



OFFICE OF INSPECTOR GENERAL

AUDIT OF THE AFRICAN DEVELOPMENT FOUNDATION'S ACTIVITIES IN NIGERIA

AUDIT REPORT NO. 7-ADF-11-002-P
February 2, 2011

DAKAR, SENEGAL



Office of Inspector General

February 2, 2011

MEMORANDUM

TO: African Development Foundation President, Lloyd Pierson

FROM: Regional Inspector General, Gerard Custer /s/

SUBJECT: Audit of the African Development Foundation's Activities in Nigeria
(Report No. 7-ADF-11-002-P)

This memorandum transmits our report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report, and we have included them in their entirety in appendix II.

The report includes 15 recommendations for your action. Based on management's comments, we have deleted one recommendation (recommendation 2 in the draft report), and have renumbered the recommendations accordingly in this report. Based upon your comments and actions planned, a management decision has been reached on recommendations (renumbered) 1, 2, 3, 4, 5, 7, 8, 10, 11, 12, 13, 14, and 15. Determination of final action for the report recommendations will be made by ADF's audit committee and we ask that we be notified upon completion of the proposed corrective actions.

A management decision has not been reached on recommendations (renumbered) 6 and 9. Please provide us with written notice within 30 days of actions planned or taken to address recommendations 6 and 9. A management decision can be achieved when ADF and we agree on a firm plan of action, with target dates, for implementing the recommendations.

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

cc: Board of Directors, African Development Foundation

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SUMMARY OF RESULTS

The African Development Foundation (ADF) is a U.S. Government corporation established by Congress in 1980 to support African-designed and African-driven solutions that address grassroots economic and social problems. ADF provides grants of up to \$250,000 directly to underserved and marginalized community groups and enterprises. The grants help organizations create tangible benefits such as increasing or sustaining the number of jobs in a community, improving income levels, and addressing social development needs.

ADF currently operates in 21 African countries, including Nigeria, where an estimated 45 percent of the country's population of more than 120 million are living below the poverty line. ADF implements and monitors its programs in six states in Nigeria through its partner organization Diamond Development Initiatives (DDI), a Nigerian-owned and operated nonprofit, nonpolitical, and nonreligious organization whose mission is to economically empower the rural and urban poor through the provision of financial and technical support to grassroots development organizations.

Oversight of ADF's projects is provided by an ADF country program coordinator (CPC) based in Nigeria, who reports to an ADF regional program director (RPD) based in Washington, DC. The CPC and RPD are responsible for screening and selecting grantees, visiting grantee project sites, and working with DDI to provide oversight of activities to grantees. The CPC also participates in grant audits and closeout activities for each project as directed by the RPD in accordance with the annual work plan developed by the RPD.

ADF currently has 39 active grants in Nigeria with total funding of \$5,043,736 for various economic and social sectors implemented by Nigerians in their local communities. These grants fund activities including the construction of low-cost housing, rice production and processing, leather production and processing, fish farming and processing, metalworking, ginger processing, sorghum and dairy production and processing, food and beverage catering, groundnut production and processing, and garment tailoring. Of ADF's 39 active grants in Nigeria, 10 grants with total funding of \$1,788,674 were selected for the audit, as described in table 1.

Table 1. Grantees Selected for Audit

Activity Description	Objective	Grantee	Estimated Budget	Program Dates
Construction of Low-Cost Housing	Improve living conditions for poor and low-income residents by designing and constructing low-cost homes.	Universal Turnkey Projects Ltd.	\$248,257	2007-2011*
		El Noor Ventures Limited	\$248,257	2007-2011*
		Garcons Nigeria Limited	\$130,368	2007-2011*
		Spectarch	\$248,257	2007-2011*

Activity Description	Objective	Grantee	Estimated Budget	Program Dates
Metalworking and Tailoring	Improve living standards for the physically handicapped in Kano state by establishing a metal workshop, a tailoring workshop, and a revolving loan fund.	Physically Handicapped Association of Nigeria-Kano State	\$100,000	2009–2011
Rice Production and Processing	Improve the standard of living of low-income rice producers through sustained expansion.	Danhassan Fadama Farmers Cooperative Society	\$100,000	2009–2011
Sorghum Production and Processing	Increase incomes of small-scale sorghum farmers.	Da All Green Seeds Limited	\$250,000	2009–2014
Fruit Production and Processing	Improve living standards of private sector workers by producing fresh fruit juices.	NIYYA Food and Drink Company Limited	\$242,983	2007–2012
Groundnut Oil Production	Improve living standards by producing groundnut products.	Aiya Pure Groundnut Oil Mills	\$135,869	2007–2012
Food and Beverage Catering	Improve living standards of autistic children by providing diagnostic assessments, treatment, vocational training, and other social services.	Children's Developmental Centre	\$100,750	2009–2011

* These programs were not completed timely and received extensions on their completion dates.

This audit was conducted to determine whether ADF/Nigeria implemented and monitored its activities in accordance with required policies and regulations to ensure that project objectives were achieved.

The audit team concluded that ADF/Nigeria has not implemented and monitored the 10 key projects audited in accordance with required policies and regulations to ensure that project objectives were achieved. The audit found that construction of the houses was delayed by at least 13 months (only 90 out of 156 houses had been built at the time of the audit) (page 4); low-income houses were not occupied by eligible beneficiaries (87 of the 90 completed houses have remained empty for up to a year after completion and 3 houses were allocated to state government officials rather than low-income civil servants (pages 4–7); and the quality of the constructed houses was not adequate (cracked walls and poor foundation) owing to poor-quality soil selected for the construction sites (pages 7–9).

The audit also found that activity monitoring by ADF and DDI was not adequate (pages 9–11) and ADF did not have a branding and marking policy (page 12). To address these issues, the audit recommends that ADF:

- Develop and implement a plan with a timeline for obtaining donated land and completing the remaining 66 houses (page 4).
- Formalize an agreement with the Kano State Government (page 7).
- Clearly delegate authority for selecting beneficiaries in writing (page 7).

- Ensure that the process for identifying beneficiaries is transparent (page 7).
- Allocate the remaining houses to eligible beneficiaries (page 7).
- Identify legally available options for remedying the current occupation of houses by ineligible beneficiaries and implement a remedy accordingly (page 7).
- Modify the memorandum of understanding to include joint efforts in assessing the suitability of land used for construction of future houses (page 8).
- Require that an environmental assessment and preliminary soil quality studies be conducted for future construction sites (page 8).
- Develop a plan of action for obtaining and documenting inspection certificates for all completed houses (page 9).
- Establish a plan to ensure that the construction budget for all phases of construction meets acceptable standards within the allocated budget (page 9).
- Review the work of all grantees and ensure that poor-performing grantees are not awarded grants in subsequent phases of the project (page 9).
- Develop and implement a plan of action to address the needs of its grantees to ensure that grantee project goals are achieved (page 11).
- Require its partner to submit a comprehensive monitoring plan that includes all projects, site visit coordination efforts, a site visit schedule, and a site visit template (page 11).
- Amend its country program coordinator's job description to include all oversight responsibilities over the implementing partner, including evaluating the work of the partner on a biannual basis (page 11).
- Develop and approve a branding and marking policy for its programs and take the necessary steps to ensure that the policy is implemented and adhered to by its programs in Nigeria (page 12).

