$19,231.

For the June 2002 auction, we selected the first 72 lots sold out of a total of 135 lots. We initially intended to review all 135, but after completing 72 it was determined to be adequate for assessing the tested attributes.

Motor pool operations included 38 vehicles and 23 drivers, including the motor pool supervisor. This total reflected staff on-board at the time of the audit in January 2003. We obtained the permanent and maintenance files for each vehicle, and conducted a 100 percent review of these records.

Additionally, we physically inspected each vehicle to ensure that the vehicle identification numbers agreed with the vehicle records and if the vehicles contained seatbelts. We also analyzed the mission's control of fuel and oil usage and inspected the vehicle maintenance facility to ensure compliance with fire and safety standards.

For personnel operations we obtained a list of all personnel changes made during the audit period (totaling 24) and a list of all Foreign Service National employees (totaling 106). We reviewed 100 percent of the personnel changes made and randomly selected 30 employees to determine if hiring, firing and

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employee compensation was done in accordance with applicable policies and procedures.

For utilities, because the universe was large, we judgmentally selected the month of September 2002 and determined the following:

- Whether the mission has a system for issuing bills of collection for personal phone calls and faxes.
- Whether the mission was utilizing the most cost-effective method for making official long distance calls.
- Whether the mission was regularly monitoring residential utility usage.

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**Management
Comments**

April 21, 2003

David Adams, USAID/Haiti Mission Director

Management Comments on the RIG Draft Audit Report No. 1-521-03- 0XX-P.

Timothy E. Cox, RIG/A/San Salvador

This memorandum constitutes USAID/Haiti's response to the Regional Inspector General (RIG) Draft Audit on USAID/Haiti's Executive Office Operations (Report No. 1-521-03-0XX-P)

General Comments:

USAID/Haiti appreciates the time and effort of your staff in carrying out the audit of the Executive Office Operations. After completing the review of the Draft Audit Report, the Mission has some specific comments to make regarding recommendations No. 3 and No. 5.

Recommendation No. 3: The Mission believes that there is appropriate segregation of duties within the Property Operations. Proper and adequate management control systems, supported by written procedures, are in place to ensure that any transactions affecting the receipt, storage and disposition of non-expendable property are conducted in accordance with management's authorization.

Recommendation No. 5: The Mission believes that there were proper and adequate internal controls in the disposition of non-expendable property through auction sales process. Files pertaining to surplus property sales contained copies of all documents necessary to provide a complete record of the sales transactions. The Mission believes that any deviations if found to the established control process were true exceptions rather than the norm.

Mission proposed course of actions to address RIG recommendations:

Recommendation No.1: We recommend that USAID/Haiti obtain written approval from the Regional Security Officer for all USAID/Haiti residential properties.

The finding is correct in that the Mission has never sought final inspection and certification from the RSO before signing a lease. EXO has discussed with RSO

Appendix II

and agreed that the approval form which RSO has on hand will be used on existing leases in the following manner: The RSO will inspect each house in the inventory. Where any deficiencies are identified, RSO will advise EXO, who will either have the work done by the landlord or at USAID's expense, either in house or by a contractor. When the RSO is satisfied, a signed form of acceptance will be provided to EXO and filed with each lease.

Recommendation No. 2: We recommend that USAID/Haiti (a) evaluate the necessity of maintaining residential swimming pools, and (b) get Mission Director written approval on each lease where the property contains a swimming Pool.

The finding is correct. However, EXO staff has inspected each property in the inventory which has a swimming pool, and has inspected several properties offered for rent during the past seven months. A statement has been developed and approved by Director for insertion in each lease of a property with a swimming pool. The statement that no other property was available is perfectly true, and will be included in any future leases, although no new residential property has been rented in more than a year.

Recommendation No. 3: We recommend that USAID/Haiti take the necessary steps to allow for adequate segregation of duties with respect to personnel in property management positions and the required annual physical inventory.

Although the Mission believes that there are appropriate segregation of duties within the Property Operations, EXO will review the job descriptions of all personnel in property management position and in annual physical inventory and perform additional segregation of duties related to the already established segregated functions.

Recommendation No. 4: We recommend that USAID/Haiti establish an inventory record system for expendable property.

