

# USAID

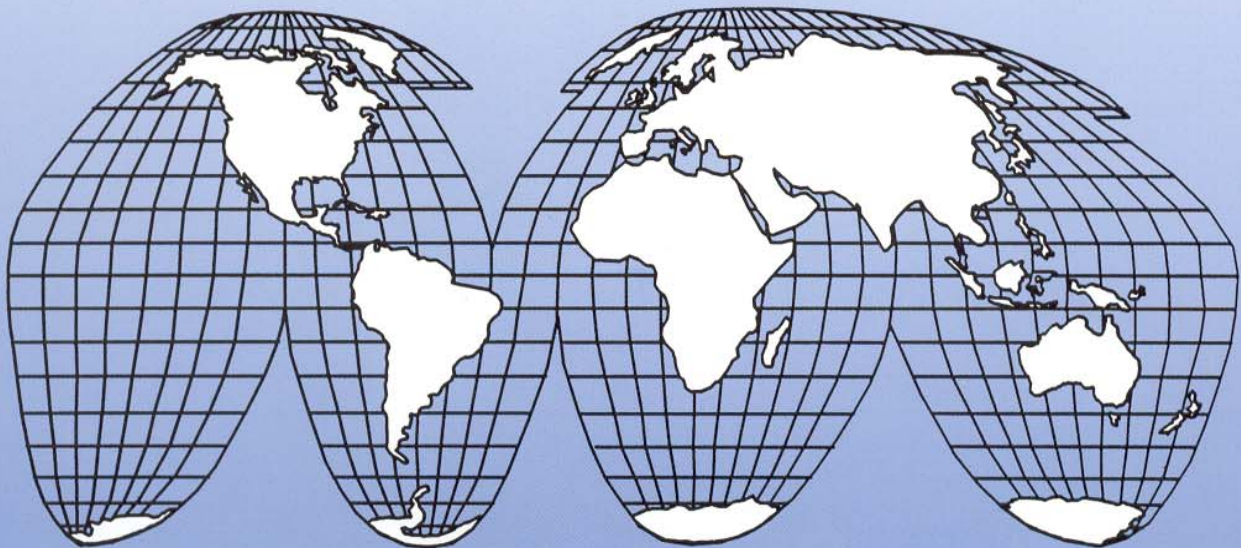
## OFFICE OF INSPECTOR GENERAL

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### **Audit of USAID/South Africa's Monitoring of Award That Do Not Require Annual Financial Audits**

**Audit Report No. 4-674-04-008-P**

**August 4, 2004**



**PRETORIA, SOUTH AFRICA**



August 4, 2004

## MEMORANDUM

**FOR:** USAID/South Africa Mission Director, Dirk Dijkerman

**FROM:** Acting Regional Inspector General/Pretoria, James B. Gaughran /s/

**SUBJECT:** Audit of USAID/South Africa's Monitoring of Awards That Do Not Require Annual Financial Audits (Report No. 4-674-04-008-P)

This memorandum is our report on the subject audit for your review and comment. In finalizing this report, we considered management comments on the draft report and have included those comments, in their entirety, as Appendix II in this report.

This report has five recommendations. In response to the draft report, USAID/South Africa concurred with the recommendations and included corrective action plans and target completion dates for all of the recommendations. Therefore, we consider that management decisions have been reached on all the recommendations. Please provide the Bureau for Management, Office of Management Planning and Innovation with evidence of final actions in order to close the recommendations.

I appreciate the cooperation and courtesy extended to my staff throughout the audit.

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## Summary of Results

The Regional Inspector General/Pretoria conducted this audit to determine whether USAID/South Africa effectively monitored recipients expending less than \$300,000 of USAID funds during their fiscal year to ensure proper accountability. (See page 6.)

USAID/South Africa did not effectively monitor recipients expending less than \$300,000 of USAID funds during their fiscal year to ensure proper accountability. Specifically, the Controller's Office did not (1) monitor its recipients whose expenditures of USAID funds are exempt from annual audit requirements, (2) assess the level of monitoring necessary for these recipients, and (3) maintain an award inventory that was complete and accurate. In addition, many of the Mission's Cognizant Technical Officers have not been documenting their site visits. (See pages 6-13.)