ADF agreed with most of our recommendations. On the basis of management's comments, we have deleted one recommendation (recommendation 2 in the draft report), and have renumbered the recommendations accordingly in this report. On the basis of its comments and planned actions, a management decision has been reached on recommendations (renumbered) 1, 2, 3, 4, 5, 7, 8, 10, 11, 12, 13, 14, and 15. A management decision has not been reached on recommendations 6 and 9.

The audit's scope and methodology are described in appendix I. ADF's written comments on the draft report are included as appendix II. Our evaluation of management's comments is on page 13.

AUDIT FINDINGS

Housing Construction Was Delayed

According to the memorandum of understanding signed on September 24, 2004, between DDI and ADF in phase 2 of the project, 156 houses for low-income civil servants were to be built in 13 local government areas in Kano State by September 2009. However, the project had completed construction for only 90 of the 156 houses at the time of the audit team's visit in September 2010. According to ADF officials, the project has again been extended until June 2011 for completion of the remaining 66 houses.

The delays were primarily due to difficulties in obtaining the donated land from the Kano State government. According to the agreement between the Kano State government and ADF, Kano State would provide land for construction of 156 houses. However, the agreement was not specific about when the land was to be provided and Kano State was slow in identifying land for the construction of houses and providing the legal authorization. Consequently, although ADF signed agreements with grantees in September 2007 (for phase 2 of construction), the government had provided only part of the land for construction in October 2008 (a year later).

Securing land donated by the Kano State government continues to be a challenge for ADF as it attempts to complete construction of the remaining 66 houses. As of September 2010, ADF officials and Kano State officials had not identified available land for construction of the remaining houses. Without a firm plan and timeline to secure the land, there is no assurance that ADF will be able to complete the construction of the remaining houses by the due date, which has already been extended twice. Therefore, this audit makes the following recommendation:

Recommendation 1. We recommend that the African Development Foundation develop and implement a plan with a timeline for obtaining donated land and completing the remaining 66 houses.

Low-Income Houses Were Not Occupied by Eligible Beneficiaries

As part of an effort to improve the welfare in Kano's rural communities, ADF and the Kano State government agreed to develop and complete low-cost, high-quality rural housing for civil servants and public service employees with income levels between 9,000 naira (\$60) and 19,000 naira (\$127) per month as a means of helping to attract and retain the services of these personnel in the rural communities. The tripartite agreement among the Kano State government, ADF, and Al Kassim Construction Company stipulated that the Kano State government would be responsible for selecting qualified beneficiaries and assigning them houses.

Although 90 houses had been completed, the audit determined that only 3 were occupied. The other 87 houses have remained empty, in some cases for more than 1 year. The audit team visited 60 houses, 48 of which had been completed by the grantees. Table 2 demonstrates the level of completion and occupancy for each of the housing projects visited at the time of the audit in September 2010.

Table 2: Houses Occupied

Grantee	Houses Scheduled for Construction	Houses Completed at Time of Audit	Date Houses Were Completed	Houses Occupied at Time of Audit
Garcons Nigeria Ltd.	12	0	N/A	0
El Noor Ventures Ltd.	24	12	October 2008	3
Spectarch	24	24	October 2008	0
Universal Turnkey Projects Ltd.	24	12	October 2008	0



Photo taken by an OIG auditor on September 30, 2010, of an unoccupied housing project completed since October 2008.

The Kano government has allocated some of these houses to beneficiaries (although the houses are still not occupied), but neither it nor ADF has plans or a timeline for allocating and placing the beneficiaries in the remaining empty houses.

Furthermore, all three occupied houses were occupied by ineligible beneficiaries. Three ineligible Kano State government officials (not civil servants) had been allocated these houses—a vice chairman of the local government, a special adviser to the governor (who substantially upgraded the house), and a political party chairman (who did not live in the house but is renting it). Moreover, under the program, each owner was required to pay a mortgage. None of these individuals had made any mortgage payments to which they had previously agreed.

The audit team reviewed housing applications for 12 houses built by El Noor Ventures Ltd., and discovered that there were only nine applications on file for the houses. None of the applicants had met the income or other eligibility requirements set forth in the memorandum of understanding (MOU) between ADF and the Kano State government. One of the three officials identified left blank the line on the application that requested salary amounts. Another applicant listed his occupation as a businessman and another as a politician, which was clearly not allowed under the program targeting low-income civil servants.

When the auditors asked how the houses had been advertised to the local community to generate interest among low-income civil servants, the Kano State government authorities were unable to provide any information. Some authorities admitted that even though they were fully aware that the three government officials who were allocated houses did not qualify for the program, they were in no position to refuse them the houses for fear of losing their jobs. Kano State housing authorities explained that there was considerable pressure from local politicians to allocate completed houses to government officials. One housing authority even argued that since the state government was an equal partner in this project, it had the right to award the houses to anyone it wished. Additionally, housing authorities emphasized that the tripartite agreement among ADF, Kano State, and the grantees was never formalized and signed; therefore it was not a valid document.

According to a review of the Kano State Housing Project by the law firm of Wali-Uwais & Co., the director of administration at the Kano State Housing Authority admitted that two or three of the houses in each of the local government areas were allocated to politicians affiliated with the Kano State Housing Authority. Furthermore, the director believed that it was fair for politicians to benefit from the project and also admitted that another three individuals (mainly junior staff) were allocated houses. The review also revealed that the houses were sold at a discount to officials and staff of the Kano State Housing Authority. Contrary to the MOU, which established the cost at \$5,333 per house, these individuals purchased each house for \$4,267, a 20 percent discount.

This situation occurred because the identification, review, and selection of beneficiaries were entirely controlled by the Kano State government through its housing authority. This process was not transparent, fully documented, or reviewed by other parties. Neither ADF nor DDI had any input into how applicants were reviewed or selected.

