



Regional Inspector General
Pretoria

October 1, 1997

**MEMORANDUM FOR DIRECTOR, USAID/Regional Center for Southern Africa
(RCSA), Valerie L. Dickson-Horton**

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

SUBJECT: Audit of USAID/RCSA's Review and Certification of USAID/Botswana's
Unliquidated Obligations for Project and Non-project Assistance, Report
Number 4-690-97-001-F

This is our final report on the subject audit. Your comments are included as Appendix II.

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

Background

This audit is part of the Office of the Inspector General's (OIG) worldwide review of the Agency's obligations for project and non-project assistance. The OIG's Division of Performance Audits (IG/A/PA) is leading this worldwide effort, with the assistance of auditors from all offices of Regional Inspectors General.

The worldwide audit is limited to obligations for project and non-project assistance which had unliquidated balances on September 30, 1996. It does not cover obligations funded with U.S.-owned local currency, obligations for disaster relief, or obligations maintained by USAID for the Trade and Development Agency.

IG/A/PA randomly selected USAID sites for detailed audit work and also determined the number of unliquidated obligations to be randomly selected and then reviewed at each site. A total of 19 sites (USAID/Washington and 18 missions) were selected for review. USAID/Botswana was among those missions randomly selected for review.

USAID/RCSA records show that, as September 30, 1996, USAID/Botswana had 99 unliquidated obligations for project and non-project assistance with balances totaling \$39 million.

Audit Objective

As part of an Agency-wide audit, the Office of the Regional Inspector General, Pretoria, conducted this audit to answer the following question:

Did USAID/RCSA review and certify USAID/Botswana's unliquidated obligations for project and non-project assistance in accordance with U.S. laws and regulations and Agency policies and procedures?

Appendix I describes the audit's scope and methodology.

Audit Findings

For the items tested, USAID/RCSA reviewed and certified USAID/Botswana's unliquidated obligations for project and non-project assistance in accordance with U.S. laws and regulations and Agency policies and procedures.

The mission, USAID/Botswana, closed on September 30, 1995, and the controller's office at USAID/RCSA has the responsibility of reviewing the obligations requirements for any USAID/Botswana projects still active after that date.

Section 1501(a) of Title 31 of the U.S. Code states that amounts shall be recorded as obligations only when supported by certain documentary evidence. Nine criteria are listed. The U.S. General Accounting Office has stated that the nine criteria listed in this section taken together may be said to comprise the "definition" of an obligation. In addition, each year USAID's Bureau for Policy and Program Coordination issues guidance for the preparation of mission and office budgets.

We selected a sample of 15 obligations from the USAID/Botswana projects which remained obligated as of September 30, 1996, to test whether the obligations met the USAID requirements. After reviewing these obligations, we found that all of the obligations did meet the applicable USAID requirements.

In addition, we found that the Section 1311 review was done timely and according to prescribed procedures. Furthermore, the USAID/RCSA controller performed the required certifications.

We also reviewed the commitments under the 15 obligations selected and found that three of the commitments under one obligation had excess funds of \$7,384 on September 30, 1996. These excess funds were decommitted by June 1997, before the beginning of this audit, and we are, therefore, making no audit recommendation.

Management Comments and Our Evaluation

USAID/RCSA agreed with our audit findings.

Scope and Methodology

As part of an Agency-wide audit, we audited USAID/RCSA's review and certification of USAID/Botswana's unliquidated obligations for project and non-project assistance. Our audit was made in accordance with generally accepted government auditing standards.

The audit was conducted in Gaborone, Botswana, from June 23, 1997 to July 3, 1997, and covered USAID/Botswana's 99 unliquidated project and non-project obligations totaling \$39 million as of September 30, 1996. It did not include obligations incurred from operating expenses, disaster relief, U.S.-owned local currency and those maintained by USAID for the U.S. Trade and Development Agency.

To accomplish the audit objective, we tested a randomly-selected sample of 15 unliquidated obligations with balances totaling \$9.7 million as of September 30, 1996. The tests included reviewing each unliquidated obligation to determine if it was: (1) valid according to criteria established by Title 31 U.S.C. 1501 and the General Accounting Office, (2) sufficient to cover anticipated expenses in accordance with Agency guidance, and (3) needed to be deobligated, decommitted, or reprogrammed, as appropriate. In addition, we determined whether the Mission performed the required Section 1311 and pipeline reviews on unliquidated obligations.

Furthermore, we reviewed USAID/Botswana's internal control assessment reports for fiscal year 1996 to identify any material weaknesses with regard to the Mission's review and certification of unliquidated obligations and obtained written representations from cognizant Mission officials for all essential assertions relating to our audit objective.

Complete Text of Management Response



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Memorandum

Date: August 29, 1997

To: Joseph Farinella, Regional Inspector General/Pretoria

From: Valerie Dickson-Horton, Director 

Subject: Audit of USAID/RCSA's Review and Certification of USAID/Botswana's
Unliquidated Obligations for Project and Non-project Assistance

We have reviewed the subject draft audit report and have no comments on the report. We appreciate the cooperative approach your staff took during the audit and hope the results of the audit will help the Agency in addressing pipeline issues.