This report contains five recommendations to improve USAID/South Africa's efforts to monitor awards that do not require annual financial audits. (See pages 9, 11, and 13.)

In response to the draft report, USAID/South Africa concurred with all five recommendations and included corrective action plans and target completion dates. Therefore, we consider that management decisions have been reached for all five recommendations upon final report issuance (see page 14).

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## Background

The Automated Directives System (ADS) 591 states that nonprofit organizations expending less than \$300,000 per their fiscal year under direct USAID cost reimbursement awards, and host governments expending less than \$300,000 per their fiscal year under USAID grants, are exempt from the audit requirements of this section. Although an audit is not required, Missions are still responsible for monitoring recipients expending less than the threshold amount.<sup>1</sup> This is to ensure accountability for those funds. To achieve this objective, the ADS strongly recommends that Mission's Controllers use the *Recipient Control Environment Assessment Checklist* to determine the level of monitoring necessary for these organizations.

ADS 591 requires all missions to "maintain an inventory of all contracts, grants, and cooperative agreements, including cash transfer and non-project assistance grants, awards financed with host country-owned local currency, and activities in non-presence countries for use in determining audit requirements." In other words, each mission must keep an inventory of awards, irrespective of their

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<sup>1</sup>As defined in ADS 591, a recipient is an organization receiving financial assistance directly from USAID to carry out a program under a grant or cooperative agreement. The term includes public and private institutions of higher education, public and private hospitals, and other quasi-public and private nonprofit organizations. The term may also apply to profit-making organizations that are performing work under a grant or cooperative agreement relationship with USAID.

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Dollar amount. According to ADS 591, this award inventory should contain the following:

1. grantee/contractor name;
2. type of organization (e.g., for-profit);
3. award number, amount in U.S. dollars, and start/completion dates;
4. prior audits and period covered;
5. receipt date for required audits;
6. dates for planned audits; and
7. reasons for not including the award in the annual audit plan.

This audit included awards for USAID/South Africa that did not meet the \$300,000 audit threshold and were active as of September 30, 2003; the 43 awards totaled over \$19.6 million.

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**Audit Objective**

This audit was conducted at USAID/South Africa as part of the Regional Inspector General/Pretoria's annual audit plan. The audit was conducted to answer the following question:

- Did USAID/South Africa effectively monitor recipients expending less than \$300,000 of USAID funds during their fiscal year to ensure proper accountability?

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

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**Audit Findings**

**Did USAID/South Africa effectively monitor recipients expending less than \$300,000 of USAID funds during their fiscal year to ensure proper accountability?**

USAID/South Africa did not effectively monitor recipients expending less than \$300,000 of USAID funds during their fiscal year to ensure proper accountability.

To ensure proper accountability for these funds, the Mission needs to improve its monitoring of recipients. For example, the Controller's Office has not been monitoring its recipients whose expenditures of USAID funds are exempt from annual audit requirements. In addition, the Controller's Office has not been assessing the risk levels of recipients who require monitoring. The Mission's award inventory was incomplete and inaccurate. Although the Mission's Cognizant Technical Officers (CTO) carry out site visits of recipients, many of them have not prepared and maintained documentation of the visits which include

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their monitoring efforts to account for USAID funds.<sup>2</sup> These issues will be addressed in the following subsections.

### **Recipient Monitoring Is Needed by Controller's Office**

The Mission Controller's Office has not been monitoring its recipients whose expenditures of USAID funds are exempt from the annual audit requirement in the Automated Directives System (ADS) Chapter 591. Monitoring through the use of desk reviews and sites visits is addressed in ADS 591. ADS 591 also strongly recommends the use of the Recipient Control Environment Assessment Checklist to determine the level of monitoring required. Controller's Office employees, as part of their normal activities, did not perform desk reviews or site visits. The Controller's Office does not have a procedure for monitoring these awards. Furthermore, the Controller's Office has not assessed the risk levels of recipients, nor were they aware of the Recipient Control Environment Assessment Checklist which can assist in this effort. Because the Controller's Office did not (1) monitor its awards for those recipients expending less than \$300,000 in USAID funds during their fiscal year, and (2) determine the needed level of monitoring for recipients in this expenditure category, USAID cannot be assured that these funds were expended in accordance with the agreement terms and applicable laws and regulations.

