

# Report of the Auditor-General



*Grand Bassa County ArcelorMittal Social  
Development Fund For The Period  
May – September 2009*

**6 February 2012**

**TRANSMITTAL LETTER**

**REPORT OF THE AUDITOR-GENERAL ON THE GRAND BASSA COUNTY SOCIAL DEVELOPMENT FUND FOR THE OPERATING PERIOD MAY 2009 TO April 2010**

1. I am pleased to issue this report, which is the first audit commissioned on the accounts and related financial records of the Grand Bassa County Social Development Fund. The report covers the operating period May 2009 to April 2010.
2. The audit covers the individual account of each county. The ArcelorMittal Social Development Fund came into being through Article 22 Section 3 of the Mineral Development Agreement (MDA), signed between the Government of Liberia (GOL) and Mittal Steel Holding Liberia (ArcelorMittal) and passed into law on 7 May 2007.
3. For the operating period under review, Grand Bassa County received US\$1,017,463.91, while the total expenditure was US\$761,182.16 and cash balance of US\$256,281.75 was reported as at October 5, 2009. This cash position was verified on the bank statement for the Grand Bassa County Social Development Fund Account obtained from the SDF bank account at the LBDI.
4. The Management of the Grand Bassa County Social Development Fund was replete with series of financial, administrative malpractices, political disagreement which considerably undermined the implementation of targeted projects for the people of Grand Bassa. Considerable amount of the county's SDF was spent on administrative cost coupled with wasteful expenditure while developmental projects were being sidestepped. This was a common practice in the management of the SDF in the three benefiting counties namely Bong, Nimba and Grand Bassa.
5. As at October 6, 2009 the CDMC and PMT expended and transferred a total of US\$761,182.16. The amount represents expenditure of US\$264,000.00 made on approved projects, US\$131,913.16 for administrative costs and US\$365,269.00 transferred to the account of the Grand Bassa Community College (GBCC) by the Superintendent Julia Duncan-Cassel and Project Manger Arthur Jimmy.
6. The participation of politicians such as legislators and ministers in the administration and implementation of the SDF effectively conflicts with their respective role relative to oversight, monitoring and evaluation. To achieve the policy intend of the SDF, it is

essentially significant that its management is completely professionalized without the dominant participation of political stakeholders.

Observations and key findings conveyed in this report were formally communicated to individuals and officials who are in charge of the management of the Grand Bassa County SDF through a Draft Management Letter for their responses, and where responses were provided, they were evaluated and incorporated verbatim.

7. The activities undertaken by the Grand Bassa County PMT during the period under review witnessed a number of financial irregularities. The financial irregularities noted amounted to US\$88,500.00 and involved unsupported expenditure, conflicting accounts of expenditure made for the purchase of vehicle and failure to implement Contract Agreements.
8. Her Excellency, the President of the Republic of Liberia, the Speaker of the House of Representatives, the President Pro-Tempore of the Senate and members of the National Legislature, the above issues are symptomatic of others noted in this report. Because of their impact on the management of the Social Development Fund, I advise that their resolution should be considered urgently.



**Winsley S. Nanka, CPA, CFE  
Acting Auditor-General**

***Her Excellency  
The President of the Republic of Liberia  
The Executive Mansion***

***The Hon. Speaker  
The House of Representatives  
Republic of Liberia***

***President Pro-Tempore of the Senate  
The House of Senate  
Republic of Liberia***

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## ACRONYM

ACRONYM	MEANING
AG	Auditor General
GAC	General Auditing Commission
MLME	Ministry of Lands, Mines and Energy
GOL	Government of Liberia
MOF	Ministry of Finance
NTGL	National Transitional Government of Liberia
GSA	General Services Agency
PPCC	Public Procurement and Concession Commission
CDMC	County Development Management Committee
GBCC	Grand Bassa County Community College
MDAs	Mineral Development Agreements
DFC	Dedicated Fund Committee
HIPC	Heavily Indebted Poor Countries
BRE	Buchanan Renewable Energy
BRTS	Buchanan Renewable Technical Services
CDA	County Development Agenda
PMT	Project Management Team
CDF	County Development Fund
DFCS	Dedicated Fund Committee Secretariat
LAMCO	Liberia-American Mining Company
BOT	Board of Trustees
GBCSDF	Grand Bassa County Social Development Fund
CFMU	County Financial Management Unit