Although DDI has informed ADF of these problems, corrective action has not been taken. In June 2010, DDI recommended that ADF terminate the housing project owing to unavailability of land to complete the remaining houses as well as noncompliance by the Kano State government regarding the identification and selection of beneficiaries. This recommendation followed the review by the law firm Wali-Uwais & Co. that revealed that the Kano government was not complying with its mutually agreed-upon policy with ADF for selecting beneficiaries and distributing houses. However, ADF evaluated the situation and decided to proceed with the remaining houses because terminating the housing project may negatively impact other projects implemented in Nigeria. Because the process for identifying, reviewing, and selecting beneficiaries was not transparent, qualified beneficiaries have not benefited from the project. Therefore, this audit makes the following recommendations:

Recommendation 2. *We recommend that the African Development Foundation, Kano State government, and the grantees formalize an agreement.*

Recommendation 3. *We recommend that the African Development Foundation and Kano State government clearly delegate authority for selecting beneficiaries to both parties in writing.*

Recommendation 4. *We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, develop and implement a plan to ensure that the process for identifying beneficiaries is transparent.*

Recommendation 5. *We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, develop and implement a plan to allocate the remaining houses to eligible beneficiaries.*

Recommendation 6. *We recommend that the African Development Foundation identify legally available options for remedying the current occupation of houses by ineligible beneficiaries and implement a remedy accordingly.*

The Quality of Constructed Houses Was Not Adequate

The memorandum of understanding signed by the Kano State government and ADF and the tripartite agreement among the Kano State government, ADF, and the grantees includes language for the development and construction of low-cost, high-quality rural housing for civil servants and public service employees.

Although high-quality housing is required, the audit team noted several quality issues with houses constructed by El Noor Ventures Ltd. in the village of Rimin Gado. All 12 houses had cracked walls, unplastered walls, visible moisture damage, and nonfunctioning boreholes that could limit access to water. DDI also noted cracks in the walls of some completed houses in its monitoring report. In addition, some houses were constructed in locations that are not easily accessible to main roads.

A quantity surveyor¹ hired by DDI noted several problems, including serious cracks in the kitchen and toilet areas, a falling roof that had blown away, vandalized ventilation pipes, and the collapse of an internal fence wall separating two units. The surveyor concluded that the cracks and visible damage to the houses were signs of structural failure in the foundation due to poor soil characteristics. The surveyor also noted that the materials used for construction were not adequate. For example, poor cement quality resulted from using too much sand and not enough cement in the mixture, which compromised the quality of the houses. ADF management asserted that the houses have passed inspection. However, despite many requests for these reports, ADF was not able to provide them at the time of the audit.

¹ Quantity surveyors control construction costs through (1) accurate measurement of the work required; (2) the application of expert knowledge of costs and prices of work, labor, materials, and plant required; and (3) an understanding of the implications of design decisions at an early stage to ensure that good value is obtained for the money to be expended.

Although DDI agreed that the soil was unacceptable for construction, it did not participate in the land selection process, and it did not have the authority to inspect the land where the houses were built prior to construction because the MOU delegated that authority only to the Kano State government. ADF agrees that initial assessments should have been conducted to prevent such problems, and although ADF generally conducts environmental assessments for all its projects, it did not do so for this project.

A Kano State Housing official stated that although the state was responsible for overseeing the housing construction, it was difficult for the state to exert power over the grantees since the grantees viewed ADF as the primary donor. Therefore, all recommendations made by experts from Kano State to the grantees on the quality of the houses and necessary improvements in the quality of the houses were ignored by the grantees. According to Kano State Housing Authority, there was a lack of accountability by ADF grantees.

The chief executive officer of El Noor Ventures Limited admitted that his organization could have performed a better job of constructing the houses but attributes many of the problems encountered to delays in securing land for the project, which compressed the time available to complete construction. In addition, the lack of adequate funding for house construction required him to cut corners in building the houses. He believed that funding provided by ADF for the houses was not adequate to build the quality of houses the project was seeking. For houses completed, he added that more work is needed to ensure that they are structurally safe and can withstand harsh weather conditions.

Additionally, the housing project did not use the interlocking brick technology proposed in the agreements with grantees. When the low-cost housing projects in Kano State were conceived, they were meant to be modeled after a similar project in Jigawa State that used interlocking blocks rather than a sand and concrete mixture construction technique. According to an ADF report, this concept would have reduced cement use by up to 50 percent, reduced costs, and allowed local artisans to learn a new construction technique. The procurement of the brick-making machine was the responsibility of the Kano State government, but it failed to buy the right equipment. Consequently, this more cost-effective, environmentally friendly construction technique was not introduced to the people of Kano State. This led to an estimated 28 percent reduction in the number of houses built, even though the total cost increased by 33 percent (partly because materials used to make cement blocks were not readily available locally). Moreover, since this technique was never used, local artisans could not learn of its advantages or gain new skills.

Consequently, poor-quality homes were built that may not be able to withstand harsh weather conditions. To ensure that ADF's housing quality issues are adequately addressed, this audit makes the following recommendations:

Recommendation 7. We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, modify the memorandum of understanding to include joint efforts in assessing the suitability of land used for construction of future houses.

Recommendation 8. We recommend that the African Development Foundation develop and implement a plan to require that an environmental assessment and preliminary soil quality studies be conducted for future construction sites.

Recommendation 9. *We recommend that the African Development Foundation develop a plan of action for obtaining and documenting inspection certificates for all completed houses.*

Recommendation 10. *We recommend that the African Development Foundation establish a plan to ensure that the construction budget for all phases of construction meets acceptable standards within the allocated budget.*

Recommendation 11. *We recommend that the African Development Foundation review the work of all grantees and ensure that poor-performing grantees are not awarded grants in subsequent phases of the project.*

Activity Monitoring by ADF and DDI Was Not Adequate

ADF Manual Section 630 requires that partner organizations provide in-country technical assistance to grantees to ensure that projects are proceeding according to plan and are achieving the objectives of the grant, and to assist grantees in identifying and addressing issues that arise during project implementation. Moreover, site visits are an essential part of providing management support and technical assistance, and Section 630 requires that during site visits, partner staff review the grantees' maintenance, use, and management of their project documentation and data collection systems. No fixed schedule is prescribed for site visits as they will necessarily depend on the status of the projects; however, partners are expected to visit grantees at least quarterly during the first year of the project and no less than once annually thereafter. Every site visit will be documented in a site visit report and attached to the partner's monthly report.

In defining the role of ADF's country program coordinator, Section 630 states that the CPC is primarily responsible for monitoring the work of the partner organization to determine if timely, appropriate, and effective management support services and technical assistance are being provided to grantees. Furthermore, Section 630 assigns responsibility to the CPC to independently assess the work of the partner organization to ensure that grantees are receiving timely and effective technical assistance and support services that the partner is expected to provide. However, the audit determined that several grantee projects (described below) were not proceeding according to plan, which may negatively impact program achievement:

Metalworking and Tailoring Sector: Physically Handicapped Association of Nigeria (PHAN) Kano Project – PHAN's agreement established a goal of training 300 members of the association, but the audit team was unable to confirm that this training had occurred because neither the grantee nor DDI maintained any training records. Project PHAN was also to establish a revolving loan fund for its members, but the audit noted that the association had not established this fund. DDI did not adequately monitor the grantee to ensure that the objectives of the grant were achieved.

