

OFFICE OF THE SUPERINTENDENT

SANNIQUELLIE CITY, NIMBA COUTNY

REPUBLIC OF LIBERIA

PMC PAYMENT VOUCHER REVIEW REPORT

SUBMITTED TO

HON. FONG ZUAGELE

SUPERINTENDENT

NIMBA COUNTY

BY FMTP INTERNS

BENEDICT QUATO

WILSON DARGBEH

MAY 24, 2014

Background

This report is made on the review of some payment vouchers prepared and submitted to the office of the superintendent by the Project Management Committee or PMC of Nimba County for verification. The PMC manages the County Development and Social Development Fund of Nimba County and monitors the implementation of projects funded by the CDF and SDF from the county coffers.

The administration of Nimba County, headed by the superintendent, wants a detailed understanding of the financial accounting and reporting practices of the PMC and their level of compliance with the public financial management regulations, Public Procurement and Concession Act and the budget law of Liberia as they relate to the expending of the county and social developments funds of the county. This report therefore is an assessment of the level of compliance of the PMC accounting and reporting practices with the public financial management regulations, Public Procurement and Concession Act and the budget law of Liberia for the effective use of the CDF and SDF of Nimba County. This review was authorized by the superintendent of Nimba County, Hon. Fong Zuagele for an understanding of the financial workings of the PMC.

County Development Funds/CDF

In line with the general intent of the Poverty Reduction Strategy (PRS) and in support of priorities set during the consultative period of the strategy plan, the following guidelines govern the spending of the county development fund specifically linked to counties and programs therein:

(i) The amount of US\$3,000,000.00 (three million United States Dollars) appropriated as County Development Fund in the General Claims Section of the budget is divided equally among the fifteen (15) counties of Liberia. The Minister of Internal Affairs requests allotments against this appropriation, taking into account the time of the year that is most conducive for execution of rural development activities in Liberia.

(ii) Upon issuance of the allotment, the Minister of Internal Affairs raises the necessary vouchers and deposits the funds into the Development Accounts of the various counties, which were established during FY-07/08. The Minister also ensures that the entire amount appropriated as County Development Fund in the budget is allotted and deposited into the various County Development Fund Accounts before the end of the fiscal year to prevent any portion of said appropriation lapsing at the end of the fiscal year.

(iii) The County Development Fund Accounts of the various counties are subject to all banking regulations and financial audits as provided for by Law. The authorized signatures on each county account are as follows:

A-Signature: The County **Assistant Superintendent for Fiscal Affairs** as first principal authorizer; or in the stead, the County Superintendent;

B-Signature: The **Chairman of the PMC** appointed by the Special County Development Council as second principal authorizer; or in the stead, the PMC Treasurer appointed by the Special County Development Council.

All withdrawals from a County Development Account require the **authorization of the first and second principal authorizers** or; their stead as designated in section 9 of the budget law. A withdrawal authorized by a principal and a stead in same category shall not be valid or legal.

(iv) The Special County Development Council:

Access to the County Development Fund shall be upon Resolution of the Special County Development Council. Upon passage of the national budget, the County Superintendent, in consultation with the County Legislative Caucus, convenes the Special County Development Council to be attended by an equal number (set by the County Legislative Caucus) of officials and opinion leaders from each of the Administrative Districts or traditional communities of the county. Each sitting of the Council is chaired by the Chairperson of the County Legislative Caucus, with the County Superintendent serving as Co-Chair. Members of the Legislative Caucus attend the Council as delegates Ex-officio.

(v) A Resolution of the Special County Development Council is valid when;

(a) it is convened in keeping with the protocol set forth in the budget Act; and

(b) it is attested to by a majority of the County Legislative Caucus.

(vi) The County Superintendent notifies the Minister of Finance of such compliance, whereupon, the Minister of Finance complies with the provisions of the budget Act in relation to disbursement of the County Development Fund.