## **EXECUTIVE SUMMARY**

### **Introduction**

1. I audited the financial and operational records of the ArcelorMittal Social Development Fund (SDF) of Grand Bassa County for the period 1 May 2009 to 30 September 2009. The management of the SDF is divided into three layers. It involves the Dedicated Fund Committee (DFC), the County Development Management Committee (CDMC) and the Project Management Team (PMT). Each benefiting County has its own CDMC and PMT. Counties benefiting from the fund are Grand Bassa, Nimba and Bong. The DFC is a Standing Committee headed by the Minister of Internal Affairs. Other members are the Minister of Lands, Mines and Energy and the Minister of State without Portfolio.
2. Accordingly, the audit covered the individual accounts of each county since the management of the Fund was done separately at the second and third levels (CDMC and PMT) of the SDF's organizational structure. The audit started on 22 September 2009 and ended on 6 October 2009.
3. The ArcelorMittal Social Development Fund came into being through Article 22 Section 3 of the Mineral Development Agreement (MDA), signed between the Government of Liberia (GOL) and Mittal Steel Holding Liberia (ArcelorMittal) and passed into law on 7 May 2007. The agreement was earlier signed between the Interim Government, then represented by the National Transitional Government of Liberia (NTGL) and the Mittal Steel Holding Liberia for the mining of iron ore from the former LAMCO located in Yekepa, Nimba County. It was however reviewed and ratified by the Government under the administration of Her Excellency Ellen Johnson-Sirleaf in 2007.
4. The Act that created the Mineral Development Agreement (MDA) between ArcelorMittal and the Government of Liberia requires that an amount of US\$3,000,000.00 be contributed to social and community development of the three Counties namely, Bong, Nimba and Grand Bassa
5. The Government of Liberia appropriated US\$2,331,507 and US\$2,000,000.00 in the National Budget for the respective Fiscal Periods of 2008/09 and 2009/10. The appropriations were placed under the expenditure category of Capital Transfers with assigned code #2604-02-03 titled "Grand Bassa County (MITTAL)".
6. However, for the operating period (May 2009-April 2010) under review, total funds received by the Grand Bassa County Social Development Fund was US\$1,017,463.91, while the total expenditure was US\$761,182.16 and cash balance of US\$256,281.75 was reported as at October 5, 2009. This cash position was verified on the bank statement for the Grand Bassa County Social Development Fund Account obtained from the SDF bank account at the LBDI.
7. As at October 6, 2009 the CDMC and PMT expended and transferred a total of US\$761,182.16. The amount represents expenditure of US\$264,000.00 made on approved projects, US\$131,913.16 for administrative costs and US\$365,269.00 transferred to the

account of the Grand Bassa Community College (GBCC) by the Superintendent Julia Duncan-Cassel and Project Manger Arthur Jimmy.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Status of Projects Implementation and Financial Position**

8. The Government of Liberia appropriated US\$2,331,507 and US\$2,000,000.00 in the National Budget for the respective Fiscal Periods of 2008/09 and 2009/10. The appropriations were placed under the expenditure category of Capital Transfers with assigned code #2604-02-03 titled "Grand Bassa County (MITTAL)".
9. However, for the operating period (May 2009-April 2010) under examination, total funds received by the Grand Bassa County Social Development Fund was US\$1,017,463.91, while the total expenditure was US\$761,182.16 and cash balance of US\$256,281.75 was reported as at October 5, 2009. This cash position was verified on the bank statement for the Grand Bassa County Social Development Fund Account obtained from the SDF bank account at the LBDI.
10. As at October 6, 2009 the CDMC and PMT expended and transferred a total of US\$761,182.16. The amount represents expenditure of US\$264,000.00 made on approved projects, US\$131,913.16 for administrative costs and US\$365,269.00 transferred to the account of the Grand Bassa Community College (GBCC) by the Superintendent Julia Duncan-Cassel and Project Manger Arthur Jimmy.
11. The Grand Bassa County PMT and CDMC proposed to undertake five projects for a 12-month operational period (May 2009-April 2010). The Projects include :
  - The 8 (Eight) Streets Contract in Central Buchanan signed between the PMT and one ADC/27/7 INC. for which US\$55,000.00 was already paid but had no formal contract;
  - The 3 (three) Roads Contract which include the Gee Roberts Road in Compound #3, Nyonbeh Town-Wheasaye Road (Grand Kola Road) and the Main Street from Bassa High to Monrovia Junction (Tubman Street) in Central Buchanan, which was signed between the PMT and the Buchanan Renewable Technical Services (BRTS),
  - The Grand Bassa County Community College
  - Health Project for the Construction of a Duplex in Carduor Town);
  - Educational Project for the rehabilitation of the Gorblee School