Sorghum Production and Processing: Da All Green Seeds Limited Project – The grantee was required to obtain three comparable price quotes from vendors for all

purchases over \$3,000 (to ensure that costs were kept low); however, the grantee was not able to provide documentation to support open competition for \$30,000 worth of seeds it had purchased. In addition, sorghum grains were purchased from the farmers at a higher price than the project could resell them in the open market. This resulted in a significant decrease in the grantee's annual revenue, although the production volume of sorghum seeds had increased. The grantee's annual revenue target for Year 1, which started in July 2009, was 78.2 million naira (\$517,881), but the grantee had only reached 6.5 million naira (\$43,046) as of March 31, 2010. At the same time, production volume of sorghum seeds reached 34 metric tons, surpassing the target of 25 metric tons. DDI did not ensure that the prices of goods sold and purchased by the grantee were reasonable to achieve maximum benefit. Moreover, the grantee stated that this situation could be repeated if appropriate measures were not taken. The grantee failed to meet several targets and indicators, and DDI has not assisted the grantee in addressing these problems to ensure that grant objectives will be achieved.

Fruit Production and Processing: NIYYA Food and Drink Company Ltd. – The goal of the project was to improve the living standards of private sector workers who produced fresh fruit juices and fruit suppliers in the Kaduna region of Nigeria, and to increase income of NIYYA, its employees, and fresh fruit suppliers in the Kaduna area. To achieve these goals, NIYYA Food and Drink Company Ltd. were to conduct market research to better understand Nigerian consumers' attitudes toward its products and to improve its distribution strategy. NIYYA officials considered the market research study to be a key element in NIYYA's future growth. Also, NIYYA was to develop a strategic growth plan to enable it to realize its vision of becoming a significant national competitor in the fruit juice market in Nigeria. NIYYA was to purchase (with its own funds) an orange juice oil extractor that would separate the oil from the juice, thereby improving the quality of its juices.

However, NIYYA did not conduct the market research because ADF had not provided sufficient funding for the level of research NIYYA was seeking. Furthermore, NIYYA did not purchase the oil extractor because it encountered problems in generating funds for this purchase. NIYYA officials indicated that sales have not progressed, and its capacity utilization has remained flat at 30 percent since it began its project with ADF in 2007. DDI has not proactively assisted NIYYA to overcome these challenges.

Rice Production and Processing: Danhassan Fadama Farmers Cooperative Society – The project called for the utilization of 30 hectares of land for rice production and processing. However, the grantee was able to secure only 15 hectares (although 60 percent of total project funding has already been disbursed to the grantee) and received no assistance from DDI in securing additional land. The grantee purchased fertilizer and rice seeds for 30 hectares of land, resulting in excess fertilizers and rice seeds. Upon verification of the physical items, the audit team noted discrepancies with the stock cards maintained by the grantee. For example, stock cards showed 30 bags of rice seeds, but the audit team was unable to verify this amount. The stock cards also contained no review or verification by DDI officials. Although the grantee noted that DDI made more than 20 visits to the project, DDI officials did not document all of these visits.

Food and Beverage Catering: Children's Developmental Centre – The centre did not meet several of its goals. For example, the centre did not provide training on event management and budgeting as it had intended because it was later determined that

these trainings were not appropriate for the project. DDI did not assist the centre in revising its targets and goals.

The audit also found that the centre deposited funds into the petty cash account to facilitate the payment of certain large items. This, however, was contrary to the ADF manual, which stated that “Cash payments should be for small amounts and there should be few of them.” For example, checks for the purchase of tea equipment were written to an employee rather than the supplier (the team noted two transactions in which the payments amounted to 630,000 naira (\$4,172) and 595,494 naira (\$3,944), respectively. The centre’s officials explained that some suppliers did not accept checks; therefore, an employee would accept the check on its behalf and pay the supplier. DDI’s officials never noted this practice during their monitoring visits. Although the audit team was able to verify the existence of the equipment, this practice is an example of weak internal controls over procurement actions and a lack of oversight.

The condition described above occurred primarily because DDI had not provided adequate assistance to grantees. Also, DDI and ADF had not provided adequate oversight of project activities. For example, although there were 39 active projects in Nigeria, DDI’s monitoring plan included only 29 projects. Furthermore, its monitoring plan did not specify when site visits would be conducted or the types of information that would be verified or provided during these site visits.

There was a lack of day-to-day oversight of DDI’s and grantees’ activities by the ADF representative in Nigeria. DDI’s officials confirmed that it interfaced directly with ADF officials in Washington, DC, rather than the ADF CPC in Nigeria. The CPC, who was hired 4 months before the audit started, explained that although he meets with DDI officials for program discussions, there is no language in his job description that gives him the authority to effectively assess the work of DDI to ensure that grantees are receiving timely and effective technical assistance and support services that the partner is expected to provide. Furthermore, although both DDI and the CPC performed site visits, there was no coordination of monitoring duties.

As a result, some programs have encountered problems that may prevent them from achieving their goals. To correct these issues, this audit makes the following recommendations:

Recommendation 12. *We recommend that the African Development Foundation in coordination with the Diamond Development Initiatives, develop and implement a plan of action to address the needs of its grantees to ensure that grantee project goals are achieved.*

Recommendation 13. *We recommend that the African Development Foundation require the Diamond Development Initiatives to submit a comprehensive monitoring plan that includes all projects, site visit coordination efforts, a site visit schedule, and a site visit template.*

Recommendation 14. *We recommend that the African Development Foundation amend its country program coordinator’s job description to include all oversight responsibilities over the Diamond Development Initiatives, including evaluating its work on a biannual basis.*

Branding and Marking Policy Needed

Ensuring that the American people are appropriately recognized for their generosity in funding U.S. foreign assistance has been a long-standing U.S. Government objective. However, ADF does not have a branding and marking policy that adequately identifies the assistance made by the American people. The audit team observed the following instances where program activities were not properly marked or identified as American aid.

1. Although ADF was the largest donor to the Children's Developmental Centre, there were no signs, markings, or logos that identified ADF as a donor. Meanwhile, another donor's signs and logos were prominently displayed at the centre's playground.
2. None of the seven villagers interviewed at the housing project site in the village of Kunchi were aware that the houses built in their community were provided by ADF or the American people.
3. At the tailoring and metal workshops of the Physically Handicapped Association of Nigeria, none of the items procured with ADF funding—the sewing machines, generators, office furniture, or welding tools—were appropriately branded with ADF logos and markings.
4. At the rice farm visited in the village of Danhassan, there were no signs appropriately identifying the project. The villagers and farmers interviewed created their own signs to promote the project.
5. At the headquarters of NIYYA Food and Drink Company and Da All Green Seeds Limited, there was no evidence of ADF sponsorship, although both grantees will receive combined funding of \$488,930.