USAID/Haiti Information and Management Office (IMO) have been tasked to develop a computerized system to account for expendable property. The Mission expects that this property inventory database system will be up and running during fiscal year 2003.

Recommendation No. 5: We recommend that USAID/Haiti issue auction policies and procedures and incorporate in them the requirement to (a) document its rationale for any deviation from auction procedures and (b) obtain approval from the Executive Officer for any deviation.

Appendix II

Although the Mission believes that proper internal controls were exercised during the previous auctions sales, EXO has drafted revised auction sales procedures which were put in place and successfully implemented during the latest sealed bids sales in March 2003.

The problem of frivolous bids is an old one, and different Missions have their own ways of dealing with them. It is not possible to know why so many of them were received in the June 2002 auction. But in each case, the bids were ranked in order and the highest bidder who was present at the time was able to make the purchase. In order to reduce frivolous bidding during the last sealed bid auction in March 2003, two new policies were introduced. All bidders were required to make a cash deposit with their bid, and high bidders who did not honor their bids had to forfeit the deposit. Second, the bid results are posted showing only the highest bidder for each lot. This was intended to prevent high bidders from backing out with the knowledge that an associate's bid would be second highest. While the auction process was improved, there were still areas which needed further refinement, and small changes are being written into the guidelines. They will include requiring higher deposits to further discourage frivolous bids.

Recommendation No. 6: We recommend that USAID/Haiti perform a Dispatch Analysis as required by USAID's Automated Directive System.

The motor pool works exceptionally well in providing all transport services to USAID. Obviously, this would not be possible with a shortage of vehicles, and would be unlikely with the number of vehicles which the dispatch analysis will indicate to be needed and justified here. EXO has contacted OMS and received forms and instructions to perform the dispatch analysis. The target date for completing this analysis is May 31, 2003. If, as expected, the analysis justifies having fewer vehicles than are on hand, EXO will recommend reducing the fleet size by one to two vehicles and no more, even if this leaves the Mission on the high side of justified numbers. There are several reasons for this. The fleet is USAID's only means of local transportation, since there is no resort to the Embassy, and there is no acceptable local public transport. After several years of lower staffing, the USDH staff in Haiti is finally being augmented during 2003, and will grow by several USDH employees during this year. We cannot drastically reduce available support just when the need for it is increasing.

Recommendation No. 7: We recommend that USAID/Haiti establish procedures so that the lowest cost alternative for making long distance calling is utilized.

By September 2002, IRM had been made aware by EXO that the telephone service available to USAID/Haiti was unsatisfactory, and compared unfavorably

Appendix II

with that of many African Missions. IRM replied that help was on the way, and that if we could be patient for even a few months, a new system would be installed here. They were as good as their word, and sent out a team in January 2003 to install a VOIP system. We now have access to the entire United States at no cost to the Mission. We have collected calling cards back from employees who were using them for business calls, and have retained control over two cards which can be used for official international calls. Finally, we are returning all except a core number of IVG access codes to the Embassy. These are to be used only for calls to the Washington area, and only when our VOIP circuits are giving problems. So far as calls to the United States are concerned, the VOIP, being free, is surely the lowest cost alternative.

Recommendation No. 8: We recommend that USAID/Haiti track employee utility usage, establish normal usage rates, and notify employees when usage exceeds the established normal range.

This is another area which has not been fully addressed since the audit. The EXO will write a set of guidelines to be followed when utility bills come in each month. There are several considerations which will hamper our ability to determine accurately whether costs are always reasonable and justified. Here are a few:

- Some houses receive reliable electricity from the municipal supply; some rely much more heavily on generators. In some instances, residences are on generator 21 to 24 hours a day. In addition, some areas around Port au Prince only receive electricity every 2 to 3 days for only 45 minutes to 2 hours a day.
- Some houses have working swimming pools which are subject to evaporation; some have nonworking pools or none at all.
- Some kitchens cook with electricity; some with LPG
- Some houses receive municipal water; some have water delivered.

Since utilities can be neither consumed nor stored by employees, we would be surprised to find a variance which cannot be explained by the parameters listed above. Nevertheless, the guidelines will be followed monthly, beginning with the April bills, and we should know by August whether there are anomalies.

In closing, USAID/Haiti would again like to express its appreciation for the manner in which the audit was conducted and the usefulness of some of the recommendations contained therein.