- The Nyonbeh Town – Weasaye and the Bassa High to Monrovia Junction road rehabilitation work undertaken by the Buchanan Renewable Technical Services (BRTS) as the contractor, were visibly seen during a physical verification tour to Nyonbeh Town and Buchanan City.. But there was no physical evidence that the 8 Streets Contract and the Grand Bassa County Community College Project in Central Buchanan were affected.
12. Overall, the management of the ArcelorMittal Social Development Fund for Grand Bassa County was characterized by weak controls over receipt and disbursements. . Payments were made without due regard to the Project Guidelines and other regulatory frameworks such as the Financial Rules and the PPC Act, 2005.

### **Incomplete Management Structure**

13. Contrary to the requirement of paragraph 7.1.2 of the SDF Guidelines that Project Engineer is appointed as part of the PMT, no such appointment was made in the Grand Bassa PMT. Instead, the PMT had a Project Consultant, a position not provided for in the Guidelines. Count 7.1.7 of the Project Guidelines requires that the Project Engineer serves, among others, as the principal technical officer for all construction and rehabilitation projects, provides technical advice to the PMT and CDMC on designs, technical specifications, scope of work, costing and viability of projects undertaken in the county.
14. The Project Consultant appointed by the CDMC had no job description and there was no physical evidence of the work performed to indicate its relevance to the project implementation under the Social Development Fund. In effect, the Bassa CDMC could not provide any justification for the appointment of the Project Consultant.
15. The absence of a Project Engineer to provide the requisite technical expertise for the identification, planning, monitoring and evaluation of social development in the county could lead to the projects not being identified, planned, monitored and implemented in line with technical specifications and the SDF guidelines.
16. Accordingly, I recommend that the Grand Bassa County CDMC should recruit a Project Engineer with the requisite technical knowledge to oversee and provide guidance on technical matters such as project proposals, selections, implementation, monitoring and evaluation.
17. The Grand Bassa County CDMC should abolish the position of Project Consultant and provide me with documentary evidence that such an action has been taken to avoid further unauthorized disbursement of salaries to the individual concerned.

### **Dominance of Politicians on the CDMC**

18. The CDMC of Grand Bassa County was dominated by politicians with a very few civil society representation. The operation of the CDMC has thus not been too effective due to disagreement among Committee members which can be largely attributed to political differences, as bulk of the Committee members who are charged with the responsibility to

oversee the SDF management hold high political offices with only three persons from the community (Two eminent persons and a traditional chief).

19. The PMT operations were often influenced by these highly placed government officials making fund management difficult and non-result oriented. With the intervention of the ArcelorMittal through the introduction of its guidelines and periodic monitoring, there appeared to be some degree of awareness in the management of the fund.
20. Nevertheless, there remain several challenges to the proper management of the fund such as control weaknesses in the authorization and disbursement of the fund as well as the streamlining of projects for maximum benefits. The prioritization of development projects over excessive administrative and operational expenditure need to be considered by the DFC, CDMC and the PMT.
21. I recommend that the number of politicians be reduced and replaced with credible private citizens with developmental and managerial backgrounds, so as to enhance the CDMC's performance. Also The CDMC's roles should be limited to oversight devoid of direct involvement with the day-to-day management of the SDF.