These omissions are attributed to the lack of an approved branding implementation plan and the failure of ADF to address the problem. DDI officials and the CPC were very open to the idea of a branding and marking policy to guide them in ensuring appropriate branding of programs in Nigeria and to ensure that ADF is given the appropriate credit.

The president of ADF has identified the need for programs to be appropriately branded and has encouraged projects to do so where possible, but there is no comprehensive policy to guide personnel. Without an adequate policy to address this problem, the risk exists that the objectives of furthering U.S. foreign policy in Nigeria will not be achieved and that neither the U.S. Government nor the American people will receive credit for providing public resources in Nigeria and other countries in Africa where ADF operates. In addition, branding developed by projects without the supervision and approval of ADF may be inappropriate. This audit makes the following recommendation.

Recommendation 15. *We recommend that the African Development Foundation develop and approve a branding and marking policy for its programs and take the necessary steps to ensure that the policy is implemented and adhered to by its programs in Nigeria.*

EVALUATION OF MANAGEMENT COMMENTS

ADF agreed with most of the recommendations in the draft report. In preparing the final report, the Regional Inspector General/Dakar (RIG/Dakar) considered management's comments and clarified its position for the recommendations with which ADF did not agree. In particular, RIG/Dakar revised the report to reflect changes and clarifications suggested by management in appendix 2 of its comments to the draft report. However, although management argued that certification of construction of the houses was completed and the PHAN project provided training and established the loan fund (points 3 and 4 on page 26), RIG/Dakar did not receive any documentation to support these claims during the audit. Furthermore, on the basis of management's comments, we have deleted one recommendation (recommendation 2 in the draft report), and renumbered the recommendations accordingly.

For Recommendation 1, ADF agreed with the recommendation and will work with DDI to develop a plan and budget by April 15, 2011, for grantees to complete the remaining houses. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 2, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include issues of land donation, project site suitability, selection of beneficiaries, selection criteria, and construction quality by April 30, 2011. Since the new agreement will be a bilateral agreement rather than the tripartite agreement mentioned in the recommendation, we have clarified this in the recommendation. A management decision has been reached for this recommendation.

For Recommendation 3, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include delegating authority for selecting beneficiaries by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 4, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include a transparent process for identifying beneficiaries by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 5, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include steps to allocate the remaining houses to eligible beneficiaries by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 6, ADF disagreed with the recommendation, stating that it cannot legally repossess the houses. However, RIG/Dakar emphasizes that these houses are occupied by ineligible beneficiaries, and it is necessary for ADF to take appropriate action to address this situation. The recommendation has been revised to indicate this statement. A

management decision can be recorded when ADF and RIG/Dakar agree on a firm plan of action, with target dates, for implementing the recommendation.

For Recommendation 7, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include procedures for assessing the suitability of land used for construction of future houses, by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 8, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will include the requirement that an environmental assessment and preliminary soil quantity studies are conducted for future construction sites, by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 9, ADF disagreed with the recommendation, stating that the houses passed inspection. However, RIG/Dakar requested inspection reports but were not provided with any. The only reports provided to the auditors were reports prepared by the surveyor in which several recommendations were made to repair the houses, but no documentation was provided to indicate whether these recommendations were implemented. We have revised the recommendation based on management comments. A management decision can be recorded when ADF and RIG/Dakar agree on a firm plan of action, with target dates, for implementing the recommendation.

For Recommendation 10, ADF agreed with the recommendation and will enter into a bilateral agreement with the Kano State government, which will ensure that the construction budget meets acceptable standards, by April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 11, ADF agreed with the recommendation. Future disbursements will be withheld from underperforming grantees. The target date for completion of this action is April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 12, ADF agreed with the recommendation and will develop remediation plans for grantees as part of the biannual performance review. The target date for this action is April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 13, ADF agreed with the recommendation and has updated a new monitoring plan to be shared with RIG/Dakar by February 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 14, ADF disagreed with the recommendation but will provide RIG/Dakar with a copy of the CPC's statement of work, which will detail the CPC's oversight responsibilities. The target date for this action is February 15, 2011. Accordingly, a management decision has been reached for this recommendation.

For Recommendation 15, ADF agreed with the recommendation and will develop and approve a branding policy for its programs. The target date for completion of this action is April 15, 2011. Accordingly, a management decision has been reached for this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this audit in accordance with generally accepted government auditing standards.² Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The purpose of this audit was to determine whether the United States African Development Foundation in Nigeria (ADF/Nigeria) implemented and monitored its activities in accordance with required policies and regulations to ensure that project objectives were achieved.

ADF implements its programs in six states in Nigeria through its partner organization Diamond Development Initiatives (DDI) and has 39 active projects in economic and social sectors of Nigeria as of May 2010. Funding for the 39 grants was \$5,043,736, excluding the cooperative agreement with DDI, which amounts to \$376,593. The audit focused on 10 grants in several economic and social sectors totaling \$1,788,674. The audit scope covered the period from 2007 to 2009, which included phase 2 of the construction projects. The 10 grants were judgmentally selected based on the amount, nature, the economic and social sector, and geographic location of the projects to ensure that our audit covered various types of activities and sites that are less susceptible to visits because of their remoteness.

In planning and performing this audit, the Regional Inspector General/Dakar (RIG/Dakar) obtained an understanding of and assessed relevant controls used by ADF/Nigeria to manage its projects and ensure that its partner was providing adequate oversight of project activities. Specifically, we reviewed and evaluated the following:

- Implementing partner agreements
- Implementing partner's monitoring plans
- Grantees' financial reports
- Grantees' progress reports
- Grantees' performance plans

Audit fieldwork was performed at ADF/Nigeria and DDI's offices in Nigeria as well as field trips to 10 project sites in Kano State, Kaduna State, and Lagos from September 27 to October 15, 2010.

² *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

Methodology

To answer the audit objective, we interviewed the ADF regional program director, country program coordinator, and internal auditor, as well as DDI, the partner organization responsible for providing technical assistance and monitoring oversight of ADF projects. We reviewed applicable ADF policy documents, including grant documents, budgets, general program documents, and grantees' progress reports. We also reviewed DDI's site visit reports, bank reconciliation statements, and financial audit reports. For selected housing projects, we interviewed the Kano State Housing Authority.