(vii) Mandate of the Special County Development Council are:

i. To determine the most equitable and effective method of allocation or application of the County Development Fund which will induce rapid and sustainable improvement in both physical conditions on ground and in the lives of the general population of the county or a segment thereof;

ii. To decide on, and target, specific areas and types of programs and projects on which the development funds are to be spent;

iii. To appoint a 3-member Project Management Committee (PMC) comprising:

(1) a PMC Chairperson; (2) a PMC Treasurer; and

(3) Comptroller

(viii) Decisions of the Special County Development Council taken at any sitting is expressed in the form of a Resolution. Once the Council has allocated funds to an area, it is the responsibility of the citizens of the targeted area to meet and appoint a Project Management Team (PMT), which shall coordinate the planning of all activities relating to the project or projects for their area. The members of the PMT shall include a Chairperson who shall be responsible for overall coordination of the Team; a Treasurer who shall ensure that all money matters are handled properly; and a

Secretary who shall ensure that all communications and records of the Team are prepared and kept in good order at all times. Members of the PMT shall, in consultation with the PMC, be collectively responsible for the implementation of the area project. The PMT shall be the principle contact between all relevant and concerned entities in respect to implementation of area projects funded with county development funds. The PMT shall report to the citizens of their area.

Social Development Fund/SDF

The Mineral Development Agreement (MDA) between ArcelorMittal and the Government of Liberia established a County Social Development Fund to be funded by an annual contribution of US\$ 3 million provided by ArcelorMittal. The beneficiaries of this Fund are Nimba County (50%), Grand Bassa County (33.3%) and Bong County (16.7%).

Article 12, page 13 of the MDA established a Dedicated Funds Committee to manage and disburse the annual US\$ 3 million social contribution for Nimba, Grand Bassa and Bong Counties. In line with this provision, the Government of Liberia established a Dedicated Funds Committee and three County Development Management Committees for the three counties. The Dedicated Funds Committee is the national coordinating and regulatory body for the management of the County Social Development Fund, while the County Development Management Committees oversees the management of the Fund at the county level. There are guidelines that set out the procedures for the selection, approval and management of development projects to be supported by the County Social Development Fund. They are intended to serve as a handy guide for project managers in daily project supervision, monitoring and reporting.

Another source of the SDF is BHP Biliton.

No.	Voucher Date	Voucher no.	Payee	Purpose	Amount in USD	Comments
1	Aug 1,2013	0017	Jireh Construction Inc.	Work on Bunadin guest house	11,998.29	-no county council resolution attached -no tax clearance
2	Aug 1,2013	0018	Jireh Construction Inc.	Work on Duo guest house	11,998.29	-no signed contract -no public works certificate
3	Sept 2,2013	0041	West Africa Investment Co	Work on Lugbehyee school	20,583.50	-no ALCC certificate -no advertisement
4	Sept 23,2013	0301	Origin Construction Company	Work on Bololehwee school	12,651.32	-no bid evaluation report -no procurement committee meeting minutes
5	Feb 5 ,2014	0166	West Africa Investment Co	Work on Lugbehyee school- 2 nd payment	13,722.34	-no business registration -no PMT affidavit -no PMC payment request -no letter of acceptance to contractor -no contractor scope of work / BOQ- <i>except for v no.0041 and v no.0166</i> -no letter of rejection to unselected contractors -progress report not signed by planner ASD or county inspector -no superintendent signature on voucher -no superintendent signature- <i>v no. 0017</i> -no treasurer signature- <i>v no.0166</i> - payment request form used in place of payment voucher- <i>v no.0041</i>

6	October 7,2013	0318	Autolink Liberia	Purchase of assorted yellow machine parts	59,925	-no tax clearance -no request -no business registration certificate -no copy of check
7	Oct 7,2013	0319	Super Petroleum	Purchase of 21,367 gallons of fuel	200,000	-no request -no evidence of advertisement -no bid evaluation report -no procurement committee meeting minutes -counter check no. 03689 -no contract -no letter to bid winner -no letter to bid loser -no utilization report -no tax clearance -no business registration certificate -no request for payment -quantity delivered does not match with quantity paid for- 4,444 gallons delivered -no treasurer signature
8	Oct 7,2013	0320	Super Petroleum	Purchase of fuel and lubricants	100,000	-no treasurer signature -no request -no evidence of advertisement -no bid evaluation report -no procurement committee meeting minutes -no contract -no letter to bid winner -no letter to bid loser -no utilization report

