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AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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March 02, 2000

MEMORANDUM

TO: Director, USAID/Guinea, Harry Birnholz

FROM: RIG/Dakar, Henry Barrett

SUBJECT: Audit of USAID/Guinea's Implementation of the Federal Managers' Financial Integrity Act, Report No. 7-675-00-004-P

This memorandum is our audit report on the subject audit. We have considered your comments on the draft audit report and have included them in their entirety in Appendix II.

This audit report has five recommendations. With respect to these recommendations, management decisions have been made for all of the recommendations. Furthermore, Mission management has taken final action on recommendation numbers 3 and 4.1. Consequently, these recommendations are closed upon issuance of this report, and no further action on part of the Mission is required. In accordance with USAID guidance, the Management Bureau's Office of Management Planning and Innovation (M/MPI/MIC) will be responsible for determining when Final Action has occurred for the remaining recommendations numbers 1, 2, 4.2 and 5.

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

Background

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes requirements with regard to management accountability and controls. This law encompasses program, operational, and administrative areas as well as accounting and financial management. Under the authority of the FMFIA, the Office of Management and Budget (OMB) issued Circular No. A-123 to provide detailed guidance for assigning Federal managers the responsibility for designing management structures that help ensure accountability and include appropriate cost-effective controls.

OMB Circular No. A-123, Management Accountability and Control, states management controls are the organization, policies and procedures used to reasonably ensure that (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported and used for decision making. The Circular provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.

USAID has issued Automated Directives System (ADS) Chapter 596, Management Accountability and Control, which provides the Agency's policy and procedures for establishing, assessing, correcting, and reporting on management controls under the FMFIA and OMB Circular No. A-123. Additional guidance for assessing the adequacy of management controls and annual instructions for reporting the status of management controls are periodically provided by USAID's Bureau for Management's Office of Management Planning and Innovation (M/MPI).

Audit Objectives

The Office of the Regional Inspector General, Dakar (RIG/Dakar) performed this audit as part of the Office of Inspector General's decision to audit USAID's implementation of the FMFIA. Specifically, we audited USAID/Guinea to answer the following audit objectives:

- Has USAID/Guinea established management controls and periodically assessed these controls to identify deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

- Has USAID/Guinea reported material weaknesses in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

- Has USAID/Guinea taken timely and effective action to correct identified management control deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

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

Audit Findings

Has USAID/Guinea established management controls and periodically assessed these controls to identify deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

USAID/Guinea established management controls and assessed its controls but did not fully assess the controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and related regulations and guidance. USAID/Guinea's assessment was not in compliance with USAID's guidance because it did not establish a Management Control Review Committee. Additionally, the Mission did not adequately document the assessment process.

According to Mission officials, the Mission primarily follows policies and procedures as stated in USAID's ADS. When deemed necessary, the Mission issues Mission Orders and Mission Operating Manual Memorandums to complement or further clarify the ADS and to establish any needed policies and procedures.

For Fiscal Year 1998, USAID/Guinea took an organized and thorough approach in completing the Fiscal Year 1998 FMFIA assessment. As the lead office in managing the implementation of the FMFIA assessment, USAID/Guinea's Office of Financial Management (OFM) prepared a timetable for conducting the review including the designation of responsibilities to specific individuals in the Mission. The USAID/Guinea Controller[1] formally distributed the USAID/Washington provided FMFIA guidance on control techniques along with instructions to cognizant offices within the Mission. The guidance included a checklist containing 163 control techniques. The following table highlights the areas addressed by these control techniques.

[1] The USAID/Guinea Controller was designated as the Mission's Management Control Official.

