



## OFFICE OF INSPECTOR GENERAL

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# AUDIT OF U.S. AFRICAN DEVELOPMENT FOUNDATION'S ACTIVITIES IN BURKINA FASO

AUDIT REPORT NO. 7-ADF-15-002-P  
October 24, 2014

DAKAR, SENEGAL



*Office of Inspector General*

October 24, 2014

Ms. Shari Berenbach  
President  
U.S. African Development Foundation  
1400 I Street NW, Suite 1000  
Washington, DC 20005-2248

Dear Ms. Berenbach:

This letter transmits our final report on the *Audit of U.S. African Development Foundation's Activities in Burkina Faso*. In finalizing this, we carefully considered your comments on the draft report and included them in their entirety in Appendix II.

The report contains nine recommendations for your action. Based on your comments, we acknowledge that management decisions have been reached on all of the recommendations. Determination of final action will be made by the foundation's audit committee, and we ask that we be notified upon completion of the proposed corrective actions.

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

Sincerely,

Louis Duncan Jr. /s/  
Acting Regional Inspector General/Dakar

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# SUMMARY OF RESULTS

Congress established the U. S. African Development Foundation (USADF) in 1980 “to enable the people of African countries to develop their potential, fulfill their aspirations, and enjoy better, more productive lives.” To achieve this, USADF provides development grants of up to \$250,000 that help community enterprises grow and help those least served by existing markets or assistance programs. It currently operates in 19 countries, with approximately \$45 million in funding for 301 active grant projects.

Since 2008 USADF has supported cooperatives, grassroots associations, and farmers unions in Burkina Faso to improve food security, generate income, and improve livelihoods. The foundation targets marginalized communities in the landlocked West African country in which, as recently as 2009, nearly 47 percent of the population lived below the national poverty line.<sup>1</sup> USADF develops and monitors its projects through its Burkinabe partner organization, Cabinet d’Ingénierie et de Conseil en Développement d’Entreprises (ICDE). As of March 2014, USADF had 21 active grant projects in Burkina Faso, worth approximately \$2.9 million.

The Regional Inspector General/Dakar (RIG/Dakar) conducted this audit as part of its fiscal year (FY) 2013 audit plan. The objective was to determine whether USADF’s activities in Burkina Faso were achieving their goals of alleviating poverty and promoting emerging entrepreneurs.

The audit concluded that they were contributing to the goals. Grantees were trained to manage their associations, and they then wrote manuals that formalized their administrative, governance, and accounting policies. Grantees also bought valuable equipment to use in income-generating activities and to outfit association management offices. By using USADF’s procurement process, grantees understood the benefit of comparison-shopping and promised to do so in the future.

Furthermore, many grantees benefitted from technical training that encouraged them to use new skills and techniques to increase their production and market their final products. Some benefitted from infrastructure improvements that gave them easier access to their fields and improved their working environments.

Despite these achievements, the audit found some problems that USADF should address.

- Some projects were late or incomplete (page 3). Four of the five active grantees we visited were running late in carrying out their activities, and six of the seven grantees with expired projects did not finish their activities.
- ICDE did not respond to some grantees’ problems (page 4). Although grantees notified the partner organization of problems affecting how they carried out activities, ICDE employees did not help the grantees solve them in time to make a difference.
- Financial and administrative management strengthening activities were not sustainable (page 5). Grantees hired financial and managerial contractors to perform administrative functions during their projects. However, the contractors left when the projects were over,

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<sup>1</sup> World Bank. “World Development Indicators,” Burkina Faso, <http://data.worldbank.org/country/burkina-faso>. Accessed July 9, 2014.

and the grantees could not replace them. Furthermore, members of grantee associations were not trained properly to carry out these functions.

- Some grantees did not report accurate results (page 6). Some results did not relate directly to indicators, lacked supporting documentation, and had errors and inconsistent information. In addition, some grantees did not understand how to calculate and report the results of their activities.
- USADF set some performance indicator targets too low (page 8). Some grantees reported having met or exceeded their performance targets within months of beginning their projects, even though they were running late.

To address these problems, the audit recommends that USADF:

1. Require ICDE to evaluate the reasonableness of grantee work plans to make sure all activities can be completed before a project ends (page 4).
2. Require ICDE to provide additional training to grantees on the disbursement request process (page 4).
3. Require ICDE to document in each project's pre-closeout assessment a determination whether an extension waiver should be approved. If it is, this procedure should establish a firm—but reasonable—end date for the project and the completion of all of its activities (page 4).
4. Document project issues communicated between USADF, ICDE, and its grantees to identify the issue, implement an action plan, and establish a target date for resolution (page 5).
5. In its grant agreements, require that grantees designate a member of the association to receive technical training from the financial and administrative management contractors (page 6).
6. Verify that contractors providing financial and administrative management services transfer the technical abilities of these roles to the grantees during the course of a project (page 6).
7. Require ICDE to verify periodically the results reported for grantees' performance indicators. This plan should include steps to verify data during monitoring visits and when reviewing quarterly reports (page 8).
8. Require ICDE to train association management and members of grantee monitoring committees to verify performance data (page 8).
9. Verify midway through a grant project that targets align with existing realities, and document its decision to keep or modify the targets (page 9).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are included in Appendix II, and our evaluation of them is on page 10.

