



*Regional Inspector General  
Pretoria*

# Memorandum

April 3, 2000

## **MEMORANDUM FOR USAID/TANZANIA DIRECTOR, Lucretia Taylor**

**FROM:** Regional Inspector General/Pretoria, Joseph Farinella

**SUBJECT:** Audit of USAID/Tanzania's Environment Strategic Objective,  
Report No. 4-621-00-005-P

This memorandum is our report on the subject audit. We have received your comments on the draft report and have included them in their entirety as an appendix to this report (see Appendix II).

The report contains one recommendation for your action. This recommendation involves having an Agency-contracted audit performed on the field support contracts and grants funded under the Mission's environment program which were not receiving adequate financial oversight as well as several cooperative agreements found to have recordkeeping deficiencies. In your response to our draft audit report, you stated that the Mission had already initiated action to have Agency-contracted audits performed on the field support contracts and grants noted in the audit recommendation. Based on this action, a management decision was reached on Recommendation No. 1 upon issuance of this report. Please advise USAID's Office of Management Planning and Innovation [M/MPI] when final action has been completed.

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

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## **Background**

**T**anzania is one of the most biologically diverse countries in Africa. In addition to having the continent's highest mountain (Mt. Kilimanjaro) and bordering Africa's largest (Lake Victoria) and deepest (Lake Tanganyika) lakes, the country is home to Ngorongoro Crater, the Serengeti and other internationally renowned game parks and reserves. However, the country's rapid population growth coupled with current land use practices in this agrarian economy has increased the demand on the natural resource base and led to the exploitation of the environment, including the country's wildlife resources. This degradation of the country's natural resources has been further aggravated by the

influx of refugees who have destroyed forests and water catchment areas in their search for firewood.

Because of Tanzania's importance for global biodiversity, a high priority was assigned to addressing many of the problems threatening the country's rich natural resource base. To assist the country in this effort and promote more effective natural resource management (NRM) practices, USAID/Tanzania initiated a new strategic objective in 1996: *Foundation Established for Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania*. The primary purpose of this strategic objective is "to stem the loss of biodiversity by advancing environmental policies, legislation and improved natural resource management practices in selected areas." Under this objective, the Mission has channeled its assistance to support four management systems: 1) national parks, 2) game reserves, 3) community-based conservation and 4) integrated coastal management.

The Mission's main partners under its NRM (i.e., environment) program include U.S. and Tanzanian government agencies, universities, nonprofit organizations and contractors. Included among the U.S. partners are five technical assistance firms funded under a "field support" contract or grant mechanism involving mission-funded services that were procured through USAID's Global Bureau. The remaining U.S. partners were funded by the Mission through bilateral grants. Total funding authorized under the Mission's NRM program was \$29.6 million, which included \$20 million of bilateral funding and \$9.6 million in field support contracts/grants. Of this total, \$6.9 million in bilateral funding and an undetermined amount of field support funds had been spent as of September 30, 1999.

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## **Audit Objective**

This audit was performed at the request of the USAID/Tanzania Mission based on concerns regarding the level of spending under its natural resource management program and was designed to answer the following question:

**Were activities under USAID/Tanzania's natural resource management strategic objective adequately monitored to ensure that the intended benefits were being achieved?**

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

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## **Audit Findings**

**F**or the areas reviewed, USAID/Tanzania was generally found to be providing oversight in monitoring its natural resource management (NRM) activities to ensure that the intended benefits were being achieved. The Mission's financial monitoring, however, did not provide adequate coverage over the NRM "field support"

contracts/grants which were being administered by USAID/Washington (USAID/W) with little or no formal reporting to the Mission. These areas are discussed below.

As part of its monitoring responsibilities, mission strategic objective (SO) teams are required under Automated Directive System's (ADS) Chapter 203.5 to prepare a performance-monitoring plan. This plan should include a description of the mission's system for collecting and analyzing relevant results in order to track performance and report on progress achieved towards the intermediate results and the SO. Performance indicators must also be defined for each SO with baselines and targets established under each indicator. In addition, SO teams are expected to track inputs, outputs and processes to ensure that activities are proceeding as expected and are contributing to the intermediate results and SO as anticipated. This is partially achieved by maintaining regular contact with the implementing partners through meetings and site visits as well as through the review of progress reports to obtain updates on the status of activities in the field.