CONTROL TECHNIQUES	
CATEGORY	NUMBER
Program Assistance	37
Organization Management	7
Administrative Management	40
Financial Management	44
Acquisition and Assistance	27
Audit Management Resolution Program	5
Other	3
TOTAL	163

Upon receipt of the checklist, each of the Mission's offices or Strategic Objective (SO) Teams determined whether the controls in their assigned areas were satisfactory and noted any deficiencies. After the assessments were completed by the various Mission offices and SO Teams, a Mission-wide meeting was held in which all of the control techniques were discussed and a determination was made as to which identified internal control deficiencies were material. After the material internal control deficiencies were identified, the individual whose duties were most closely related to the particular internal control, drafted the "Report on a Material Weakness". Then the individual prepared a summary of the material internal control deficiency including a description of the planned action to be taken to resolve the deficiency.

Although the Mission conducted a comprehensive review of its internal controls it did not follow all of USAID's Guidance in that it did not establish a Management Control Review Committee (MCRC) to provide oversight of the Mission's management control processes, including the assessment of the Mission's management controls, nor did the Mission's assessment process include documentation adequately describing the decision process the Mission used in determining which controls were deficient. Additionally, although in Fiscal Year 1997 the Mission recognized the need for current Mission Orders and began to review and revise them, the Mission had not completed the revision of its Mission Orders at the time of our audit. These weaknesses in the Mission's assessment process are discussed below.

Mission Did Not Establish a MCRC

Agency guidance requires that the Mission establish a Management Control Review Committee (MCRC) to oversee the Mission's management control processes. During its Fiscal Year 1998 FMFIA assessment the Mission did not have a MCRC because it had been previously dissolved due to the Mission's staff shortages. By not establishing a specific MCRC the Mission was not able to track the corrective actions needed to resolve identified internal control weaknesses and rendered the Mission's resources more vulnerable to waste, fraud and abuse.

> **Recommendation No. 1: We recommend that USAID/Guinea formally establish, by means of a Mission Order, a Management Control Review Committee. The Mission Order should identify committee members and include a description of the role and responsibilities of the committee in accordance with USAID's Automotive Directive System 596.**

USAID's Automated Directives System 596.5.3 requires that missions establish a MCRC to provide oversight of the management control process.

The Mission had previously established a MCRC, however according to Mission documentation, the committees' last meeting was held on May 13, 1997. At the time of the Fiscal Year 1998 FMFIA assessment, October of 1998, the MCRC did not exist. The MCRC was dissolved in Fiscal Year 1998 due to personnel staffing shortages. Mission management had intended that the functions of the MCRC would be accomplished by the creation of its Missions Operations Boards (MOB) which the Mission had established in February 1999. However, while the MOB did address some internal control weaknesses, it was principally used to present program issues to the Mission staff and did not address all aspects that the MCRC is intended to address including the resolution of previously identified control weaknesses. Mission management recognized that the lack of a MCRC was a control weakness and listed it as a material weakness in both the Fiscal Year 1998 and the Fiscal Year 1999 FMFIA certifications. However, at the time of our audit fieldwork, November 1999, the Mission had not yet established a MCRC.

By not establishing a specific MCRC, the Mission was not able to track the corrective actions needed to resolve identified internal control weaknesses and rendered the Mission's resources more vulnerable to fraud, waste and abuse. We therefore recommend that the Mission immediately form a MCRC and establish its role and responsibilities in accordance with USAID's ADS 596.

Mission Did Not Document All Stages of Its Internal Control Assessment Process

The U.S. Government Accounting Office auditing standards and USAID's ADS require that missions document their internal control systems. As part of its control system the Mission, in compliance with instructions from USAID/Washington and ADS 596, assessed its internal management controls but did not adequately document all components of its assessment because it did not fully appreciate the extent of documentation that was needed to support its Fiscal Year 1998 FMFIA assessment. The effect of not fully documenting its Fiscal Year 1998 assessment is that the Mission cannot demonstrate that it adequately assessed its internal controls.

Recommendation No. 2: We recommend that USAID/Guinea's Management Control Review Committee establish procedures to fully document all components of the assessment process it performs of its internal controls in compliance with the Federal Managers' Integrity Act.