# AUDIT FINDINGS

## Some USADF Projects Were Late or Incomplete

In Section 211, “Project Development,” of USADF’s manual, a project grant is defined as “a complete, separate, and specified set of activities that are directed toward the achievement of pre-identified, development-related purposes, goals, and objectives.” Section 232, “Project Quality Assurance,” stresses, “Grantees are responsible for the timely and effective implementation of their grant agreements.”

All grantees prepare project work plans that provide a schedule of when activities and training will be completed. In addition, all grant agreements between USADF and a beneficiary specify the project end date, which is also when all activities should be completed.

However, some grantees in Burkina Faso with active and expired agreements ran into delays or did not finish their work.

**Active Projects.** Four of the five grantees with active projects were running late, as described in the examples below.

- A fishermen’s association received a grant to develop a resource management plan designed to improve member services and promote the use of sustainable fishing activities. Although the grantee planned to provide technical training in water resource management and proper fishing practices during 2012, members had not yet received them when we visited in May 2014. The grantee also had not developed the management plan yet.
- Another association received a grant for a variety of activities, including the construction of a weaving center. Although the work was not scheduled to begin until June 2014, by May 2014, the grantee had not selected a consultant to perform the required feasibility studies on the building or chosen the contractor to build it.

**Expired Projects.** Six of the seven grantees with expired grants did not complete their activities. In several cases, this meant that grantees did not meet their objectives. For instance, two agricultural associations received grants to develop comprehensive business plans to improve delivery of services to producers. However, neither of them did, nor did they complete technical training and other activities.

These problems happened for five reasons. First, ICDE employees acknowledged that the work plans for some grantees included too many activities or had scheduled them to take place too early in the project. Second, after an award was approved, getting the activities going took about 6 months; for a 2-year grant, this left the grantee only 18 months—not enough time necessarily to complete its planned activities. Third, ICDE and USADF revisions to grantees’ disbursement requests slowed the procurement of goods and services because it took an extended time for some grantees to receive their funds. Fourth, some grantees could not find qualified consultants to perform training or other activities because the salaries offered were inadequate. Fifth, as discussed in the next finding, ICDE employees did not always respond in a timely manner to grantees with problems.

Implementation delays affect the progress of grantee projects. The grantees whose projects were late may not complete their planned activities and meet their objectives. Delayed or incomplete training reduces the benefit of planned technical assistance, which could prevent the grantee from using these skills. The grantees that closed their projects without completing their activities, including the development of business plans, may miss valuable opportunities to collaborate with other donors or organizations that could provide additional funding or assistance. Therefore, to encourage the timely implementation of activities, we make the following recommendations.

**Recommendation 1.** *We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to evaluate the reasonableness of grantee work plans to ensure that all activities can be completed before a project ends.*

**Recommendation 2.** *We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to provide additional training to grantees on the disbursement request process.*

**Recommendation 3.** *We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to document in each project's pre-closeout assessment a determination whether an extension waiver should be approved. If it is, this procedure should establish a firm—but reasonable—end date for the project and the completion of all of its activities.*

## **Partner Organization Did Not Respond to Some Grantees' Problems**

ICDE's cooperative agreement with USADF outlines its responsibilities for program remediation. It states that ICDE:

[W]ill visit projects regularly to help grantees assess and document progress, identify problems or issues hindering achievement of project objectives, and actively engage with grantees to timely resolve these problems. The partner will also assist grantees in resolving administrative and logistical problems with banks, vendors, and local government authorities.

Four grantees we visited (two active and two inactive) said they informed ICDE about their implementation problems during monitoring visits and in quarterly reports. However, ICDE employees did not always respond or intervene to help resolve them. Unresolved issues are difficulty hiring consultants, obtaining technical training, and following required USADF processes.

Some of the problems resulted from circumstances outside of ICDE's control. For example, some agricultural grantees based in the arid northern part of the country did not have enough water for the growing season. However, USADF's funding limitations prevented it from providing enough resources to build a reservoir.

In another example, grantees found it difficult to hire contractors because their fees often were more than the grantees could afford. One grantee said service providers did not understand USADF's required procurement process and refused to provide quotes for goods and services if

they were not guaranteed to be selected. ICDE did not intervene to help resolve these problems because staff believed that the responsibility of recruiting consultants and service providers rested solely with the grantee and that they should not become involved.

Because of the lack of responsiveness, four of the grantees we visited had implementation problems that led to either project delays or an inability to complete planned activities before their projects ended. These grantees risk not receiving the full benefits of the planned training and other activities meant to increase their productivity. Therefore, they may not meet their project goals and objectives. To help ICDE be more responsive to grantees with problems, we make the following recommendation.

***Recommendation 4.** We recommend that USADF document project problems communicated between USADF, Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises, and its grantees to identify the problem, implement an action plan, and establish a target date of resolution.*

## **Financial and Administrative Management Strengthening Activities Were Not Sustainable**

USADF grant agreements outlined the expected results that grantees had to achieve during each project. A common one was improved financial and administrative management capacity. Evidence of this would be a grantee's ability to produce simple financial statements and reports; establish adequate financial controls; and implement accounting procedures, policies, and systems that meet international audit standards. A grantee's management team would use these reports and systems routinely to make decisions for the group.