#### **Approval of Funds without Project Details**

22. The Co-chairman of Grand Bassa DFC approved US\$1,000,000.00 for the Grand Bassa County PMT and CDMC from the ArcelorMittal Social Development Fund (SDF) without adhering to the requirement of the SDF Guidelines. The Guidelines stipulate that the CDMC submits all proposals for projects to the DFC, using Project Application Templates provided by the DFC and that all technical drawings and specifications for projects were included in the project proposals before approval of such releases from the SDF. There was no evidence of technical drawings and specifications for the proposals submitted but were approved by the DFC Co-Chairman.
23. The blanket approval of projects without first obtaining the requisite details including scope of works, technical details and other specifications as required by the regulatory frameworks governing the SDF may lead to project objectives not been achieved. I therefore recommended, that the DFC requests a comprehensive report for the use of the US\$1,000,000.00 to cover all projects undertaken by the Grand Bassa County PMT and CDMC before releasing any further funding to the county. A copy of the report should be submitted to the Office of the Auditor General of the Republic of Liberia for my review.

#### **Approval and Payment for Non-existing Project**

24. US\$ 55,000.00 was paid to a firm named ADC/27/7 INC. for the rehabilitation of eight roads within the Central Buchanan Area, Grand Bassa County. However, my review indicated that no contract was entered into, no payment voucher was prepared by the Project Accountant, no bidding was carried out and no Project Proposal and invoices were submitted. The review further indicated that the payment to the firm was ordered, and contract awarded, by the County Superintendent, Mrs. Julia Duncan-Cassel.

25. The above action contravened RULE 51 of the Financial Rules of the GOL which requires that Ministries, Agencies and Public Corporations that receive funds from the Ministry of Finance maintain proper books of accounts as well as complete documentation for all expenses incurred, which shall be subject to audit on demand. The SDF Guidelines also require that the Project Accountant prepares all payment vouchers ensuring that the necessary supporting documents are attached before payments are made. Also noted was the awarding of contract, which was in violation of the PPC Act, 2005 schedule on threshold limits, as the contract was not published and there was no bidding conducted.
26. Besides the above irregularities noted, the payment could neither be justified as the purported eight roads project for which the money was paid could not be seen during my inspection. Physical verification of sites where the streets rehabilitation was said to have been carried out saw the roads still in dilapidated conditions. Residents spoken to confirmed that no rehabilitation works had taken place on the streets since the end of the civil war and that they were prepared to testify anywhere when called upon.
27. Payment made without appropriate documentation could undermine effective accounting as well as serve as a recipe for error, collusion and abuse. Unscrupulous individuals may take advantage of this breach of internal control to defraud the SDF of needed developmental funds.
28. The PMT is accordingly advised to operate in line with the Project Guidelines, PPC Act provisions and other GOL regulatory frameworks to ensure accountability and transparency in the management of the SDF. It is also recommended that the PMT represented by Mr. Arthur B. Jimmy and Mrs. Julia Duncan-Cassel of the CDMC and Superintendent of Grand Bassa County, who approved the checks, should account for the US\$55,000.00, as the project paid for was not implemented.

#### **Violation of the PPC Act, 2005 in Awarding Contracts**

29. The CDMC of Grand Bassa County awarded a contract for the rehabilitation of three separate roads (Nyonbeh Town – Weasaye Road, Gee Roberts Road and the Bassa High to Monrovia Junction Road) valued at US\$428,000.00 to the Buchanan Renewable Technical Services without going through the competitive bidding process. The Grand Bassa County Authority awarded the contract and made 47% payment of the contract sum to the BRTS, which is the technical arm of the Buchanan Renewable Energy (BRE), a concessionaire, before publishing and preparing the contract agreements, thus circumventing the PPCC procurement process.
30. The contract award contravened Section 65 (1) of the PPC Act, 2005 that requires that competitive bidding be undertaken for the provision of goods and services and that the lowest valued and most responsive bidder which meets the evaluation criteria as specified in the bidding documents be awarded the contract for providing such goods/services.
31. The awarding of contracts without due regard to the PPC Act, 2005 provisions undermines the Government economic revitalization policy. The practice of single handedly selecting well established concessionaire to the disadvantage of other upcoming businesses may deny other

local entrepreneurs the benefits of participating in the economic recovery program of Government, which runs counter to the GOL Poverty Reduction Strategy (PRS).

32. Accordingly, I recommend that the PMT and the CDMC of Grand Bassa County should ensure that the PPCC Procurement Process, which was initiated by Government to promote economy and transparency in the procurement of goods and services, is strictly observed. The Grand Bassa County PMT headed by Mr. Arthur B. Jimmy and the CDMC represented by Superintendent Julia Duncan-Cassel, should give a full explanation as to why funding from the ArcelorMittal, a Concessionaire, was used to pre-finance the work of another concessionaire at such a high percentage rate.