USAID's ADS 596.5 requires that the Mission develop, maintain and implement appropriate management controls for results-oriented management and that it continuously assess and improve the effectiveness of its management controls. An important management control is the Mission's assessment of its internal controls as required by USAID/Washington in satisfying the provisions of the FMFIA. USAID's ADS 596.5.1 and the United States General Accounting Office "Standards for Internal Controls in the Federal Government" require that the documentation for management controls shall be clear and readily available for examination.

Although the Mission did assess its internal controls it did not adequately document all components of its assessment process. The Mission involved participants from throughout the Mission in assessing its internal controls. Additionally, the Mission held several meetings at which it discussed various internal control techniques and the weaknesses it identified. However, the Mission did not thoroughly document the input of the various participants nor the meetings by which it reviewed its controls and identified its weaknesses. It is important to note that while the Mission's Office of Financial Management documented its assessment by means of a fairly comprehensive worksheet, this worksheet was not replicated by all of the other Mission's participating offices.

Specifically, in assessing its internal controls the Mission received input from its various offices and Strategic Objective Teams, however, the Mission did not maintain adequate documentation to identify in all cases the specific individuals who had reviewed the control techniques. Additionally, there was no documented evidence that the Office Chiefs and the Strategic Objective Team leaders concurred with the assessments coming from the respective areas. And most importantly, there was no clear and consistent documentation as to the basis for the individual assessments for each internal control from the Mission's Offices and Strategic Objective Teams.

The Mission did not adequately document all components of its assessment because it did not fully appreciate the extent of documentation that was needed to support its Fiscal Year 1998 FMFIA assessment. The effect of not fully documenting its Fiscal Year 1998 assessment is that the Mission cannot fully support the extent of analysis and review that went into the assessment of its internal controls. Additionally, considering the rate of turnover in staff that is common in the Mission due to the normal employee rotation and other factors, maintaining the quality and consistency of the Mission's internal control assessment is very difficult if not impossible if the process is not thoroughly documented.

Mission Has Not Maintained Current Mission Orders

ADS 596 requires that the Mission develop and implement appropriate management controls. USAID/Guinea has as part of its management controls established Mission Orders by which it documents its Mission policies and procedures, however, it has not recently reviewed these Orders to ensure that they are current. The Mission explained that the Mission Orders had not been revised because there was insufficient staff to perform the review and revision. As a result of not maintaining current Mission Orders it is difficult for staff to completely understand and to comply with the Mission's procedures, which in turn places the Mission's resources at greater risk.

> **Recommendation No. 3: We recommend that USAID/Guinea's Management Control Review Committee establish a corrective action plan for the Mission to review and update, where appropriate, the Mission's operation procedures as presented in its Mission Orders.**

The Mission is required by ADS 596.5.1 to develop and implement appropriate and cost-effective management controls for results-oriented management. USAID/Guinea identified its Mission Orders as one of its management controls by which it manages its activities.

As part of its management controls the Mission maintains Mission Orders that act as a "how-to" reference manual which describes and clarifies many of the operating procedures of the Mission. The Mission recognized the need for reviewing and updating its Mission Orders as early as Fiscal Year 1996 when the Mission identified the revision of its operating procedures as a planned corrective action in its Fiscal Year 1996 FMFIA certification. The Mission began reviewing and revising the Mission Orders in Fiscal Year 1997. However, the individual that was primarily performing the revision left in the later part of Fiscal Year 1997 and the review and revision of the Mission Orders was not completed. As of the date of our audit the Mission Orders that had been identified for revision had not yet been revised. According to Mission officials, the primary reason for the Mission Orders not having been reviewed and revised is that the Mission has for the past few years faced a severe staffing shortage (specifically, until recently, there had been no Executive Officer).

