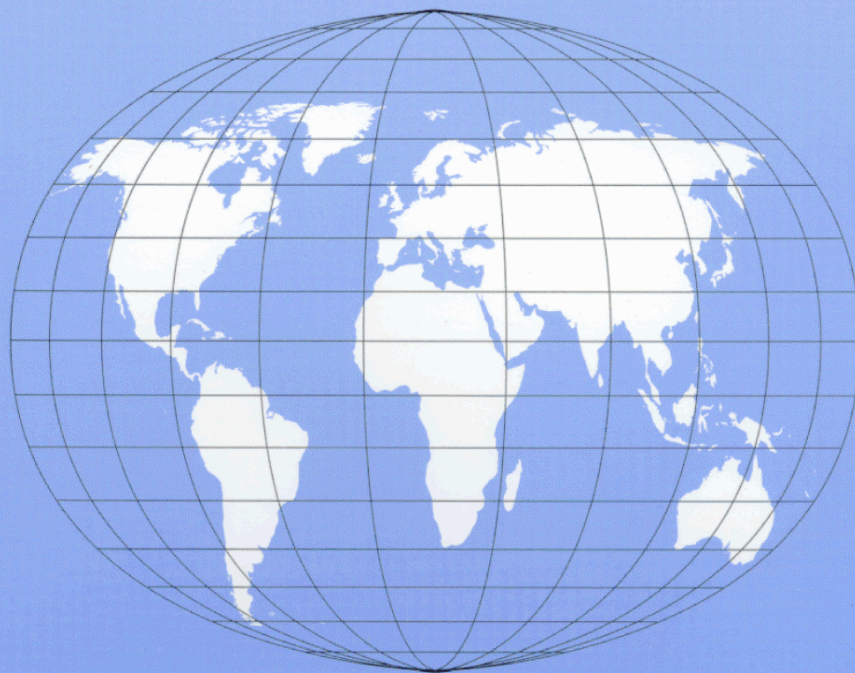


Report of Audit

Audit of Potential Conflicts of Interest in USAID/Benin's Contracting and Managing of USAID-Financed Activities

**Report No. 7-680-01-001-P
March 7, 2001**



Dakar, Senegal

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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

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March 7, 2001

MEMORANDUM

TO: Harry Lightfoot, Director, USAID/Benin

FROM: Henry L. Barrett, RIG/Dakar /S/

SUBJECT: Audit of Potential Conflicts of Interest in USAID/Benin's Contracting and Managing of USAID-Financed Activities, Report No. 7-680-01-001-P

This attached memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them in Appendix II. The report contains no recommendations.

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

Background

Under the *Standards of Ethical Conduct for Employees of the Executive Branch* (the Standards) and the criminal statute (18 U.S.C. 208), Federal employees are not permitted to participate personally and substantially in any particular official matter(s) in which they have financial interests. For a conflict to exist, it is not necessary that the extent of possible gain or loss be known. USAID's Automated Directives System (ADS 495.3) states that it is the employee's responsibility to avoid the appearance of or actual conflicts of interest that cast doubt on the integrity of the employee's official acts. Specifically, USAID employees are prohibited by criminal statute (18 U.S.C. 208 (a)) from participating personally and substantially in an official capacity in any particular matter in which, to his knowledge, he or any person whose interests are imputed to him under the statute has a financial interest, if the particular matter will have a direct and predictable effect on that interest. Imputed interests are interpreted by the statute quite broadly and include: the employee's spouse, minor children, general partner; an organization entity which the employee serves as a general partner, officer or employee; and a person with whom the employee is negotiating for or has an arrangement concerning prospective employment. In addition to actual conflicts of interest, employees of USAID are required to take appropriate steps to avoid possible appearances of loss of impartiality in the performance of their official duties.

Furthermore, the Standards state:

an employee should not participate in a particular matter involving specific parties which they know is likely to affect the financial interests of a member of his household, or in which he knows a person with whom he has a covered relationship is or represents a party, if he determines that a reasonable person with knowledge of the relevant facts would question his impartiality in the matter.

Audit Objectives

This audit was conducted as an innovative test based on the results of a recently completed RIG/Dakar joint Office of Investigations and Office of Audit investigative effort in East Africa, which substantiated allegations that two FSNs had improperly directed funds to companies in which they held an undisclosed personal and financial interest. The Benin audit program was designed in consultation with an OIG investigator to answer the following objective:

Do USAID/Benin's and other records reflect any potential conflicts of interest in the contracting or managing of USAID/Benin's programs?

Appendix I includes a discussion of the scope and methodology for this audit.

Audit Findings

Do USAID/Benin's and other records reflect any potential conflicts of interest in the contracting or managing of USAID/Benin's programs?

In the Mission's and other records that we reviewed, we found no conflicts of interest.

As part of our audit we found four instances where employees were related to individuals that were associated with contractors and/or grantees of USAID. For all four cases we reviewed the vendor and employee files and spoke with the supervisors of the involved personnel. We found in all four cases, that because of the scope of the employee's job function, there were no conflicts of interest.

The Mission recognized the importance of remaining vigilant in guarding against conflicts of interest between its employees and the roles that they served in the Mission's official business. Specifically, the Mission managed possible conflicts of interest primarily through two different means: (1) providing ethics information and training to its employees; and (2) requiring certifications from employees.