According to ADS 591, Appendix B, "Due to the increase of the audit requirement threshold to \$300,000, Missions now have the sole oversight responsibility for recipients expending less than the threshold amount. With the limited amount of resources (personnel and dollars) available for such oversight, Missions are strongly encouraged to create and maintain a documented and supported plan for accountability of those funds." Oversight of USAID awards includes providing assurance that recipients (1) have a proper system of internal controls in place, (2) are complying with all applicable agreement terms and laws and regulations, and (3) are ensuring that expenditures are allocable, reasonable, allowable and supported. In addition, ADS 591.3.4.2.c. states that the Mission Controller is responsible for determining; (1) the feasibility of conducting audits on a case-by-case basis; and (2) the level of audit, if required, necessary to ensure appropriate accountability for awards. To determine the level of monitoring needed for nonprofit organizations expending less than \$300,000 in USAID funds per their fiscal year, ADS 591.3.2.1 states "It is strongly recommended that Missions use the "Recipient Control Environment Assessment Checklist."<sup>3</sup> ADS 591.3.4.2.c, states that the Checklist can assist the Controller. This checklist assesses risk by considering several factors and their effect on the organization's internal controls. When used, the checklist should be completed for each recipient and updated periodically. The major components of the checklist are

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<sup>2</sup>At USAID/South Africa, Cognizant Technical Officers (CTOs) also function as Activity Managers.

<sup>3</sup>This checklist is found in ADS 591, Appendix A.



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primarily related to accounting controls. ADS 591, Appendix B also states that the Recipient Control Environment Assessment Checklist would greatly assist the Missions in demonstrating that accountability.

The ADS also provides guidelines for using the results of the risk assessment that include conducting desk reviews and site visits. In the case of desk reviews, the ADS states:

*Most local recipients receive USAID funds on a reimbursable or periodic advance basis. Missions typically perform desk reviews of such requests, and, on occasion, verify actual costs for which the recipient is claiming to the recipient's books and records. These reviews provide not only a basis for reimbursing the recipient, but also provide valuable information about the control environment and risk assessment.*

For site visits, ADS 591, Appendix B specifies that visits to local recipients by qualified Mission financial personnel to complete the checklist are an integral part of the program. However, it recognizes that site visits by Activity Managers or other Strategic Objective (SO) team members can also provide valuable information.

Controller's Office employees assigned to each of the Mission's SO teams were not monitoring recipients who expended less than \$300,000 per their fiscal year by conducting desk reviews or site visits. Controller's Office employees have not monitored recipients because their office had no procedures requiring them to do so. Furthermore, the employees were not aware of the ADS requirement for such monitoring. According to a Controller's Office official, an employee has recently been tasked with developing a policy to ensure that financial reviews of recipients who expend less than \$300,000 in their fiscal year will now be conducted. This official noted that there is value in monitoring, and the policy should be completed by the end of fiscal year 2004.

On an ad hoc basis, and not part of its regular monitoring efforts, the Controller's Office will become involved with monitoring a specific recipient when a CTO raises a concern about a recipient, or if a CTO requests their assistance. According to a Controller's Office Official, he had spoken with CTOs about the importance of periodically inviting the Controller's Office voucher examiners to take part in site visits (such as when a recipient has submitted a voucher to the Mission for payment). This would give the voucher examiners the opportunity to identify potential problems that the CTO might miss. However, CTOs infrequently call upon the Controller's Office voucher examiners to provide this service.

Finally, the Controller's Office employees are not using the Recipient Control Environment Assessment Checklist to assess the risk levels of recipients that require monitoring because they were not aware that this checklist was available.

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Thus, the Recipient Control Environment Assessment Checklist is not being used to provide assistance in demonstrating accountability as envisioned in ADS 591, Appendix B.