To achieve this result, many grantees planned to hire an accounting manager for the term of the grant. For example, to reach its objective of improved capacity to manage a micro-credit fund, one grantee institution planned to hire a project manager with a background in accounting to prepare financial reports and work plans, monitor activities, and analyze program implementation. Furthermore, to help achieve its goal of increasing the number of beneficiaries and the amount of loans provided, the institution planned to hire a loan officer and a cashier.

USADF's efforts to improve the financial and administrative management capacity of its grantees were not sustainable. All but one grantee<sup>2</sup> hired the financial and administrative professionals sought in the grant agreements. However, they left their positions after their contracts expired. Many grantees either have been unable to keep the positions filled after the end of the project or have not been trained properly to carry out these functions themselves. For example:

- The micro-finance institution hired an office manager, accountant, and cashier. However, because of a lack of funding, these positions have been vacant since these contracts ended, which coincided with the end of the grant. With the lack of funding and personnel, members of the institution said it has since experienced operational difficulties.

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<sup>2</sup> One grantee said it could not hire an accountant because it was in a remote area and could not pay a competitive salary. That grantee relied on volunteers to carry out required accounting functions.



- An agricultural association that received a USADF grant hired several contractors, including an accountant and project manager, to strengthen its organization and management. They left their positions at the end of the project and have not been replaced. In addition, association members said the accountant prepared financial reports on his own computer and did not return them, leaving the association without this information.
- A member of a banana producers association took on the accounting responsibilities in January 2014 after the contract accountant left. This member said he was unfamiliar with the accounting system put in place under the project and did not know how to prepare required reports.

Grantees said lack of resources prohibited them from filling vacant positions after their projects ended. Moreover, ICDE did not make sure the contractors trained the grantees to take over the financial tasks because, as discussed later in this report, they were more focused on monitoring and verifying financial transactions than performance results.

Grantees did not fully benefit from the financial and administrative management component of their projects. Without contracted professionals in these roles or without receiving appropriate training to perform these functions themselves, grantees could not sustain the technical and operational improvements obtained under the project. To improve the sustainability of this component of the grant projects, we make the following recommendations.

***Recommendation 5.*** We recommend that USADF include a requirement in its grant agreements that grantees designate a member of the association to receive technical training from the contracted professionals providing financial and administrative management services.

***Recommendation 6.*** We recommend that USADF verify that consultants providing financial and administrative management services transfer the technical abilities of these roles to the grantees during the course of a project.

## **Some Grantees Did Not Report Accurate Results**

Section 232 of USADF's manual, "Project Quality Assurance," states, "An effective project quality assurance system is a necessary component of [US]ADF's portfolio management strategy." Such a system should encourage accurate documentation and monitoring project activities and progress toward performance goals.

This section also requires the partner organization to make sure grantees receive training that covers the "identification of data needed to track the achievement of project objectives and establishing appropriate information tracking systems." Grantees, with help from USADF and its partners, "are required to design and use a data collection system that allows the recording and tracking of progress toward achieving stated performance indicators." Furthermore, employees from the partner organizations should review the grantees' use and management of their project data collection systems during required site visits; the partner organizations must verify the accuracy and completeness of the grantees' quarterly financial and program reports before sending them to USADF.

The audit team found a variety of problems with the results grantees reported. Some did not directly relate to their indicators, lacked supporting documentation, or had calculation errors or inconsistent information from previous quarters. In addition, some grantees did not understand how to calculate and report their results.

**Results Not Directly Related to Indicators.** Some grantees calculated and reported on results that did not directly relate to their performance indicators. For example, an agricultural association reported its sales figures based on inventory levels rather than on products sold. The association kept records of the value of its stocks of cowpeas and sesame. However, rather than reporting these as inventory figures, the association reported them as sales.

**Lack of Supporting Documentation.** Several grantees we visited did not maintain adequate documentation to support the reported results in their quarterly reports. In one example, a fishermen's association estimated the profit earned from the sale of smoked fish. While the organization kept records of the amount of fish, wood, and other inputs purchased for use in the smoking process, it did not use these figures to calculate profits earned. Instead, the association reported an unverifiable figure based on data reported by the women members. In addition, it did not provide sales receipts.

**Calculation Errors and Inconsistent Information.** Some grantees' reports contained calculation errors that led to overstated results. Other grantees' reports included inconsistent information for results reported for previous quarters, as noted in the examples below.

- The increase in total membership of an agricultural association was overstated. The association reported its total membership each quarter. However, the USADF-provided template used to prepare the reported results automatically added these totals together and reported the sum as the annual figure. Therefore, the reports submitted to USADF erroneously stated that the association had greatly exceeded its membership targets.
- The fishermen's association inconsistently reported on its indicator for the amount collected in weigh fees (per kilogram of fish caught) over the course of the grant. Some reports included the results for several quarters of the project, while other reports included no results at all.

**Lack of Reporting.** Some grantees did not report their progress toward meeting established performance indicator targets. While some grantees were not familiar with the reporting process, others regularly omitted results for some indicators.

All of these problems occurred because ICDE employees emphasized the verification of financial transactions and reports more than performance results. Consequently, these employees did not review supporting documentation during site visits and quarterly report reviews to make sure they were complete and accurate.