During our fieldwork, we verified that USAID/Tanzania had a system in place for monitoring the overall performance under its NRM program as required by USAID policy and procedures. For example, we found that the Mission:

- developed a Performance Monitoring Plan that (i) described the overall system in place for gathering and compiling NRM results data from implementing partners for use in measuring progress and (ii) defined the data to be collected as well as the performance indicators and targets at both the SO<sup>1</sup> and intermediate results levels;
- performed regular visits to the activity sites to meet with partner staff, observe the status of activities and discuss pending issues; and
- held quarterly SO team meetings during which the Mission received progress reports summarizing the status of activities in the field and achievements during the period.

During field visits to selected activity sites, we also observed that the implementing partners generally appeared to be making positive progress towards achieving their deliverables. On a trip to the northern town of Arusha, for example, we visited a Community Conservation Services Center, established by the African Wildlife Foundation (AWF) with USAID funds, which provided office space for AWF staff and logistical support to visiting partners and SO staff. Trips were also made to the nearby Tarangire and Lake Manyara National Parks to observe on-going activities taking place within the parks, including USAID-funded training for park staff offered through the U.S. Department of Interior on fire suppression and anti-poaching techniques. The auditors also made a brief visit to a local Masaai village, just outside one of these parks,

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<sup>1</sup> At the time of the audit fieldwork in November 1999, USAID/Tanzania was in the process of refining its results framework, at the strategic objective level, for its NRM strategic objective.

where they met with a community conservation group targeted for support that was protecting a nearby forest used as a corridor by migrating elephants.

The audit, however, noted that adequate financial oversight was not being provided over a major portion of USAID/Tanzania's NRM portfolio due to the relatively large number of "field support" contracts/grants within this portfolio and the nature of this funding mechanism.

### **Lack of Financial Oversight Over Field Support Contracts/Grants**

ADS Chapter 203.5.2 provides that *"SO teams must remain informed of all aspects of performance relating to USAID-funded assistance in order to effectively manage for results."* Financial oversight constitutes an essential aspect of this management process since the absence of such monitoring increases the risk of USAID funding not being properly accounted for and not being used for the intended purposes. The financial monitoring responsibilities assigned to missions are described in USAID's Controllers' Handbook, which requires missions to provide *"...oversight over USAID-financed contractors and recipients to assure the prudent management of development resources."* In addition to maintaining and reviewing the mission accounting records, the Handbook states that missions shall, among other things, periodically compare the physical progress of activities with reported expenditures in order to assess whether spending levels appear reasonable in relation to the progress achieved to date.

The audit, however, found that USAID/Tanzania was unable to provide this level of financial oversight in monitoring funding under its NRM program. While the Mission provided financial coverage over the bilaterally-funded grants within its portfolio, it was unable to offer the same level of oversight with regards to its "field support" activities which represented 32 percent, or roughly a third, of the \$29.6 million in total funding authorized under the NRM program.

Field Support is used to describe the range of services (i.e., technical assistance) provided to field missions through USAID's Global Bureau. Under this mechanism, missions acquire assistance through the provision of funds to the Global Bureau which, in turn, procures the services under an existing contract or grant. Since USAID/W is responsible for administering and performing the accounting for these types of contracts or grants, missions generally receive little, if any, financial reporting and are, therefore, unable to monitor the financial status and expenditures for these entities. Although this mechanism is allowable and routinely used within USAID, we believe that USAID/Tanzania's extensive reliance on these types of contracts or grants was the primary cause in not being able to provide adequate financial oversight for its "field support" activities. In our opinion, this deficiency also represents a control weakness, which exposes the Mission to an unacceptable level of risk and compromises its financial monitoring capabilities. The Mission recognized this and cited the problem as a weakness in its Federal Managers' Financial Integrity Act (FMFIA) assessment for Fiscal Year 1999.