Without monitoring by the Controller's Office, there is no assurance that the entire \$19.6 million of USAID funds received by these recipients is being expended in accordance with agreement terms and applicable laws and regulations. As a result, the lack of monitoring of recipients who expend less than \$300,000 during their fiscal year places these USAID funds at risk. In addition, the Recipient Control Environment Assessment Checklist is not being used, nor is the Mission using another means to systematically assess the risk level of any of its recipients.

We believe that using the Recipient Control Environment Assessment Checklist constitutes a best practice that should be used by the Controller's Office, unless it demonstrates it has developed a different and well thought out approach to determine the level of monitoring necessary for recipients who are not required to have annual audits. In order to meet ADS requirements, the Controller's Office must develop procedures to monitor recipients whose USAID funds are exempt from annual audit requirements. The use of the Recipient Control Environment Assessment Checklist can help the Controller's Office direct its limited resources to recipients with the highest risk levels, and therefore, most in need of monitoring. To assist in these efforts, we recommended the following actions.

**Recommendation No. 1: We recommend that USAID/South Africa develop procedures that will require its Controller to monitor recipients who fall under the audit threshold.**

**Recommendation No. 2: We recommend that USAID/South Africa develop a procedure requiring the periodic completion and update of the Recipient Control Environment Assessment Checklist for all of the Mission's recipients who fall under the audit threshold.**

#### **Award Inventory Needs to Be Accurate and Complete**

Both ADS 591 and Mission Order 591.002 require that USAID/South Africa's award inventory be accurate and complete. The Mission's award inventory did not include commitments less than \$50,000. For those commitments included in the award inventory, a high number of errors were identified through testing. These problems occurred because the Audit Management Officer (AMO) did not coordinate with the appropriate CTOs in developing the Mission's inventory, and no one at the Mission was periodically reviewing the inventory for accuracy. The lack of a complete and accurate award inventory may result in awards with expenditures less than \$300,000 not being properly monitored.

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USAID's ADS 591.3.4.2 requires missions to "maintain an inventory of all contracts, grants, and cooperative agreements, including cash transfer and non-project assistance grants, awards financed with host country-owned local currency, and activities in nonpresence countries for use in determining audit requirements." In this inventory, missions are required to include:

1. grantee/contractor name;
2. type of organization;
3. award number, amount in U.S. dollars, and start/completion dates;
4. prior audits and period covered;
5. receipt date for required audits;
6. dates for planned audits; and
7. reasons for not including the award in the annual audit plan.

The ADS stipulates that each mission must also develop an annual audit plan to ensure complete audit coverage of all direct awards to prime foreign organizations. The ADS further states that the AMO must coordinate with the appropriate activity managers in developing the Mission's inventory and annual audit plan. Further, USAID/South Africa's Mission Order 591.002 specifies that all non-U.S. grantees under the Recipient Audit Program be included in the award inventory and that CTOs be provided a copy of the award inventory (also referred to as an audit inventory) on a periodic basis for their review and action.

The audit found that USAID/South Africa's award inventory was incomplete and inaccurate. Regarding the issue of incomplete data, a Controller's Office official responsible for developing USAID/South Africa's award inventory as of September 30, 2003, said that the inventory excluded commitments (funds that USAID makes available for the recipients to use) of \$50,000 or less because it was obvious that no audit would be required for those awards. The audit found that this exclusion resulted in 13 recipients with commitments totaling \$465,217 not being included in the inventory. The recipients in this category had obligated amounts that ranged from \$9,609 to \$74,906. In the case of the \$74,906 commitment, a Controller's Office official said that this was a grant agreement which had a single task that had already been completed so they did not feel it was necessary to include it in the inventory.

Regarding the issue of inaccurate data, problems identified with the Mission's award inventory included duplicate award numbers, non-current award numbers, and incorrect award amounts. We obtained the Mission's award inventory for September 30, 2003, which included 243 award numbers with a total award amount of \$568 million. A review of the award numbers identified four duplicate entries. The non-U.S.-based recipients, which numbered 57, were identified through testing. The inventory data—which contained recipient agreement number, start and completion dates, and agreement amounts—were verified against the agreement files. Of the 43 awards tested for accuracy, 24 (56 percent) had one or more errors. The auditors decided not to perform a 100 percent test of

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the awards because the testing performed was sufficient to conclude that the inventory was not accurate.