Members of grantee monitoring committees did not review their associations' reported results and focused instead on implementing activities. The associations hired accountants to compile and report results for the quarterly reports, which then left the associations to focus on carrying out activities. However, some accountants left without training association members to assume the reporting functions; so the associations could not perform them properly.

Reported results for several grantees cannot be verified, and USADF cannot be confident that they are accurate and complete. Therefore, it is not possible to determine whether these

grantees have made any progress in achieving their performance objectives. Furthermore, USADF uses performance indicator data to assign project grades during its biannual review process. Without verifying the accuracy and completeness of reported results, USADF may rely on incorrect data in classifying a grantee's performance. To strengthen grantee performance reporting, we make the following recommendations.

***Recommendation 7.** We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to verify periodically the results reported for grantees' performance indicators. This plan should include steps to verify data during monitoring visits and when reviewing quarterly reports.*

***Recommendation 8.** We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to train association management and members of grantee monitoring committees how to verify performance data.*

## **USADF Set Some Performance Indicator Targets Too Low**

Grant agreements between USADF and its beneficiaries outlined the goal and purpose of each specific project, as well as any planned outputs to be achieved and key activities to be undertaken. In line with Section 231 of the USADF manual, "Grantee Reporting," targets for the project implementation plan and key performance indicators were established in the grant agreements.

Although USADF established performance indicator targets in each grant agreement, it set some too low to be a useful measure of progress.<sup>3</sup> As illustrated in the examples below, these grantees met their project targets within months of starting—despite the fact that some began late.

- An agricultural grantee, whose project began in September 2012, did not get several technical training programs as planned and implemented several activities 4 to 7 months late. However, within 3 months, the grantee reported that it had surpassed its annual production target. By June 2013, the grantee reported that it exceeded its end-of-project target for increased yield.
- A banana producer association began its project in May 2011 and ran into numerous delays. Yet within 7 months, the grantee reported that it had well exceeded its end-of-project targets for net income for producers, sales per hectare, and sales for women producers.

ICDE said these issues occurred because it was sometimes difficult to get realistic baseline data from prospective grantees to establish appropriate performance targets. According to ICDE employees, prospective grantees often either inflate or understate their sales to appear more attractive. In addition, weather and economic fluctuations may affect the grantee's baseline data and results.

When targets are set too low, USADF and its partner organizations cannot measure grantee progress accurately. Because USADF considers performance data during its biannual review

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<sup>3</sup> In making this judgment, the audit team considered only unaudited data that grantees reported and submitted in quarterly reports.

process, comparing too low of a target may unfairly influence the assigned grade. Moreover, USADF cannot accurately determine a grantee's overall performance and its own progress toward reaching its goals. Therefore, to help USADF establish realistic, useful performance targets, we make the following recommendation.

***Recommendation 9.*** *We recommend that USADF implement procedures to verify midway through a grant project that targets align with existing realities, and document its decision to keep or modify established targets.*

# EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USADF concurred with Recommendations 1, 3, 4, 6, 7, and 8, and concurred in part with Recommendations 2, 5, and 9. Based these comments, we acknowledge that management decisions have been reached on all recommendations. Our detailed evaluation of management comments follows.

**Recommendation 1.** USADF officials said some projects may involve more training than others, especially if the main objective is to develop expertise and skills. They agreed that some projects' activities are too condensed for grantees that do not have many skills to start with. In those cases, USADF agreed to develop a manageable calendar during the project design and start-up phases. In addition, they plan to require that ICDE evaluate the reasonableness of grantee work plans to ensure that all activities can be completed before a project ends, including the development of an implementation calendar which will be updated regularly through quarterly reports. The target date for completion is December 19, 2014. As a result, we acknowledge that USADF made a management decision.

**Recommendation 2.** USADF officials concurred in part with the recommendation. They said that although the foundation's partners provide formal training to grantees at the start of each project, grantees also benefit from more individualized, hands-on training during project implementation. USADF officials said the current training was sufficient, but they would ask ICDE to provide additional coaching and support, particularly on priority procurement items. This will include developing a procurement checklist that makes it easier to process payments on time and identifies the supporting documentation required to make a request.

USADF officials said ICDE has implemented some solutions to address the delays that stem from late payments and lack of qualified consultants. They include developing a database of qualified consultants, and networking with local institutions. The target date for completion of these activities is November 21, 2014. Accordingly, we acknowledge that USADF made a management decision.

**Recommendation 3.** USADF officials concurred with the recommendation and will require ICDE to document a determination in each project's pre-close-out assessment on whether to extend the project. This assessment will determine which activities cannot or will not be completed. It will consider factors outside of USADF's manageable control, including natural disasters, security concerns in affected areas, new government policies, and economic downturns. The target date to complete this activity is March 10, 2015. Accordingly, we acknowledge that USADF made a management decision.

**Recommendation 4.** USADF officials concurred with the recommendation and said they will work with ICDE to encourage open discussions throughout grant projects. However, they explained that the foundation did not intend to provide support or a response to all grantee problems.

USADF intends to document project problems communicated between USADF, ICDE, and its grantees, implement an action plan, and establish target dates for resolution. Proposed

solutions will be documented in site visit and quarterly reports, remediation plans, and monthly reports from ICDE. The target date for completion of this activity is January 30, 2015. As a result, we acknowledge that USADF made a management decision.