USAID/Guinea during the past few years experienced a high rate of staff turnover caused in part due to the normal employee rotation found in USAID. As a further complication, many of the Mission's current staff are relatively new to USAID and are not totally familiar with the policies and procedures. In such a management environment, i.e. high turnover and staff new to USAID, not having up-to-date written Mission Orders is a serious management control weakness. It is especially important that all staff have a reference to consult to obtain a clear statement of Mission policies and procedures.

We have recommended that the Missions MCRC review the problem of outdated Mission Orders and design and implement a correction action plan to resolve this weakness.

Has USAID/Guinea reported material weaknesses in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

USAID/Guinea performed an evaluation of its system of internal accounting and administrative controls in Fiscal Year 1998 and identified ten material weaknesses (described in Appendix III) and in accordance with the FMFIA and related regulations and guidance reported the ten material weaknesses in its Fiscal Year 1998 FMFIA certification dated October 16, 1998.

The Office of Management and Budget (OMB) Circular No. A-123 requires that a management control deficiency should be reported if it is or should be of interest to the next level of management. This allows the chain of command structure to determine the relative importance of each deficiency. Along these lines, USAID's ADS Chapter 596 and M/MPI's Fiscal Year 1998 Instructions require that Missions provide a FMFIA certification to the cognizant Assistant Administrator, with a copy to M/MPI, on the overall adequacy and effectiveness of management controls. This certification should identify management control deficiencies determined to be material weaknesses, including those that are not correctable within the Missions authority and resources.

Has USAID/Guinea taken timely and effective action to correct identified management control deficiencies in accordance with the Federal Managers' Financial Integrity Act and related regulations and guidance?

USAID/Guinea has not taken timely and effective action to correct deficiencies it identified during the Fiscal Year 1998 Federal Managers' Financial Integrity Act (FMFIA) assessment.

The Mission identified ten material weaknesses in its Fiscal Year 1998 FMFIA certification and prepared corrective action plans that accompanied the certification. However, the Mission did not track the progress of corrective actions taken to correct material weaknesses and the documentation of the Mission's review and approval of corrective actions taken could be improved. In addition, the Mission did not identify and track non-material weaknesses as required by Agency guidance.

Corrective Actions Need to be Tracked,
More Timely and Better Documented

OMB and USAID guidance state that corrective action plans for identified management control deficiencies will be developed and managers shall track progress to ensure timely and effective results. Although the Mission had identified material management control weaknesses, reported those weaknesses and developed corrective action plans, the corrective actions were not tracked and implemented in a timely manner and there was a lack of documentation supporting completed corrective actions. This occurred because the Mission did not establish a formal tracking system for corrective actions requiring the adjustment of the target correction dates when the dates were exceeded and the submission of a closure memorandum describing the corrective actions taken. Mission operations were placed at a greater risk because identified control weaknesses remained uncorrected for long periods of time and some weaknesses were closed without adequate supporting documentation.

> **Recommendation No. 4: We recommend that USAID/Guinea through the Management Control Review Committee establish documented procedures to:**
>
> **4.1 monitor planned corrective actions, specifically noting the planned corrective action dates, and in those instances when the corrective action is**

not completed by the original correction date, the Committee should document why the correction dates were not met and revise the target correction dates accordingly.

4.2 **formalize the review and approval of corrective actions taken on identified management control deficiencies. Require the submission of a closure memorandum to the Mission's Management Control Review Committee for approval/disapproval for each identified control weakness being considered for closure and require that the closure memorandums be maintained in a central location under the control of the Mission's Management Control Officer.**

OMB Circular A-123 and USAID's ADS Chapter 596 state that Agency managers are responsible for taking timely and effective action to correct deficiencies identified. Furthermore, corrective action plans should be developed and tracked internally by each assessable unit. ADS 596.5.1(i) specifically states "Managers shall promptly evaluate and determine proper actions in response to known deficiencies ... Managers shall complete, *within established timeframes* [italics added], all actions that correct or otherwise resolve deficiencies."