These problems occurred because the AMO did not coordinate with the appropriate CTOs in developing the Mission's inventory, and no one at the Mission was periodically reviewing the inventory for accuracy. This is indicative of the low priority assigned to this important document. If used properly, the award inventory can be an effective part of the monitoring process. The lack of a complete and accurate award inventory may result in awards with expenditures less than \$300,000 not being properly monitored.

An award inventory can be a useful tool to help monitor all awards. However, its utility is dependent upon it being complete and accurate. In order that USAID/South Africa develop and maintain an inventory that is meaningful, we are providing the following recommendations.

**Recommendation No. 3: We recommend that USAID/South Africa develop and implement a plan of action to comply with Automated Directives System Chapter 591 so that all awards, irrespective of size, be included in the Mission's award inventory. The Mission must develop a plan of action that requires the Audit Management Officer to develop and maintain the inventory in coordination with the Mission's Cognizant Technical Officers.**

**Recommendation No. 4: We recommend that USAID/South Africa develop and implement a plan of action to correct errors in the award inventory, before preparing their annual audit plan and monitoring program, to ensure proper accountability for all mission awards.**

### **Cognizant Technical Officers Need To Document Site Visits**

USAID/South Africa's CTOs need to document their site visits of the Mission's recipients. As required by ADS 303 and the CTO Checklist, CTOs are responsible for documenting their significant actions with recipients and for evaluating the recipients' performance. Nevertheless, many of the Mission's CTOs have not been documenting their site visits to show their monitoring efforts in accounting for proper expenditure of USAID funds. CTOs were not, for the most part, aware of this requirement, nor did their managers require the documentation. As a result, there is the possibility that the Mission's CTOs have not been adequately monitoring their recipients during their visits.

According to USAID's ADS 303.3.4.c.1, CTO's are responsible for monitoring and evaluating a recipient and its performance during the award to facilitate the attainment of program objectives. Required CTO actions include maintaining contact through site visits and liaison with the recipient, and reviewing and

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analyzing performance and financial reports. These CTO responsibilities are further defined in the CTO Checklist found in USAID's *Guide Book for Managers and Cognizant Technical Officers on Acquisition and Assistance* (November 1998). Among the CTO responsibilities are:

- ❑ maintaining reasonable contact with the contractor to become aware of and gain an understanding of its problems and work schedules;
- ❑ documenting significant actions, conversations, etc., as they occur;
- ❑ establishing and maintaining a separate file for documents and correspondence pertaining to the contract; and
- ❑ monitoring funds closely on a regular basis.

According to ADS 202.3.4.6, Strategic Objectives (SO) teams “must ensure that they have adequate official documentation on agreements used to implement USAID-funded activities, resources expended, issues identified, and corrective actions taken.” (At USAID/South Africa CTO's are assigned to specific SO teams.)

As part of their monitoring efforts, the Mission's CTOs stay in regular contact with recipients through phone calls, emails, and site visits. However, a review of the Mission's CTOs' files found deficiencies. These files included pertinent documents related to the award and recipient activities for recipients that expended less than \$300,000 during their fiscal year. Many of the Mission's CTOs were neither documenting nor maintaining files on the results of their site visits with recipients, including their monitoring of funds.

There were two reasons why CTOs were not preparing and maintaining documents related to their site visits: (1) the CTOs' were not aware of this responsibility, and (2) strategic objective team leaders did not require site visit documentation.

Because most site visits with the Mission's recipients have not been documented and maintained in files, it is difficult for the Mission to account for its monitoring of USAID funds and site visit results. Although some documentation was kept, it was generally incomplete. Without such documentation, it is difficult to evaluate the recipient's performance during the award period. As a result, there exists the possibility that those USAID/South Africa recipients who expended less than \$300,000 during their fiscal year may not have been adequately monitored by the CTOs.