At the 10 grantee project sites visited, we observed the projects' operations and interviewed grantee representatives. We tested data included in the grantees' progress reports by comparing reported information with supporting documentation such as invoices, payroll records, general ledgers, and other source documents for selected performance results or indicators.

Since our testing was based on a judgmental rather than a statistical sample of performance results and sites, the results and overall conclusions related to this analysis were limited to the items tested and could not be projected to the entire audit universe. However, we believe that our work provides a reasonable basis for our conclusions.

MANAGEMENT COMMENTS

January 14, 2011

Gerard Custer, Director
Regional Inspector General
U.S. Agency for International Development
Ngor Diarama
Petit Ngor, BP 49
Dakar, Senegal



Dear Mr. Custer:

Thank you for your transmission note of December 15, 2010 and the copy of the Draft Audit of the African Development Foundation's Activities in Nigeria. We appreciate the opportunity to comment on the report (Audit Report No. 7-ADF-11-00X-P), its findings and recommendations.

As you know, the African Development Foundation has changed considerably during the period of time covered by this audit report 2007 - 2011. Of the ten projects selected for review, six were selected, planned and initiated prior to the arrival of new leadership at the Foundation. Of these six, four, constituting 10 percent of the current Nigeria program, pertain to a housing program which was initiated in 2004. The Foundation no longer funds housing grants of this type. The remaining four projects initiated in 2009 are not completed projects at this time.

Foundation Management has found considerable value in the findings and recommendations of prior OIG/USAID audit reports in helping us to reform and focus the Foundation on project and program results, performance and improved program oversight. During 2009, several sections of the ADF Manual were drafted or redrafted and approved including:

1. Section 603, Project Development, June 10, 2009
2. Section 631, Grantee Reporting, October 19, 2009
3. Section 630, Project Quality Assurance, October 22, 2009
4. Section 633, ADF Grant Closeout, December 10, 2009

These new sections made substantial improvements clearly defining roles and responsibilities for all actors in ADF program processes. Included are the adjustments made related to Management's 2009 fundamental staffing profile change for the Country Program Coordinator offices and their roles and responsibilities. These changes were in part to achieve significant operating expense savings as desired by the Office of Management and Budget, the Congress and the Board of Directors of the Foundation. Implementation of these new manual sections continues throughout the Agency. Additional programmatic efficiencies and improved performance standards have been included in the ADF Congressional Budget Justification documents for FY2009 – 2011, which are available on our website.

In summary, the draft Nigeria Audit has five findings which have a total of 16 related

recommendations. The first three findings relate to the four selected housing projects and relate to 12 of the total 16 recommendations. The three housing-related findings are titled:

1. Housing Construction Was Delayed
2. Low-Income Houses Were Not Occupied by Eligible Beneficiaries
3. Quality of Constructed Houses Was Not Adequate

The fourth finding has three related recommendations (Numbered 13 – 15) and is titled:

4. Activity Monitoring by ADF and DDI Was Not Adequate

The fifth finding with one recommendation is titled:

5. Branding and Marking Policy is Needed

In general, the Foundation agrees with the five findings albeit it would like adjustment of the wording of the fourth finding. Of the related 16 recommendations, the Foundation agrees with 13 of the 16 recommendations. Of the 13, ADF agrees with eight as drafted, with three in part and another two with clarification.

Addressing the findings in reverse order, the Foundation agrees with the finding on branding and marking. Despite not being a Foreign Assistance Act agency and thus not being legally required to “brand” its projects publically identifying the source of their funding, ADF long has acted in accord with the sentiments of the legislation and ADF marks its projects in a variety of ways so that its contribution is publically acknowledged. It is a rare event if in visiting an ADF project one does not encounter a quite visible sign of one sort or another clearly using the ADF logo and/or noting the ADF contribution. Most pieces of large equipment purchased with ADF funds also have signage and ADF asset identification markings. The Foundation agrees that a formal written policy should be developed and work on developing a branding and marking policy is currently underway.

Concerning the fourth finding, which relates to Activity Monitoring, the Foundation requests that consideration be given to returning the current draft statement to the earlier version that was shared with Foundation staff at the time of the in-country audit Exit Conference. At that time, the draft audit finding was stated as: “Activity Monitoring by USADF/Nigeria’s Partner (DDI) Could Be Improved”. We believe that this language is accurate and reflects the changing circumstances in terms of the improved ADF policy environment and the changing roles and responsibilities of the various program participants. The audit write up repeatedly cites ADF Manual Section 630, Project Quality Assurance, and then applies that standard to various projects which were initiated at earlier points in time including in 2007. This manual section was approved October 22, 2009. Development and implementation of new manual sections does not occur overnight and is continuing today. Applying new standards and roles and responsibilities to past actions to draw conclusions should be avoided. The Foundation believes that the level of partner oversight that seemingly is called for by the audit language would not be simple to accomplish in a Western country and is beyond what is required by current Foundation policy or what is reasonably possible in a program in Sub-Sahara Africa with a wide dispersion of projects within countries and a lack of unlimited resources for monitoring and oversight.

With the OIG, the Foundation is in agreement that there is a continuing need to improve services to grantees, monitoring of grantees, performance of partners, and oversight of partners. This need has been recognized for some time and is at the heart of the manual and program changes adopted in recent years. Indeed, these changes focus the work of the Country Program Coordinator on oversight of the performance of the Partner and a Partner Performance measurement tool has been

developed. The Foundation, however, finds the extent of the audit recommendations and expectations at times to be somewhat unrealistic. A reasonable balance needs to be struck between the size of the individual grants and the costs involved in providing program support and program and financial oversight of those same grants. At times, the audit report language seems to imply the need for very frequent on site presence and oversight of grantees by the country-based partner and country program coordinator and by the Washington, D.C.-based regional program directors and their program assistants – and of the partner by the country program coordinator.

Regarding the housing-related three findings and 12 recommendations, it is necessary to note that ADF has long been aware of the problems in the Nigeria Kano State housing projects. ADF agrees with the three findings and with eight of the 12 recommendations. ADF agrees partially with two of the recommendations (Numbers 1 & 3) and disagrees with two (Numbers 7 & 10). While this audit report happened to select four of these construction projects, there are in fact seven related housing projects in Kano State dating from 2007. The original MOU was signed in 2004 and there were some projects at that time. The knowledge of these problems with the particular 2007 projects has led to repeated high level ADF visits by the Regional Program Director, by the President of the Foundation and by members of the Board of Directors, including the Chairman of the Audit Committee. Concurrently, the President, Management, and the Board take these issues and concerns very seriously, and have worked on a regular basis to facilitate the completion of the housing projects and the phasing out of this program. Most of the various problems related to these projects relate to fundamental errors, short-comings and misjudgments related to the original grant agreements with construction companies and the agreements with the Kano State Government and the Housing Authority. These documents and understandings were not well set up with appropriate foresight of the multitude of complex problems that could arise. As well, resolution of the housing issues raised in this audit report is complicated by the fact that the grant funds supporting these projects are 50 percent financed from the Kano State government funds which were specifically provided for these projects. The Foundation agrees with the findings, but in detail of Appendix One attached to this letter you can see where the Foundation is not in full agreement with specific proposed audit recommendations.