OMB Circular A-123 specifically states, "A determination that a deficiency has been corrected should be made only when sufficient corrective actions have been taken and the desired results achieved. This determination should be in writing, and along with other appropriate documentation, should be available for review by appropriate officials."

The Mission identified and reported ten material internal control weaknesses in its Fiscal Year 1998 FMFIA. For each of the identified material weaknesses the Mission prepared a "Report on a Material Weakness", which described the weakness, established a target date for correction and identified planned corrective actions. This "Report on a Material Weakness" was the Mission's corrective action plan.

Six of the ten weaknesses were scheduled to be corrected within three months, three weaknesses were to be corrected within twelve months and for one weakness, staffing vacancies, the Mission stated that it would "never be fully resolved." During the year the Mission did not track planned corrective actions by holding periodic meetings to discuss the status of the identified weaknesses. When established timeframes i.e., target dates for correction, were exceeded there was no documentation available at the Mission to indicate that discussions took place concerning the situation of target correction dates not being met and the establishment of new target correction dates. Moreover, we were told that the status of the weaknesses identified in 1998 was not discussed by the Mission as a whole until September 1999, when the Mission met to conduct the Fiscal Year 1999 FMFIA, approximately one year after the weaknesses were first identified.

At the Mission's 1999 FMFIA meeting, it was decided that 4 of 10 1998 weaknesses could be closed. The other six 1998 weaknesses were carried over and reported in the Mission's 1999 FMFIA report. However, for the four weaknesses that were closed, there is no documentation available demonstrating that the Mission officially considered the weaknesses closed nor discussions on the basis for closure.

The Mission did not take timely corrective action on identified weaknesses because the Mission did not establish a system to track planned corrective actions. Although the Mission had identified initial target correction action dates, these dates were not changed when the anticipated corrective actions had not taken place as planned. Without adjusting the target correction dates there is nothing to track progress against. Moreover, the lack of a tracking system did not allow for periodic discussions on the status of weaknesses and the submission of formal closure documents that discuss the basis of closure.

The Mission needs to formalize the tracking system by which it monitors the corrective actions taken on identified control deficiencies. Specifically, the Mission needs to formalize the procedures for (1) monitoring the dates for planned corrective actions and when the dates are not met, documenting the explanations as to why they are not met and justifying the establishment of new corrective action dates and (2) closing identified weaknesses.

It is important to note that the Mission recognized the need to improve its ability to address management accountability issues in its 1998 FMFIA and specifically identified the lack of a Management Control Review Committee (MCRC) as one of its material weaknesses. The MCRC is the mechanism envisioned by the Agency to establish and implement a tracking system.

Without closely monitoring its planned corrective actions the Mission places its operations at greater risk i.e., identified unsatisfactory management controls remain unchanged for excessive periods of time. And, without adequate documentation the Mission cannot provide the basis for closing identified weaknesses and justify corrective closure actions. As a result, the Mission is not in compliance with USAID policy and procedures and OMB Circular No. A-123 concerning timely action to correct management control deficiencies thereby placing the Mission's resources at greater risk.

Non-material Weaknesses Need to be Identified and Tracked

OMB and USAID guidance state that all management control deficiencies should be identified and corrective action plans be developed and tracked. Although the Mission, in its Fiscal Year 1998 FMFIA certification, identified and reported "material" management control weaknesses, it did not develop corrective action plans and track identified non-material weaknesses. The Mission did not track non-material weaknesses because it was not fully aware that all weaknesses needed to be tracked and instead, concentrated only on identifying material weaknesses. As a result of not tracking all weaknesses, Mission resources are exposed to a greater risk of fraud, waste and abuse.