The preparation of documentation and maintenance of site visit records are an important internal control for ensuring that all of the Mission's recipients are adequately monitored and that USAID funds are being accounted for. A practice

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of CTOs conducting site visits with recipients without documenting any of their monitoring activities from these visits is of limited value and does not meet the intent of the ADS. Rather, having documentation of site visits that are included in the CTO's files helps provide documentation that provides a basis for evaluating the effectiveness of a recipient's program. Having site visit documentation is also important for historical purposes, especially when another CTO is assigned responsibility for the recipient's program. In order to strengthen this management control and to provide the Mission with the full benefit of the CTO's site visits, we are providing the following recommendation.

**Recommendation No. 5: We recommend that USAID/South Africa develop Mission-specific procedures requiring that site visits of recipients be documented and maintained in Cognizant Technical Officer files.**

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**Evaluation of  
Management  
Comments**

In response to our draft report, USAID/South Africa management concurred with Recommendation Nos. 1 through 5. The Mission also provided corrective action plans and target completion dates for all of the recommendations. Therefore, we consider that management decisions have been reached on all recommendations upon final report issuance.

**Scope and  
Methodology****Scope**

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The audit was conducted at USAID/South Africa in Pretoria, South Africa, from February 18, 2004, through May 21, 2004.

The audit included recipients of USAID/South Africa who expended less than \$300,000 during their fiscal year for the time period October 1, 2002 through September 30, 2003. In planning and performing the audit, we tested and assessed internal controls for USAID/South Africa related to monitoring non-U.S.-based recipients expending less than \$300,000 in USAID funds in their fiscal year. Specifically, we examined and assessed the following significant internal controls: (1) developing an award inventory and audit plan; (2) developing and implementing a monitoring plan for recipients expending less than \$300,000; (3) conducting site visits to ensure funds were being spent in accordance with agreement terms and applicable laws and regulations; and (4) establishing and maintaining site visit documentation files. In addition, we interviewed the Audit Management Officer (AMO), the delegates fulfilling the AMO duties, Project Accountants to determine the process and internal controls used, and Cognizant Technical Officers. We obtained a copy of the Mission's award inventory as of September 30, 2003, which included 243 award numbers with a total award amount of \$568 million. The non-U.S.-based recipients, which numbered 57, were identified through testing. The audit tested the accuracy and completeness of the award inventory prepared by USAID/South Africa

The types of evidence examined during the audit included—but were not limited to—the award inventory prepared by the Controller's Office and recipient files maintained by the Cognizant Technical Officers which included various documents related to their monitoring efforts.

**Methodology**

In order to gain an understanding of USAID/South Africa's monitoring process, we held discussions with officials from the Mission and reviewed relevant project documentation.

To accomplish the audit objective, we developed an audit program and performed the following tasks:

- Reviewed applicable regulations, USAID policy, and guidance related to the audit objective.



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- Gained an understanding of USAID/South Africa's monitoring of recipient's expending less than \$300,000 by reviewing and analyzing applicable documentation such as, but not limited to, the award inventory, annual audit plan and site visit files.
  - Tested data on the award inventory to determine its accuracy. Specifically, we verified the agreement number, start and completion dates and the amount of the agreement.
  - Compared the award inventory to the list of recipients with active awards received from the Mission's Regional Contracting Officer and to a list of active Project Implementation Letters for the Education strategic objective.
  - Interviewed the Controller, employees from the Controller's Office, the employee who developed the award inventory and employees with monitoring responsibilities. Also, we reviewed documents they prepared that were pertinent to the audit.
  - Interviewed Cognizant Technical Officers from five of the Mission's Strategic Objective (SO) teams and reviewed recipient files to determine the extent of their monitoring. (One SO was excluded from interviews as all its recipients were U.S.-based.)

We did not set a materiality threshold for this audit as the nature of the audit did not lend itself to the establishment of such a threshold. However, we designed our audit to address potential concerns such as:

- inadequate monitoring of awards with expenditures under \$300,000.
- inaccurate and incomplete audit inventory.
- lack of knowledge or understanding of the ADS requirements.
- absence of documentation in CTO files to determine monitoring efforts.