It is important to note that, while the Foundation to date has been unwilling to end these projects, the Foundation has not repeated these mistakes. No new housing projects have been initiated since 2007 and the Foundation has focused its core mission on income generation projects for marginalized community groups, mostly in the agriculture sector and more and more in remote areas or with groups which are not served by traditional development assistance programs. These adjustments mean that in addition to not pursuing new housing projects since this period, the Foundation will not be financing them in the future. Additionally since this period, projects financed in Kano State (including those financed in part with local funds) which depend upon the involvement of the government and upon additional government decision-making during implementation have not been initiated. There is no expectation that housing projects with this complex mix of grantee, partner, local government and Foundation responsibilities will be repeated in the future. In short, the Foundation has learned some difficult lessons from its work in the Kano State housing sector and since 2007 has moved on in other directions, even while continuing to work on correcting the problems with these projects via on-going negotiations with the Kano State Government. Resolution of these issues is being worked on through negotiation of a “program implementation letter” (PIL) that would effectively amend the initial program documents. Once the PIL is agreed, the focus will be on satisfactory implementation. Significant progress is being made in these negotiations.

Thank you for all the hard work and insights that the report provides. The Foundation appreciates

and largely agrees with the broad conclusions. Attached are two appendices: the first appendix is a matrix of the five findings and 16 recommendations, the ADF response, the proposed corrective actions and the proposed completion dates for those actions; the second appendix is a listing of page and line specific program comments which in part address factual matters.

The Foundation's management and Board of Directors remain committed to improving program effectiveness and operational efficiencies to advance ADF's unique approach to achieving sustainable development results for marginalized communities in Africa.

Sincerely,

Lloyd O. Pierson /s/
President and Chief Executive Officer

Attachments

**IG NIGERIA AUDIT
AUDIT REPORT NO. 7-ADF-11-00X-P**

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
Section 1: FINDINGS ON KANO HOUSING PROJECTS (Recommendations 1-12)				
1a: HOUSING CONSTRUCTION WAS DELAYED				
1	We recommend that the African Development Foundation develop and implement a plan with a timeline for obtaining donated land and completing the remaining 66 houses.	Agree, in part.	ADF, in conjunction with DDI, will develop a plan and budget for grantees to complete the remaining houses within the finances remaining. The plan will include a timeline for obtaining land donated by KSHC, an appropriate environmental survey conducted, a revised building schedule, a quality assessment for each building, and a transparent process for identifying, selecting and allocating housing recipients.	April 15, 2011
2	We recommend that the African Development Foundation develop and implement a plan to ensure that all future agreements with host country governments are specific about when and where land will be provided prior to construction.	Agree, in part.	ADF has determined it is not necessary to develop a plan because, since 2008, ADF has implemented a program strategy that does not involve any new housing projects that contain a contribution by the host government of land or other non-monetary property. In addition, ADF's program guidelines require a prospective grantee to secure a right to the construction site before the Agency will fund the construction.	
1b: LOW-INCOME HOUSES NOT OCCUPIED BY ELIGIBLE BENEFICIARIES				
3	We recommend that the African Development Foundation, Kano State government and the grantees formalize the tripartite agreement.	Agree, in part.	ADF will enter into a bilateral agreement with Kano State Government, in the form of a Program Implementation Letter (PIL) to the Sept. 24, 2004, MOU, that covers the issues of land donation, project site suitability, selection of beneficiaries, selection criteria, and construction quality assurance.	April 30, 2011
4	We recommend that the African Development Foundation and Kano State government clearly delegate	Agree.	The PIL referenced in 3 above, in Corrective Action(s), will include delegating	April 15, 2011

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
	authority for selecting beneficiaries to both parties in writing.		authority for selecting beneficiaries.	
5	We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, develop and implement a plan to ensure that the process for identifying beneficiaries is transparent.	Agree.	The PIL referenced in 3 above will include a transparent process for identifying beneficiaries.	April 15, 2011
6	We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, develop and implement a plan to allocate the remaining houses to eligible beneficiaries.	Agree.	The plan referenced in 1 above will include steps to allocate the remaining houses to eligible beneficiaries.	April 15, 2011
7	We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, repossess houses or obtain appropriate enumeration [sic] from ineligible beneficiaries.	Disagree. Legally, ADF lacks the ability to repossess the houses or insist that the Kano State Housing Authority repossess them. Since the grantees constructed the houses with their grant funds, they are the legal owners of the houses, while the Kano State Government is the legal owner of the land. Once a house is allocated, the beneficiary gains absolute title to the property under Nigerian law.		
1c: THE QUALITY OF CONSTRUCTED HOUSES WAS NOT ADEQUATE				
8	We recommend that the African Development Foundation, in conjunction with the Kano State Housing Authority, modify the memorandum of understanding to include joint efforts in assessing the suitability of land used for construction of future houses.	Agree.	The PIL referenced in 3 above will include, <i>inter alia</i> , procedures for assessing the suitability of land used for construction of future houses, involving representatives from KSHC and ADF's partner, DDI.	April 15, 2011
9	We recommend that the African Development Foundation develop and implement a plan to require that an environmental assessment and preliminary soil quality studies are conducted for future construction sites.	Agree.	The plan referenced in 1 above will include the requirement that an environmental assessment and preliminary soil quality studies are conducted for future construction sites.	April 15, 2011
10	We recommend that the African Development Foundation perform a quality-control assessment of all constructed houses and perform any necessary repairs.	Disagree. With one exception, the houses passed inspection, which satisfied the requirements of the grant. The ADF grants did not provide for maintenance of houses after they passed inspection. In addition, each of the grants was		