						-no tax clearance -no business registration certificate -no request for payment -purchase order differs with voucher
9	Oct 28,2013	0334	Autolink	Purchase of one arm of D7 caterpillar	11,500	-no treasurer signature -no request -no tax clearance -no business registration certificate
10	Nov 28,2013	0128	Peterson G.N. Walker	Credit to Nimba County sports steering committee	20,946	-no superintendent signature -no copy of check -no receipt
11	Jan 10,2014	0148	Nimba County Community College	Payment to support NCCC activities as per county council resolution	50,000	-no payment request -no county council resolution
12	Jul 18,2013	0007	Peterson Walker	Payment of wages to yellow machine operators on behalf of UNOPS	19,323.17	-no request from UNOPS -payment request form used in place of payment voucher
Total					532,647.91	

Observations

The review of the payment vouchers and their supporting documents reveals the followings;

1. Use of counter check (Unofficial check) for transactions involving huge amounts-e.g.
Check no.03689 for voucher no.0319 for 200,000 USD
Check no.03693 for voucher no.0320 for 100,000 USD

Criteria

The amounts involved are too huge to be withdrawn on counter

2. Key supporting documents are missing on vouchers with large amounts

Criteria

According to both the Social Development Fund Guidelines and Section 9 of the Budget Law, all payment vouchers must be accompanied by all supporting documents required.

3. PMT participation in fund management not evident in PMC operation

Criteria

According to section 9 of the budget law, once the Council has allocated funds to an area, it is the responsibility of the citizens of the targeted area to meet and appoint a Project Management Team (PMT), which shall coordinate the planning of all activities relating to the project or projects for their area. The members of the PMT shall include a Chairperson who shall be responsible for overall coordination of the Team; a Treasurer who shall ensure that all money matters are handled properly; and a Secretary who shall ensure that all communications and records of the Team are prepared and kept in good order at all times. Members of the PMT shall, in consultation with the PMC, be collectively responsible for the implementation of the area project. The PMT shall be the principle contact between all relevant and concerned entities in respect to implementation of area projects funded with county development funds. The PMT shall report to the citizens of their area.

Areas of Noncompliance

As per the twelve PMC payment vouchers reviewed, the accounting and reporting practices are clearly noncompliant with respect to standards set out in the relevant laws.

1. ***Budget Law, Section 9, m, iii*** states that the PMC shall ensure that transaction documents relating to the use of the CDF are in conformity and compliance with the Public Procurement and Concession Act and Budget Implementation Regulations. Contrary to this, the vouchers reviewed, largely did not have the required supporting documents.
2. ***PPC Act Part IV, Sec. 43, 1-2*** also calls for the archiving of all procurement-related documents for up to six years. The absence of major supporting documents for transactions is a contravention of this provision.
3. ***PPCC Threshold Schedule***
 - a. Publish contract award when the value is above USD 25,000 for goods, USD 10,000 for service, and USD50, 000 for works.
 - b. Use National Competitive Bidding when the value of the procurement is below USD 100,000 for goods, USD 50,000 for service, and USD 200,000 for works. There was no supporting document found in compliance with these guidelines.

Conclusion

This exercise was very interesting because it gave an insight into the accounting and reporting practices of the PMC for the CDF and SDF.

However, several issues were observed for which steps should be taken to address. Transactions are not easily traceable because there is no procedure for originating a transactions with a clear path from request to the voucher and payment authorization. Key supporting documents are not attached to payment vouchers as evidence of genuine transactions. There are cases in which counter checks (unofficial) are used to carry on transactions involving huge and material amounts of money. Such practices are generally unacceptable. Business registration certificates and tax clearances are not attached to vouchers representing huge payments to contractor contrary to standard requirements. All payment vouchers reviewed were not also accompanied by bid evaluation reports.

There are needs for the standardization of the operations of the PMC as it manages the CDF and SDF on behalf of the people of Nimba County.

Recommendations

The following recommendations are hereby advanced for the standardization and improvement of the PMC's accounting and reporting system:

1. The establishment of an Internal Audit Unit that will ensure internal compliance for payment transactions.
2. All payment vouchers must be accompanied by the required transactional supporting documents as spelled out in the Ministry of Internal Affairs' payment request checklist before any authorization and issuing of check.
3. The issuing of monthly financial reports in standard and consistent formats for the operation of the CDF/SDF.
4. The presentation of monthly bank reconciliation reports and bank statements for the operation of the CDF/SDF.
5. The establishment and adoption of a standard internal control and accounting procedures that will ensure the reliability of financial reports coming from the PMC and the county administration to outside parties.