**Recommendation 5.** USADF officials concurred in part with the recommendation. In FY 2013, they said, the foundation began including in its contracts the requirement that a contracted professional train selected members of a project to take on several financial roles and responsibilities by the end. However, this was not practical for every project; larger enterprises with numerous, complicated transactions often required a full-time, professional accountant to provide continued support. Therefore, the officials said USADF plans to verify that grant agreements “document the requirement for a contracted professional to perform required financial services.” As appropriate, USADF will verify that a requirement that grantees transfer these services to a member of the project—that the grantee designated—is reflected in the grant agreement. The target date for the completion of this activity is November 21, 2014. Accordingly, we acknowledge that USADF officials made a management decision.

**Recommendation 6.** USADF officials agreed to verify the transfer of financial and administrative skills, when required under a project, and has begun to address the recommendation. In July 2013 ICDE organized training for accountants working on all active projects. ICDE also will introduce a financial monitoring checklist. The target date for the completion of this activity is December 19, 2014. As a result, we acknowledge that USADF made a management decision.

**Recommendation 7.** USADF officials concurred with the recommendation and said they will require ICDE to verify data during site visits. This will include performing regular reviews of tracking tools created by ICDE and grantee monitoring committees. The target date for the completion of this activity is January 30, 2015. As a result, we acknowledge that USADF made a management decision.

**Recommendation 8.** USADF officials concurred with the recommendation and plan to require ICDE to train grantee association management and monitoring committee members how to verify performance data. This includes continuing to work with grantees to create manageable data collection tools appropriate for project performance indicators. The partner also will continue to train grantee monitoring committees on their duties and how to use, verify, and analyze results. The target date for this activity is January 30, 2015. Accordingly, we acknowledge that USADF made a management decision.

**Recommendation 9.** USADF officials concurred in part with the recommendation. They agreed that a review of grantee indicators was essential and incorporated this review into the foundation’s biannual portfolio review process. However, since each project has an individual work plan, the midpoint of the grant may not be the appropriate time to determine whether targets need to be re-established. The current biannual review process gives USADF the flexibility to monitor changes in a grantee’s situation throughout the project and therefore limit the number of revisions applied to performance indicators.

USADF officials plan to review all active projects during the process to identify underperformers and document any changes to established targets. The target date to finish this activity is January 30, 2015. As a result, we acknowledge that USADF made a management decision.

# SCOPE AND METHODOLOGY

## Scope

We conducted this audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The audit objective was to determine whether USADF's activities in Burkina Faso were achieving their goals of alleviating poverty and promoting emerging entrepreneurs. As of March 2014, the foundation had 21 active grants there worth about \$2.9 million. We visited 12 that were worth \$1.6 million: 5 active projects worth \$825,100 and 7 inactive ones worth \$745,500.

In planning and performing the audit, RIG/Dakar's audit team evaluated internal controls related to USADF/Washington's oversight of grant activities and monitoring activities performed by the local USADF staff. We assessed the following significant controls: USADF's review and approval of assistance mechanisms, financial monitoring, planning processes, and monitoring and evaluation processes. We reviewed cooperative agreements between USADF and ICDE, grant agreements, bank reconciliation reports, annual work plans, portfolio reviews, and monitoring reports. We also assessed ICDE's planning, implementation, and monitoring of the grant activities, and grantees' accomplishment of their goals. We reviewed inactive grants that closed in 2012 or 2013 and ongoing grants that will close between 2014 and 2017.

We assessed whether USADF and ICDE complied with applicable laws, regulations, and USADF policies and procedures. We also assessed whether USADF, its local staff, and ICDE established and followed controls when selecting prospective grantees and approving disbursement requests.

We conducted our audit fieldwork in Ouagadougou from May 5 to May 22, 2014. We conducted site visits in Banzon, Betta, Douna, Fada N'Gourma, Fara, Koungo, Namoungou, Ouahigouya, Ponsomtenga, Titao, Toussiana, and Ziniaré. While security concerns limited our site visit selection, they did not affect the completion of our audit fieldwork.

## Methodology

To answer the audit objective, we reviewed USADF policies and procedures, cooperative agreements with ICDE, and grant agreements with the selected grantees. We also reviewed quarterly reports from the grantees to determine the project status and whether the projects met or were achieving their goals. To understand the grant selection and project development process, we reviewed the grantee folders that ICDE prepared and submitted to USADF.

To understand the procedures that USADF follows when selecting grantees, monitoring their projects, and disbursing grants, we interviewed employees from USADF in Washington and Burkina Faso and from ICDE. We interviewed USADF employees in Washington to understand their oversight responsibilities.

In addition, we judgmentally selected 12 grantees to interview. These grantees were selected based on the amount of funding they received from USADF and whether they were currently implementing projects or have completed them. Although these grantees were in different regions of the country, our selection was limited because of security concerns. As a result, we did not select any USADF grantees in the north or east. Because we did not make a statistical selection, the sample results cannot be projected to the entire population of USADF grantees in Burkina Faso.