> **Recommendation No. 5: We recommend that USAID/Guinea establish procedures that will ensure that it will (1) identify and document all Mission management control weaknesses, (2) document Management Control Review Committee meetings discussing all identified weaknesses, and (3) for those weaknesses agreed to by the Committee, both material and non-material, develop corrective action plans and track the corrective actions through periodic Committee meetings.**

USAID's Fiscal Year 1998 FMFIA guidance stated that although missions are only required to provide detailed information on management control deficiencies that are determined to be "material", documentation should be maintained to support all identified deficiencies. OMB Circular A-123 is even more specific and states "For deficiencies that are not included in the Integrity Act report, corrective action plans should be developed and tracked internally at the appropriate level."

Our review of the Mission's Fiscal Year 1998 FMFIA assessment process found that even though the Mission had identified and reported ten "material" management control weaknesses, the Mission did not document and track non-material weaknesses. This is not to say that the Mission did not identify non-material weaknesses. For example, our review of documentation submitted by the various Mission offices to the Management Control Officer showed that at least another 34 management controls over and above the ten reported as "material" weaknesses were identified by Mission staff with the notation "weaknesses", "?", "minor weakness", etc. We were unable to determine exactly how many of these other weaknesses, if any, should have had corrective action plans developed and the actions tracked since there is no Mission documentation on discussions concerning these weaknesses.

According to one Mission official, the Mission was not aware that non-material weaknesses needed to be documented and corrective action plans developed and tracked. Another official stated the Mission's primary emphasis during the 1998 FMFIA assessment was identifying material weaknesses and not non-material weaknesses. As a result of this emphasis, the Mission did not concern itself with non-material weaknesses even though there may have been some.

By not identifying all management control weaknesses and tracking the corrective actions for those weaknesses the Mission has placed its resources at greater risk.

Management Comments and Our Evaluation

In response to our draft report, USAID/Guinea provided written comments that are included in their entirety as Appendix II. We considered these comments in preparing the final report. The Mission agreed with the audit report's five recommendations and has made Management Decisions to address all five recommendations.

Recommendation No. 1 recommended the establishment of a Management Control Review Committee by means of a Mission Order in accordance with USAID's Automotive Directive System 596. The Mission stated that it has prepared a Mission Order that will be submitted at the next MCRC meeting for review and approval. This action constitutes a Management Decision; the recommendation can be closed when the Mission provides documentation verifying that the Mission Order has been approved and issued.

Recommendation No. 2 recommended the establishment of procedures to ensure that the Mission documents all components of its internal control assessment process. The Mission stated that it has prepared a draft of procedures to document its internal control assessment process and is in the process of obtaining Mission personnel comments and final approval from its MCRC. This action constitutes a Management Decision; the recommendation can be closed when the Mission provides a copy of the final approved procedures pertaining to the documenting of the Mission's internal control assessment process.

Recommendation No. 3 recommended the establishment of a corrective action plan for the Mission to review and update, where appropriate, its operation procedures as presented in its Mission Orders. The Mission provided to us a copy of its corrective action plan to review and update its Mission

Orders. Additionally, the Mission has stated that it is in the process of contracting for a consultant to review and update its Mission Orders. The Mission has taken Final Action on this recommendation.

Recommendation No. 4.1 recommended the Mission's MCRC establish procedures to ensure that the Mission's planned corrective actions to resolve its identified management control deficiencies are monitored. The Mission provided us a copy of its Management Correction Plan Tracking Schedule for use by the Mission's MCRC. The Mission has taken Final Action on this recommendation.

Recommendation No. 4.2 recommended that the Mission formalize its review and approval of all corrective actions by means of a MCRC approved closure memorandum. The Mission stated that it has prepared a draft of procedures that include the submission of a closure memorandum to its MCRC for approval for each identified weakness being considered for closure. This action constitutes a Management Decision; the recommendation can be closed when the Mission provides a copy of the final approved procedures pertaining to the requirement of submitting a closure memorandum on all identified weaknesses.