**Management  
Comments**



**UNITED STATES GOVERNMENT  
ACTION MEMORANDUM**

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**DATE** : July 28, 2004

**TO** : James B. Gaughran: Acting RIG/Pretoria

**FROM** : Schaeffer Brent: Acting Mission Director /s/  
Cleared: Acting Controller: Brian Conklin /s/

**SUBJECT** : Audit of USAID/South Africa's Monitoring of Awards that do not require annual financial audits – Report No. 4-674-04-008-P

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USAID/South Africa's Mission management appreciates RIG/Pretoria's efforts in identifying issues that will help the Mission to best manage its program.

Management comments on above referenced audit report are as follows:

**Recommendation No. 1: We recommend that USAID/South Africa develop procedures that will require its Controller to proactively monitor recipients who fall under the audit threshold.**

USAID/South Africa management concurs with the recommendation. Mission's Controller's Office is in the process of preparing a financial/desk review plan identifying all those recipients expending less than \$300,000 of USAID funds during their fiscal year. Procedures to proactively monitor recipients who fall in this category will be incorporated in the Audit Management and Resolution Program Mission Order which is being reviewed and amended. This process will be completed by September 15, 2004.

**Recommendation No. 2: We recommend that USAID/South Africa develop a policy requiring the periodic completion and update of the Recipient Control Environment Assessment Checklist for all of the Mission's recipients who fall under the audit threshold.**

USAID/South Africa management concurs with the recommendation. A policy requiring the periodic completion and update of the Recipient Control Environment Assessment Checklist for all of the Mission's recipients who fall under the audit threshold will be incorporated in the Audit Management and Resolution Program Mission Order which is being reviewed and amended. This process will be completed by September 15, 2004.

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**Recommendation No. 3: We recommend that USAID/South Africa develop a plan of action to comply with the Automated Directives System Chapter 591 so that all awards, irrespective of size, be included in the Mission’s Award Inventory. The Mission must develop a plan of action that requires the Audit Management Officer to develop and maintain the inventory in coordination with the Mission’s Cognizant Technical Officers.**

USAID/South Africa management has included in its Mission’s Award Inventory all awards, irrespective of size. A copy of this inventory was sent to the RIG/Pretoria office for their record. The Mission’s Award Inventory was developed and is maintained in coordination with the Mission’s Cognizant Technical Officers and their team leaders. A draft was sent out to all team leaders and CTOs for review and comment. A final version of the inventory was later circulated for team leader’s approval. Based on above, USAID/South Africa considers this issue as resolved.

**Recommendation No. 4: We recommend that USAID/South Africa develop and implement a plan of action to correct errors in the award inventory, before preparing their annual audit plan and monitoring program, to ensure proper accountability for all mission awards.**

USAID/South Africa has reviewed the audit inventory. Identified errors have been corrected. A draft award inventory was circulated to the OAA office, all SO team leaders and their CTOs, and financial analysts for review. The final inventory was circulated for team leader clearance and then submitted to RIG/Pretoria. This same process is being instituted on a recurring annual basis. USAID/South Africa requests that this issue be considered corrected and resolved.

**Recommendation No. 5: We recommend that USAID/South Africa develop Mission-specific procedures requiring that site visits of recipients be documented and maintained in Cognizant Technical Officers files.**

USAID/South Africa has developed the mission-specific procedures requiring that site visits be documented and maintained in Cognizant Technical officer’s files. These procedures are documented in Mission Order No. 402 dated November 05, 1997 – see copy attached. Section II states:

- (a) the Mission Order serves to ensure that substantive information relating to field trips, important meetings, and significant issues and decisions is recorded and shared appropriately;
- (b) document site visits and other significant events to provide a useable record and evidence for implementation purposes.

Section III of the Mission Order lays down procedures.

USAID/South Africa will redistribute the Mission Order. The AMO will communicate the contents of the Mission Order during senior staff meetings. Team leaders will be

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requested to implement procedures cited in the Mission Order No. 402 in their SOs. This process will be completed by September 15, 2004.

The above constitutes USAID/South Africa management's comments on the draft audit report no. 4-674-674-04-008-P.

Drafted by Tiny A. Paile /s/