While interviewing grantees, we reviewed their electronically prepared or manually maintained performance data to determine whether USADF received high quality, accurate data. Using this information, we verified data collection processes and calculations for results reported in either the December 2013 quarterly report or the last quarterly report of inactive grantees. Because each grantee had different performance indicators, we validated data for indicators specific to each grantee and for which results had been reported. Indicators that were within 10 percent of their targets were considered achieved.

The results and conclusions related to our testing were limited to the items tested and cannot be projected to the entire audit universe. However, we believe that our work provides a reasonable basis for our conclusions.



# MANAGEMENT COMMENTS



October 8, 2014

Mr. Abdoulaye Gueye  
 Regional Inspector General  
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Dear Mr. Gueye:

Thank you for your transmission note and the Draft Report of the Office of Inspector General's Audit of U.S. African Development Foundation Activities in Burkina Faso dated September 10, 2014. The audit was conducted to determine whether selected USADF projects in Burkina Faso were achieving their goals of alleviating poverty and promoting emerging entrepreneurs. We appreciate the opportunity to comment on the report (Audit Report No. 7-ADF-14-00X-P), its findings and recommendations.

USADF appreciates that the audit identified:

- Grantees were providing for their overall goals;
- Grantees were trained to manage their associations, and benefited from technical training that encouraged the use of new skills and techniques to increase their production and market their final products;
- Grantees' financial management included manuals that formalized their administrative, governance and accounting policies;
- Grantees implemented USADF's training on procurement processes to ensure best value and received equipment which facilitated income generating activities; and
- Some grantees benefitted from infrastructure and equipment improvements that eased labor requirements and improved their working environment.

The OIG audit report accurately recognized that USADF's grant population in Burkina Faso focuses on underserved communities in the landlocked West African country in which, as recently as 2009, "nearly 47 percent of the population lived below the national poverty line." USADF's assistance in Burkina Faso has been concentrated on agricultural production and valued-added processing to improve incomes and break the cycle of poverty. Since 2009, USADF has awarded 47 economic development grants totaling \$5,786,257. This direct funding enables the underserved communities and Burkinabe farmers to resolve problems that prevent them from entering the economic mainstream.

One needs to take into account the realities of Burkina Faso when assessing the objectives of the program and measuring the results of USADF's first five years. According to UNICEF, Burkina Faso's literacy rate is only 28.7% and the secondary school enrollment rate is 19.4%. These national statistics reflect

some of the challenges USADF encounters when assisting underserved populations especially in rural areas.

USADF's model empowers Africans in the decision-making and implementation process to provide for a project's sustainability. Additional training, both technical and organizational, is a major focus for capacity building grants. This approach results in better management of the project and empowers the grantee to put in place the required building blocks of basic business management such as organizational management, decision making and planning skills. The grantees demonstrate their newly-acquired abilities by creating work plans, establishing various committees, recruiting staff and developing appropriate financial systems during the life of their project.

The report did not note the necessity of all these activities as contributing to the achievement of the overall program goals, especially for capacity-building grants.

### **AUDIT FINDINGS:**

The audit identified 5 findings which resulted in 9 audit recommendations. It should be noted that the audit did not identify any questioned costs. USADF provides the following additional comments and the attached table reflecting USADF's response to the findings.

In summary, USADF:

- Concur with 6 audit recommendations (Rec.'s 1, 3, 4, 6,7 and 8)
- Concur in Part with 3 recommendations (Rec's 2, 5, 9)

**In response to Finding 1: "USADF Projects Were Late or Incomplete,"** which resulted in 3 recommendations: USADF concurs with Recommendations 1 and 3 and concurs in part with Recommendation 2.

*Recommendation 1: "USADF require the Partner to evaluate the reasonableness of grantee workplans to ensure all activities can be completed before a project ends."*

Many training activities may be needed due to the inherent design of the project, specifically when the main objective is to build capacity. The overall benefit of these trainings often requires that they be completed at the beginning of a grant while others are timed to an agricultural calendar or to a specific activity to ensure immediate applicability of skills. We agree that in some projects activities may be too condensed given grantees' initial low skill levels at the beginning of a project, and USADF should provide extra attention to this during project development and project startup to ensure that a manageable calendar is developed.

*Recommendation 2: "USADF require the Partner to provide additional training to grantees on the disbursement request process."*

At the beginning of every grant, formal training is provided by the Partner on USADF disbursement and reporting processes, yet our experience has shown that grantees also benefit from more individualized training when the beneficiary must actually do the activity during the life of the project with the Partner's guidance. Further formalized training in and of itself will not enhance the grantees' understanding as much as the hands-on training they experience. For example, the first experience of evaluating proposals and selecting training providers is difficult to comprehend unless done with the assistance of the Partner, regardless of previous standardized training. Furthermore, following these general practices, USADF verifies grantees' comprehension and ensures a transparent process that safeguards funds and best value. The current training is sufficient, but USADF will request the Burkina Faso Partner to provide additional coaching and support, specifically on priority procurement items.

This recommendation resulted from the audit identifying delays in project implementation due to untimely receipt of funds and difficulty finding qualified consultants. Although the audit has recommended additional training, the Burkina Faso Partner has already implemented other solutions to these problems including: developing standard terms of reference for various commonly requested trainings, creation of a database of qualified consultants, and networking with local institutions. The database has helped identify more qualified bidders despite projects' remote locations which can be a hindrance to attracting qualified bidders. Grants awarded since the end of FY 2013 have already profited from this tool and shortened their disbursement times. The Burkina Faso Partner will continue to use this database to facilitate the timely implementation of project-level activities.