Recommendation No. 5.1 and 5.2 recommended the establishment of procedures to ensure that the Mission identifies and documents all management control weaknesses and documents all MCRC meetings in which the weaknesses are discussed. The Mission stated that it has prepared a draft of procedures to document all its identified management control weaknesses and has prepared a draft Mission Order that will require that its MCRC meetings be documented. This action constitutes a Management Decision; the recommendation can be closed when the Mission provides a copy of the final approved procedures pertaining to the documenting of the Mission's identified management control assessment process and a copy of its Mission Order in which it requires that the MCRC meetings be documented.

Recommendation No. 5.3 recommended that for identified management control weaknesses, the Mission develop corrective action plans and track the corrective actions through periodic MCRC meetings. The Mission provided us a copy of its Management Correction Plan Tracking Schedule for use by the Mission's MCRC. Additionally, the Mission stated that it has prepared a draft of procedures that include a description of its internal control assessment. These actions constitute a Management Decision; the recommendation can be closed when the Mission provides a copy of the final approved procedures.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Guinea's implementation of the Federal Managers' Financial Integrity Act (FMFIA). The audit was performed in accordance with generally accepted government auditing standards and was conducted from November 18 through December 1, 1999, at USAID/Guinea.

We audited the Mission's Fiscal Year 1998 FMFIA assessment and deficiencies noted under its Fiscal Year 1997 assessment. The purpose of the audit was not designed to identify all the material weaknesses not reported by the Mission; however, if any previously unreported weaknesses came to our attention during the audit, we included these in our audit report. Also, the scope of this audit did not include a detailed analysis of individual management controls to determine their effectiveness.

Methodology

The audit work included reviewing the Mission's system for establishing, assessing, reporting and correcting management controls. To accomplish the audit objectives, we used the FMFIA, Office of Management and Budget Circular No. A-123, General Accounting Office's (GAO) "Standards for Internal Control in the Federal Government," USAID's Automated Directives System (ADS) Chapter 596 on Management Accountability and Control, other ADS Chapters relating to Agency policies and essential procedures, and guidance for assessing the adequacy of management controls and annual instructions for reporting the status of management controls provided to missions by USAID.

We developed and used a questionnaire when interviewing the Mission's Management Control Official, members of the Mission's Management Control Review Committee and operating unit managers. We also reviewed available documentation on the Fiscal Year 1998 FMFIA review, including the listing of management control deficiencies and management action plans for correcting those deficiencies. We reviewed the Mission's Fiscal Year 1998 FMFIA Certification to the Assistant Administrator for Africa on the overall adequacy and effectiveness of management controls, noted any material weaknesses identified, and reviewed the status of any material weaknesses or deficiency identified in the Fiscal Year 1997 review.

Finally, we reviewed recent Office of Inspector General audit reports performed at USAID/Guinea and evaluations performed at the USAID/Guinea to identify potential material weaknesses.

USAID/GUINEA

FEB 2 6 2000

Memo

To: Henry Barrett, RIG/DAKAR

From: Harry Birnholz, Director

CC:

Date: 02/22/00

Re: Response to RIG's Draft Report on the Audit of USAID/Guinea's Implementation of the Federal Managers' Financial Integrity Act, Report No. 7-675-00-00x-P

Recommendation No. 1: We recommend that USAID/Guinea formally establish, by means of a Mission Order, a Management Control Review Committee. The Mission Order should identify the committee members and include a description of the role and responsibilities of the committee in accordance with USAID's Automotive Directive System 596.

Mission's Response:

A draft Mission Order has been prepared and is currently being circulated throughout the Mission for comments. It will be approved at the Mission's next MCRC meeting, scheduled for March 16, 2000. (The Mission held a MCRC meeting on February 10, 2000).

Recommendation No. 2: We recommend that USAID/Guinea's Management Control Review Committee establish procedures to fully document all components of the assessment process it performs of its internal controls in compliance with the Federal Managers' Integrity Act.

Mission's Response:

The Financial Analyst has prepared a draft of procedures documenting its assessment process of internal controls in compliance with the FMFIA. This draft is also being circulated throughout the Mission for comments and will be presented to the MCRC on March 16, 2000 for approval.