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
		funded at the statutory ceiling for an individual ADF grant, <i>i.e.</i> , \$250,000. Waiver of this ceiling is possible only in extraordinary circumstances, which are not warranted in this instance.		
11	We recommend that the African Development Foundation establish a plan to ensure that the construction budget for all phases of construction meet acceptable standards within the allocated budget.	Agree.	The plan referenced in 1 above will ensure that the construction budget for all phases of construction meet acceptable standards within the allocated budget.	April 15, 2011
12	We recommend that the African Development Foundation review the work of all grantees and ensure that poor performing grantees are not awarded grants in subsequent phases of the project.	Agree.	<p>As a part of the normal grant disbursement process, ADF carefully reviews a disbursement request to ensure the grantee is in compliance with the terms of the grant and achieving appropriate performance levels. Future disbursements are withheld from under-performing grantees. ADF intends to disburse remaining funds to certain performing grantees to build the remaining houses as funds are available.</p> <p>ADF's policy on closeouts requires that reports be written on the financial and programmatic aspects of ADF projects, and that these reports be used to inform the decision to award future grants. It is not the intention of ADF to award subsequent grants to current Kano Housing Project grantees.</p>	April 15, 2011
Section 2: FINDINGS ON ACTIVITY MONITORING BY ADF AND DDI (Recommendations 13-15)				
13	We recommend that the African Development Foundation in coordination with the Diamond Development Initiatives develop and implement a plan of action to address the needs of its grantees to ensure that grantee project goals are achieved.	Agree	As a part of the bi-annual performance review, ADF and its Partner Organizations develop remediation plans for grantees' performance below specified levels.	April 15, 2011
14	We recommend that the African Development Foundation require the Diamond Development Initiatives to submit comprehensive monitoring that includes all projects, site visit	Agree, with clarification.	The monitoring plan referred to in the Audit Report was done in January 2010 when there were only 30 active Nigeria projects. The plan has	February 15, 2011

No.	OIG Recommendation	ADF's Response	Corrective Action(s)	Corrective Action Completion Date
	coordination efforts, site visit schedule, and a site visit template.		been updated since then to include all current projects in Nigeria and will be provided to the OIG.	
15	We recommend that the African Development Foundation amend its country program coordinator's job description to include all oversight responsibilities over the Diamond Development Initiatives, including evaluating their work on a biannual basis.	Disagree.	The current Statement of Work in the CPC contract already requires that CPCs "report to the RPD on the effectiveness of the in-country Partner's support of grantees" and that CPCs provide "bi-annual assessments of the partner's performance." ADF will submit a copy of the Nigeria CPC's statement of work to the OIG.	February 15, 2011
Section 3: FINDING ON MARKING AND BRANDING (Recommendation 16)				
16	We recommend that the African Development Foundation develop and approve a branding and marking policy for its programs and take the necessary steps to ensure that the policy is implemented and adhered to by its programs in Nigeria.	Agree, with clarification.	While ADF programs do not fall under Section 641 of the Foreign Assistance Act of 1961 with respect to the requirement for branding and marking, ADF recognizes the need to provide appropriate marking of its projects to indicate that its grantees benefit from American aid. ADF will develop and approve a branding policy for its programs, and ensure that the policy is adhered to in Nigeria. The policy will be submitted to the OIG.	April 15, 2011

Page and Line Specific Comments to: Draft IG Nigeria Audit Report No. 7-ADF-11-00X-P, December 2010

1. HOUSING CONSTRUCTION WAS DELAYED

- Page 4: Please clarify what memorandum of understanding is being referenced in the first and second paragraphs. ADF and the Government of the State of Kano entered into a Memorandum of Understanding on September 24, 2004. This agreement was signed and formalized. A tripartite agreement between the Kano State Government, ADF, and the individual grantees under the Kano State housing project was drafted in 2007 but never signed or formalized.
- Page 4, 2nd paragraph: delete the sentence: “However, because the agreement was not formalized and was not specific about when the land was to be provided, Kano State was slow in identifying land for the construction of houses and providing the legal authorization”. This is an inaccurate statement. First, it appears the agreement referred to is the MOU, which was signed. Second, there was nothing to indicate that specifying a time in the agreement to identify the land would have increased the speed at which the government responded. The government was fully aware that construction cannot possibly take place without the land and ADF, over an extended period of time has placed pressure on the government to identify land and emphasized that lack of land has stalled project identification.

2. LOW INCOME HOUSES WERE NOT OCCUPIED BY ELIGIBLE BENEFICIARIES

- Page 5, paragraph 3 states: “Kano government and ADF have allocated some of these houses...” ADF was not, is not and should not be involved in the allocation of the houses, because it does not have the authority to do so. ADF has no ownership interest in the houses once they are constructed and turned over to the government. However ADF should concur on the criteria that KSHC uses to allocate the houses.
- Paragraph 6, last paragraph, line 6 states: “...the Kano government was not complying with ADF regulations for selecting beneficiaries and distributing the houses.” There were no ADF regulations. There was only mutually agreed upon broad criteria, primarily based on the income of the beneficiary.
- Paragraph 6, last paragraph, last sentence reads: “However, ADF evaluated the situation and decided to proceed with the remaining houses because terminating the housing project may negatively impact other projects in Nigeria. As a result, qualified beneficiaries have not benefited from the project”. There is nothing in the report to substantiate that ADF’s decision last July to continue with the project prevented eligible beneficiaries from benefiting. This conclusion needs to be backed up with specific facts or deleted from the report.
- With respect to several of the recommendations on the housing construction project (i.e., Recommendation Nos. 3-6, 8), please note that since the summer of 2010, ADF has been negotiating a new agreement with the Kano State Government (in the form of a program implementation letter (PIL) under the MOU) that will cover: identification and donation of the land for the construction; project site suitability; selection of beneficiaries for the

housing units and the selection criteria to be followed; construction quality assurances. The agreement will not, however, be a tripartite agreement. ADF has already entered into grant agreements with each of the grantee construction companies.

3. THE QUALITY OF CONSTRUCTED HOUSES WAS NOT ADEQUATE

- With respect to Recommendation No. 10, please note that, for the housing units already constructed, upon completion of the construction and certification as to the quality of the construction, the grantees are the legal owners of the house until they are transferred to a beneficiary.

4. ACTIVITY MONITORING BY ADF AND DDI WAS NOT ADEQUATE

- Page 10: Please note, with respect to the PHAN project, that training did take place and a training report was provided; in addition, the loan fund has been established.
- Page 10: Please note, with respect to the Sorghum project, that DDI has been working with the grantee to revise the timelines for completion of project activities.
- Page 11: Please note, with respect to the CDC project, that DDI has been working with the grantee to revise the timelines for completion of project activities and that it thus may be premature to state that “The Centre did not meet several of its goals.”

5. BRANDING AND MARKING POLICY NEEDED

- Page 12: With respect to the first paragraph on Branding, please note that ADF programs do not fall under Section 641 of the Foreign Assistance Act and ADF is therefore not required to brand and mark its projects under that Act. ADF, however, is in the process of developing a branding and marking policy; in addition, it has been a longstanding practice of ADF that equipment and other items purchased with ADF grant funds are identified with a label bearing ADF’s name.
- Page 12: With respect to item #3 on Branding, all five of the housing locations visited by the audit team had signage identifying them as ADF projects. If the signage in place was “not appropriately branded or marked” it should be specified in what way it was not appropriate.

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