However, USADF recognizes that the problem of finding qualified consultants on a timely basis is valid. Specifically, when entering a new economic sector or funding a very specialized activity, finding qualified technical trainers and staff is inherently difficult. If no qualified candidates are obtained, the grantee must rebid, and in these cases, grantees may incur necessary delays. The alternative would be to use government funds for a sub-standard or unqualified consultant that would ultimately yield little benefit to the grantees.

*Recommendation 3: "USADF require the Partner to document in each project's pre-closeout assessment a determination whether an extension waiver should be approved..."*

USADF will ensure more timely adherence to complete and fully document pre-closeout visits, determine if an extension is warranted, and which activities cannot or will not be completed. This will take into account the many factors that are beyond anyone's control including the following: natural disasters, security concerns in affected areas, new government policies, and economic downturns.

**In response to Finding 2: "Partner Organization Did Not Respond to Some Grantees' Problems"** which resulted in 1 recommendation: USADF concurs with Recommendation 4.

*Recommendation 4: "USADF document project problems communicated between USADF, the Partner and its grantees to identify the problem, implement an action plan and establish a target date of resolution."*

USADF appreciates the report mentioning that some of the grantees' problems resulted from circumstances outside of the Partner's control. The grantees may not view this from the same perspective and may misinterpret the inability to resolve the problem as an unwillingness to assist them. It should be noted, however, that USADF does not intend to provide support or a response to all problems faced by a grantee. The prioritized problems are identified and agreed upon through the participatory development process carried out with the Partner.

USADF and USADF's Partner promote open discussion throughout the life of the grant especially during the implementation phase should priorities and circumstances change. Through open discussion, the most pressing issues can be identified and timely remediation can be scheduled. Site visit reports, quarterly reports, remediation plans and monthly Partner reports document the proposed solutions to achieve the best possible outcome for the grantees.

**In response to Finding 3: "Financial and Administrative Management Strengthening Activities Were Not Sustainable,"** which resulted in 2 recommendations: USADF Concurs in Part with Recommendation 5 and Concurs with Recommendation 6.

*Recommendation 5: "USADF include a requirement in its grant agreements that grantees designate a member of the association to receive technical training from the contracted professionals providing financial and administrative management services."*

Starting in FY 2013, USADF included in the Appendix A of certain Burkina Faso grant agreements, the

requirement that the contracted professionals train selected members of the project so that they are able to take on several of the financial roles and responsibilities by the end of the project. Through experience, USADF has realized that designating a member of the grantee group to be trained as a replacement for the accountant is not always applicable to every project. Larger enterprises with numerous and more complicated transactions often require a full-time, professional accountant to provide continued operations. Changing the requirement for all grant agreements would not be practical and could create unanticipated problems for other grantees.

*Recommendation 6: “USADF verify that consultants providing financial and administrative management services transfer the technical abilities of these roles to the grantees during the course of a project.”*

The Partner has been proactive in ensuring financial competencies are enhanced. To enhance the technical providers’ abilities to transfer skills to the grantees, the Burkina Faso Partner organized a training in July 2013 for the accountants of all active projects. USADF will provide examples of tests that the accountant administers to group members for those grants that do not plan on keeping the USADF-provided accountant. Additionally a financial monitoring checklist will be developed and introduced.

**In response to Finding 4: “Some Grantees Did Not Report Accurate Results,”** which resulted in 2 recommendations: USADF concurs with Recommendations 7 and 8.

*Recommendation 7: “USADF require the Partner to verify periodically the results reported for grantees’ performance indicators...”*

The Partner will continue to verify results reported from the grantees through regular reviews of data collection tools during on-site visits and at the time of quarterly reports.

*Recommendation 8: “USADF require the Partner to train association management and members of grantee monitoring committees how to verify performance data.”*

The Partner will continue to work with grantees to create manageable data collection tools appropriate to the various project performance indicators. The Partner will also continue to train project-level monitoring committees on the purpose of the committee and the usage, the verification and the analysis of results.

**In response to Finding 5, “USADF Set Some Performance Indicator Targets Too Low,”** which resulted in 1 recommendation: USADF Concurs in Part with Recommendation 9.

*Recommendation 9: “USADF implement procedures to verify midway through a grant project that targets align with existing realities and documents its decision to keep or modify established targets.”*

A review of a grantee’s indicators is essential and USADF will continue to conduct its regular biannual reviews of the portfolio which allows for an evaluation at multiple points in the grant’s life. The determination of the need to re-establish project targets is not necessarily appropriate at the mid-point of the grant given the individualized workplans of projects. For some, the evaluation may be too early; for others, the evaluation may be too late. USADF already analyzes levels of target achievements. We first must understand whether the situation or circumstance has greatly impacted the project and provides a rationale for performance targets being modified. The current biannual review system allows for sufficient flexibility to determine whether the grantee’s change in situation results from a consistent pattern or a one-time occurrence. USADF prefers to limit the number of revisions applied to the performance indicators or one risks having a moving target with no real basis. Thus it is best determined to review a project’s indicators on an individual basis multiple times throughout its life.