As a result of this lack of oversight, USAID/Tanzania did not know how much of the total \$9.6 million authorized under the five field support contracts/grants in its NRM portfolio had been obligated and spent to date. Despite efforts by both the Mission and the auditors to obtain this data from the field support partners during the field work, the audit was unable to ascertain this information since the data for each entity was either unavailable or unverifiable. Therefore, the Mission did not have adequate assurance that funds spent by these entities were being properly accounted for and used for the intended purposes (i.e., supporting activities contributing towards the SO and intermediate results). This was further confirmed by several mission staff who expressed concerns regarding the fact that they did not know how much had been spent to date by the field support partners or what the funds were being used for.

While the audit did not identify any specific cases where USAID funds were being misused, information was brought to the auditors' attention during the course of their fieldwork suggesting potential improprieties under several contracts and grants. These matters were referred to the Office of Inspector General's Office of Investigations (OIG/I) which opened an investigation to look into these issues. Among other things, the investigation later found, following the conclusion of the audit fieldwork, that loose administrative controls prevented certain records from being located at the time of the field visit by the OIG/I special agent.

This control deficiency was noted, not only with respect to several field support contracts, but also in the case of activities under two cooperative grants (Agreement Nos. 623-A-00-98-00024-00 and 623-A-00-98-00057-00).

In an effort to improve its level of financial oversight, we believe USAID/Tanzania needs to give careful consideration to obtaining future technical services directly through the Mission in order to gradually reduce its reliance on field support mechanisms. During the audit, we noted that the Mission had already initiated efforts to facilitate this process and had requested its own Contracting Officer position in its Fiscal Year 2001 Results Review and Resource Request (R4).

In the interim, however, USAID/Tanzania needs to assure itself that USAID funds allocated to the field support partners under its NRM program have been properly spent and ascertain the status of program funding under each contract or grant. In addition, the Mission needs to examine the loose administrative controls identified earlier during the field visit by the OIG/I special agent, particularly as they affect activities under the two cooperative grants cited earlier. We are, therefore, making the following recommendation:

**Recommendation No. 1: We recommend that USAID/Tanzania have an Agency-contracted audit performed on its field support contracts and grants [Nos. PCE-I-00-96-0002-00, Delivery Order No. 12; PCE-Q-00-93-00069-00; PCE-A-00-95-00030-00; PCE-A-00-95-00021-03; ENV-P-00-97-00002-00] as well as two cooperative grants [623-A-00-98-00024-00 and 623-A-00-98-00057-00] funded**

**under its natural resource management strategic objective to determine whether funds were spent in accordance with the terms of the contract or agreement.**

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## **Management Comments and Our Evaluation**

In its response to our draft audit report, the Mission agreed with the finding and recommendation contained in the report. In addition, the Mission stated that it had already initiated action to have Agency-contracted audits performed on the field support contracts and grants noted in the audit recommendation. Based on this action, a management decision was reached on Recommendation No. 1 upon issuance of this report. USAID's Office of Management Planning and Innovation [M/MPI] should be advised when final action has been completed.

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## SCOPE AND METHODOLOGY

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### Scope

We audited USAID/Tanzania's environment strategic objective in accordance with generally accepted government auditing standards. The field work for this audit was performed from September 2, 1999 through November 24, 1999 and involved a review of the Mission's monitoring of activities under its natural resource management strategic objective (SO), covering activities since the approval of the SO in 1996. As of the period of our fieldwork, USAID had authorized \$29.6 million in assistance under this SO which was being used to support four management systems: (1) national parks, (2) game reserves, (3) community-based conservation and (4) integrated coastal management.