Recommendation No. 3: We recommend that USAID/Guinea's Management Control Review Committee establish a corrective action plan for the Mission to review and update, where appropriate, the Mission's operation procedures as presented in its Mission Orders.

Mission's Response:

A sub-committee of the MCRC (EXO and PPDO) has prepared a corrective action plan. They are now in the process of preparing a scope of work for a consultant to come in to update Mission Orders. Estimated completion date is September 30, 2000.

Recommendation No. 4: We recommend that USAID/Guinea through the Management Control Review Committee establish documented procedures to:

4.1 monitor planned corrective actions, specifically noting the planned corrective action dates, and in those instances when the corrective action is not completed by the original correction date, the Committee should document why the correction dates were not met and revise the target correction dates accordingly.

Mission's Response:

The Financial Analyst has prepared a Management Correction Plan (MCP) Tracking Schedule for use by the MCRC. The schedule includes the Missions' Material Weaknesses and Plan for Correction as identified in the FY 1999 FMFIA; an estimated completion date; the current status; and an explanation for why correction dates are not met (if applicable), as well as a revised estimated completion date (if applicable).

4.2 formalize the review and approval of corrective actions taken on identified management control deficiencies. Require the submission of a closure memorandum to the Mission's Management Control Review Committee for approval/disapproval for each identified control weakness being considered for closure and require that the closure memorandums be maintained in a central location under the control of the Mission's Management Control Officer.

Mission's Response:

The draft of the MCRC procedures documenting the assessment process of internal controls in compliance with the FMFIA (see Mission's Response to Recommendation #2) includes the submission of a closure memorandum to the MCRC for approval/disapproval for each identified control weakness being considered for closure. The procedures also require that the closure memorandums be maintained in a central location under the control of the Mission's Management Control Officer.

Recommendation No. 5: We recommend that USAID/Guinea establish procedures that will ensure that it will (1) identify and document all Mission management control weaknesses,

Mission's Response:

These procedures are included in the draft procedures referred to in Mission's Response to Recommendation #2.

(2) document Management Control Review Committee meetings discussing all identified weaknesses, and

Mission's Response:

This is included in the draft Mission Order referred to in Mission's response to Recommendation #1.

(3) for those weaknesses agreed to by the Committee, both material and non-material, develop corrective action plans and track the corrective actions through periodic Committee meetings.

Mission's Response:

See Mission's Response to Recommendation #4.1 and #4.2

Description of Material Weaknesses Reported with USAID/Guinea's FY 1998 Certification

1) The U.S. direct hire positions of EXO, Program Officer, Controller, Health Officer were vacant for an extended period of time.

2) USDO SF 1221 records are not reconciled to the Mission Accounting Control System. Some disbursements are not properly recorded.

3) Cash balances are not reconciled with USAID/Washington and U.S. Treasury records on a regular basis.

4) Advices of Charge (AOC) are not always received from AID/W and other Missions on a timely basis. The Office of Financial Management staff do not always post AOCs received on a timely basis. AOC listings from Washington are not reconciled on a regular basis.

5) Not all invoices received in the Mission have been date stamped. The Mission is one of the few in the Agency which does not use the Electronic Certifications System for making disbursements.

6) The Mission did not follow its formalized procedures for performing 1311 reviews in FY 1998.

7) A Management Control and Review Committee was not in place in FY 1998 to address management accountability issues.

8) The Mission has not had a system for evaluating Foreign Service National employee performance for calendar years 1997 and 1998. Many FSN job descriptions are out of date and need to be revised to correspond with the changes in tasks and responsibilities.

9) An environmental review has not been conducted for the Education Strategic Objective as required by Title 22 of the

US Code of Federal Regulation, Part 216 and by the Agency policy on environmental procedures stipulated in ADS 204.

10) Not all Strategic Objective teams' performance indicators are direct, objective, practical and adequate for judging whether anticipated progress is being met.