Sincerely,

Shari Berenbach /s/  
President and Chief Executive Officer

*attachment*

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
<b>1. Some USADF Projects Were Late or Incomplete</b>				
1	We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to evaluate the reasonableness of grantee work plans to ensure that all activities can be completed before a project ends.	Concur	<p>USADF will require USADF's Partner to evaluate the reasonableness of grantee work plans to ensure that all activities can be completed before a project ends.</p> <p>USADF will provide an example of a project implementation calendar created during a project development for a Burkina Faso grantee and a quarterly report example showing how calendars are updated which provides for a manageable calendar that is realistic.</p>	December 19, 2014
2	We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to provide additional training to grantees on the disbursement request process.	Concur in Part	<p>In the additional training the USADF Partner has provided on the disbursement request process, USADF Partner will include a procurement checklist that facilitates timely disbursement of funds that has been provided to the Burkina Faso grantees identifying what supporting documentation is required to submit a DR.</p> <p>USADF will provide an example of a procurement checklist and also submit a list of grantees that have received the additional training.</p>	November 21, 2014
3	We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to document in each project's pre-closeout	Concur	USADF will require the Partner to document in each project's pre-closeout assessment determination on whether an extension should be provided.	March 10, 2015

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
	assessment a determination whether an extension waiver should be approved. If it is, this procedure should establish a firm—but reasonable—end date for the project and the completion of all of its activities.		USADF will submit an example of a pre-closeout visit which documents whether an extension should be approved and include a proposed end date and completion date of grant activities that are to be completed during the remaining period of the grant.	
<b>2. Partner Organization Did Not Respond to Some Grantees Problems</b>				
4	We recommend that USADF document project problems communicated between USADF, Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises, and its grantees to identify the problem, implement an action plan, and establish a target date of resolution.	Concur	<p>USADF will document project problems communicated between USADF, Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises, and its grantees to identify the problem, implement an action plan, and establish a target date of resolution.</p> <p>USADF will provide examples of site visits, QRs, remediation plans, and monthly partner reports which clearly demonstrate that grantees' problems are identified and addressed and document, as needed, follow-up action required and target date for resolution.</p>	January 30, 2015
<b>3. Financial and Administrative Management Strengthening Activities Were Not Sustainable</b>				
5	We recommend that USADF include a requirement in its grant agreements that grantees designate a member of the association to receive technical training from the contracted professionals providing financial and administrative management services.	Concur in Part	USADF will ensure the Burkina Faso grant agreement Appendix As, as needed, document the requirement of a contracted professional to perform required financial services. As appropriate, USADF will ensure the requirement that these services be transferred to a	November 21, 2014

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
			<p>member of the project that the grantee designates is reflected in the Appendix A.</p> <p>USADF will provide a sample of an Appendix A, which is a part of the Burkina Faso grant award which shows that the contracted professionals are obligated to transfer skills in the projects where it is needed.</p>	
6	We recommend that USADF verify that consultants providing financial and administrative management services transfer the technical abilities of these roles to the grantees during the course of a project.	Concur	USADF concurs to verify the transfer of financial administrative skills when it is required for a project. USADF will provide examples of tests that the accountant administers to group members for those grants that do not plan on keeping the USADF provided accountant. Additionally a financial monitoring checklist will be developed by the Burkina Faso program. A follow-up monitoring report will reflect the training provided and the member of the organization that received the training.	December 19, 2014
<b>4. Some Grantees Did Not Report Accurate Results</b>				
7	We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to verify periodically the results reported for grantees' performance indicators. This plan should include steps to verify data during monitoring visits and when reviewing quarterly reports.	Concur	<p>USADF will require the Burkina Faso Partner to implement procedures to verify data during site visits.</p> <p>USADF will also continue to verify results reported by the grantees through regular reviews of tracking tools created by the Partner and monitoring committees. USADF will provide an example of a tracking tool that was created with a grantee, a sample monitoring report</p>	January 30, 2015



No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
			where indicators are reviewed and verified, and a sample partner memo that is submitted with the QR providing an analysis of progress on the indicator.	
8	We recommend that USADF require Cabinet d'Ingénierie et de Conseil en Développement d'Entreprises to train association management and members of grantee monitoring committees how to verify performance data.	Concur	<p>USADF will require the Partner to train the association management and monitoring committee members on how to verify performance data.</p> <p>USADF will provide an example of the current training materials on indicators available which demonstrate the completeness and thoroughness of the training as well as an example of a data collection tool, and a copy of a sign-in sheet from a recent monitoring training provided to a grantee's monitoring committee.</p>	January 30, 2015
<b>5. USADF Set Some Performance Indicator Targets Too Low</b>				
9	We recommend that USADF implement procedures to verify midway through a grant project that targets align with existing realities, and document its decision to keep or modify established targets.	Concur in Part	<p>USADF will review all active projects during its existing bi annual review process, identify underperforming projects and document any adjustments to established targets to reflect the revised targets to be achieved during the remaining period of the grant.</p> <p>USADF will provide an example of a biannual review and an accompanying memo which provides a brief synopsis of</p>	January 30, 2015

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			under-performing projects and what next steps are recommended, including if a revision of targets is merited.	

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