Specifically, the audit focused on the Mission's monitoring of both the performance and financial aspects of the SO. As a result, we concentrated our audit work primarily on examining existing documents, including monitoring plans, progress documents and financial records on-file at the USAID Mission in Dar es Salaam, Tanzania. This work also involved a review of contract and grant documents for the SO partners to gain an understanding of the reporting requirements as well as activities and deliverables to be produced by each partner. The main partners funded under the SO consisted of several U.S. and Tanzanian government agencies and universities, as well as six U.S. grantees and contractors and a local nonprofit organization. Among the U.S. partners were five entities whose services were being provided under field support contracts and grants which were funded by the Mission, but procured through USAID's Global Bureau. These contracts/grants represented 32 per cent of the total funding authorized under the SO.

In addition to our work at the Mission, site visits were made to the following locations:

- Partner Support Facility in Dar es Salaam, Tanzania where three of the five field support contractors were co-located
- Country offices for all three of the U.S. nonprofits, two of which were located in Dar es Salaam and one at the Community Conservation Service Center in Arusha, Tanzania
- Selected activity sites in and around Tarangire and Lake Manyara National Parks located in northern Tanzania

Audit work during these visits was confined to interviewing staff at the site, requesting financial data and making general observations on the progress of activities to date.

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## Methodology

The audit objective was to determine if USAID/Tanzania was adequately monitoring activities under its natural resource management (i.e., environment) strategic objective to ensure that the intended benefits were being achieved.

To accomplish this audit objective, we interviewed officials from the Mission, U.S. PVOs and contractors, U.S National Park Service and the Tanzanian National Parks Authority (TANAPA), as well as the Park Wardens at the Tarangire and Lake Manyara National Parks. In addition, we examined and analyzed correspondence, the Mission's latest FMFIA report, minutes of meetings, progress reports, Mission Accounting and Control System reports and other records contained in the Mission's files. These documents were reviewed to assess the extent to which the Mission was monitoring its environment activities and to determine whether adequate oversight was being provided in tracking the progress achieved towards meeting planned targets as well as ensuring that USAID funds were being properly accounted for. In addition, contract and grant documents were examined to obtain background information on the reporting requirements and ascertain the required inputs and deliverables under selected contracts and grants under this SO. Information was also gathered through observations made during two separate field visits to the northern Tanzanian town of Arusha where we had an opportunity to talk with field staff for two of the U.S. PVOs and visit activity sites in and around the Tarangire and Lake Manyara National Parks.

During the fieldwork for this audit, evidence of potential improprieties within the Mission's environment program was brought to the auditors' attention. These matters were promptly referred to the OIG/I for further review. An investigation was later initiated to look into these matters and was still in progress at the completion of our fieldwork.

As part of the audit, we also obtained written representations from cognizant Mission officials for all essential assertions relating to the audit objective.

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U.S. Agency For International Development  
**memorandum**

**DATE:** February 22, 2000

**REPLY TO  
ATTN OF:** Lucretia Taylor, Mission Director

**SUBJECT:** Audit of USAID/Tanzania's Environment Strategic Objective, Report  
No. 4-621-00-00x-P

**TO:** Joseph Farinella, Regional Inspector General/Pretoria

**REF:** Your email dated 01/25/2000

The Mission has reviewed the draft report on USAID/Tanzania's Environment Strategic Objective and is in agreement with the auditors' findings and comments that the Mission has a system in place for monitoring the overall performance under its NRM program as required by USAID policy and procedures. We also agree with the auditors that the Mission was not able to provide adequate financial oversight of the field support activities due to the fact that these funds are provided through USAID/W Global Bureau mechanisms where the resources are procured under existing contracts or grants. As such missions generally receive little if any financial reporting and are therefore unable to monitor the financial status and expenditures for these entities as stated in the report.

We agree to have Agency-contracted audits performed on the field support contracts and grants noted in the audit recommendation, and have initiated action with RIG/Pretoria to have these done.

Please note the following corrections on the contract/agreement numbers. The correct number for the Department of Interior (DOI) is ENV-P 00-97-00002-00 and not PCE-5554-P-00-5005-00 while for the University of Rhode Island (URI) is PCE-A-00-95-00030-00 and not PCE-55-18-A-005030-00.

As always, the Mission appreciates the support given to us by the RIG.

**UNITED STATES A.I.D. MISSION TO TANZANIA**