Ethics Information and Training

We found that the Mission had provided its employees a copy of the *Standards of Ethical Conduct for Employees of the Executive Branch*, which describes in detail the various components that comprise conflicts of interest and impartiality in performing official duties. Along with the literature describing exactly what constituted conflicts of interest, the Mission held a training session in which the Regional Legal Advisor explained the various nuances of conflicts of interest to the Mission's staff.

Certifications

The area in which the Mission's employees face the highest potential for conflicts of interest is in the procurement function. In fulfilling its development objectives, the Mission procures technical services from various contractors and decides to which local entities it will award grants for development work.

AIDAR 715.305 requires that the Mission obtain certifications from non-Government Evaluators (NGE) (i.e. non-U.S. Government employees) who serve on technical evaluation committees related to contracts. These certifications state that the evaluator perceives no actual or potential conflict of interest. We found that the Mission requires NGEs as well as its own employees to sign such a certification when they participate on technical evaluation committees for reviewing contract and grant proposals. Extending the use of the certification beyond NGEs, to include U.S. Government employees and grants, is a positive and proactive step that the Mission has taken to remind participants in the procurement process of the importance of avoiding conflict of interest situations.

Management Comments and Our Evaluation

In response to our draft report, USAID/Benin provided written comments that are included in their entirety as Appendix II. We considered these comments in preparing the final report.

The Mission stated that it recognizes the importance of guarding against potential conflicts of interest between employees and the roles that they serve in the Mission's official business and that it has taken specific steps to prevent potential conflicts of interest. The Mission thanked the RIG staff for their feedback during the audit. Additionally, the Mission stated that collaboration between the Mission and RIG/Dakar continues to contribute to USAID's development program in Benin.

SCOPE AND METHODOLOGY

Scope

We performed this audit to identify potential conflicts of interest in USAID/Benin's contracting and managing of USAID-financed activities. The audit was performed in accordance with generally accepted government auditing standards and was conducted from November 27, 2000, through December 8, 2000, at USAID/Benin. The audit covered USAID/Benin FY 2000 disbursements of \$9.6 million and advances of \$1.7 million. Of the \$9.6 million disbursements, \$8.9 million related to program funds and \$.7 million related to operating expense funds.

Methodology

To accomplish the audit objective we held discussions with key USAID/Benin staff, including the Executive Officer (EXO), the Controller and the strategic objective team leaders. We also met with individuals in the American Embassy's Regional Security Office and Benin's Chamber of Commerce. The primary methodology employed in our audit was comparing vendor data against Mission employee data to disclose any situations that would point to possible employee conflicts of interest. To facilitate this comparison, we developed employee and vendor databases using Mission and outside sources. We then compared fields between the databases to identify any similarities.

For the vendor database, we obtained a listing of the total FY 2000 disbursements and advances from the Controller's office. With the help of the chief accountant, we eliminated disbursements to U.S. based organizations, salaries, personal service contracts, and recurring obligations such as utility companies and other obvious non-vendor payments. From the universe of local vendors, we sorted the database alphabetically, then we identified local vendors who received more than two disbursements in FY 2000.

From this new database totaling 75 vendors, we selected a sample of 30 comprised of the following vendors: (1) the ten largest dollar recipients, (2) 15 randomly selected, and (3) five judgmentally selected.

Using the selected USAID vendor files, we created a vendor database, including the vendor name, principals, address, post office box number, and telephone number. We also obtained similar data for the same vendors from the Chamber of Commerce.

In developing the employee database, we reviewed USAID employee personnel files and extracted data, including employee name, address, post office box, telephone number, relatives' names, relatives' post office boxes, and relatives' telephone numbers. Based on discussions with the EXO and our review of job descriptions in the employee personnel files, we identified and eliminated certain employees such as janitors and drivers who would generally have a minimal role in USAID transactions with vendors.

Finally, we compared name, telephone number and post office box fields in the two databases for matches. We did not find it useful to use the address field because the data we received on addresses was inconsistent. For those similarities identified between the two databases, we performed additional audit work including interviews.

We reviewed the management controls the Mission had implemented relating to conflicts of interest and found them to be adequate; however, due to the difficult nature of detecting conflicts of interest we judged the audit risk to be high. Additionally, because the area of conflict of interest is regulated, for the most part, by U.S. criminal statutes and given that even one instance of conflict of interest could have severe negative consequences on the Mission's ability to accomplish its development goals, we considered all conflicts of interest to be material weaknesses.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



February 05, 2001

INFORMATION MEMORANDUM

TO: Mr. Henry Barrett, RIG/A/Dakar

FROM: Mr. Harry M. Lightfoot, USAID/Benin /S/

SUBJECT: Draft Audit Report Number 7-680-01-00X-P of
Potential Conflicts of Interest in USAID/Benin's
Contracting and Managing of USAID-Financed
Activities

As requested, the Mission has reviewed the RIG's draft audit report on potential conflicts of interest in USAID/Benin's contracting and managing of USAID-financed activities.

Serving as the first Mission to be audited under the subject audit scope of work, Mission management and staff are pleased that no conflicts of interest were identified in the contracting and managing of USAID/Benin's programs.

USAID/Benin recognizes the importance of guarding against potential conflicts of interest between employees, and the roles that they serve in the Mission's official business. The use of certifications for Mission employees serving on technical evaluation committees, and regular distribution of ethics information and training to employees, are two important steps that the Mission is taking to prevent potential conflicts of interest.

USAID/Benin would like to take this opportunity to thank the RIG staff for their feedback during the subject audit. Collaboration between the Mission and RIG/Dakar continues to contribute to USAID's development program in Benin.