### **Unconventional Employment Policy**

33. Conventionally, the process of establishing a new entity always begins with the hiring of a temporary workforce usually through contractual agreements. This practice is exercised as an international best practice and as a cost saving measure by managers. Initiating a project or program with a permanent workforce could create the risk of liabilities such as back pay and other benefits that can be avoided if the skills and services are used on a contractual basis which limits are defined in a formal agreement between management and the staff. In case of a premature failure of program or project, the services of individuals are terminated by the terms of the contracts at no additional cost to the entity or program.
34. Furthermore, Sections 4.1 and 4.2 of the Guidelines for Project titled PROPOSAL SUBMISSION which govern the usage of the ArcelorMittal Social Development Fund clearly states that:
  - All proposals be submitted using the Project Application Template provided by the Dedicated Fund Committee and
  - All technical drawings and specifications for projects be included in project proposals and these specifications guide the selection of contractors and the monitoring of the projects
35. The DFC on April 2, 2009 approved a blanket amount of US\$400,000.00 from the ArcelorMittal Social Development Fund for the establishment of a community college in Grand Bassa County. The CDMC and PMT of Grand Bassa County also appointed the President for the Grand Bassa County Community College and begun the payment of a monthly salary of US\$3,200.00. There was no evidence of a formal contract signed between the management of the fund and President of the College, providing specifications to guide project implementation and monitoring.

Documents provided by the PMT revealed that US\$34,731.00 of the US\$400,000.00 advanced for the college project had been expended on salaries, benefits and other costs without any evidence of a formal budget for running the college. A 12- Member Board of Trustees had been set up with each member receiving sitting fees along with other benefits such as transportation and DSA for meetings. No evidence of budget or report was submitted to the PMT for the usage of the amount advanced. Moreover, there was no

evidence of any work done on the site and building of said college but US\$34,731.00 was used on the college for salaries and others as of October 2009.

36. In the absence of a formal program and detailed project proposal to guide the process of organization with time line attached to the establishment of the Community College, the DFC, CDMC and the PMT may find it difficult to monitor the progress of the project, as there is no yardstick to measure compliance.
37. I therefore recommend that the DFC ensures that all projects are approved only upon the presentation of a comprehensive project proposal.
38. The balance of the US\$400,000.00 (US\$365,269.00) should be transferred from the account of the proposed community college back into the account of the GBSDF until a formal contract signed between the CDMC and Dr. Levi Zangai and a detailed project implementation work plan submitted.

#### **Statement of Accountability**

39. The activities undertaken by the PMT during the period under review witnessed a number of financial irregularities. The financial irregularities noted amounted to US\$88,500.00 and involved unsupported expenditure, conflicting accounts of expenditure made for the purchase of vehicle and failure to implement Contract Agreements. Details of these irregularities are provided vide **Annex (1)**.

## DETAILED REPORT

### Introduction

40. I audited the financial and operational records of the ArcelorMittal Social Development Fund of Grand Bassa County for the operating period 1 May to 30 September 2009. The Fund is managed at three levels and involved the Dedicated Fund Committee (DFC), County Development Management Committee (CDMC) and Project Management Team (PMT). Counties benefiting from the fund are Grand Bassa, Nimba and Bong and each of the benefiting counties has its own CDMC and PMT. The DFC is a Standing Committee headed by the Minister of Internal Affairs. Other members are the Minister of Lands, Mines and Energy and the Minister of State without Portfolio.
41. The audit covered the individual accounts of each County as the management of the Fund is effected at the CDMC and PMT levels. The audit started on October 2, 2009 and ended on October 6, 2009.

### Background

42. The Mineral Development Agreement (MDA) between ArcelorMittal and the Government of Liberia established a County Social Development Fund. The program is funded by an annual contribution of US\$ 3 million provided from Mittal Steel Liberia (ArcelorMittal) to carry out development projects within the affected communities. The beneficiaries of this Fund are Nimba County 50% (US\$1,500,000.00), Grand Bassa County 33.3% (US\$999,000.00) and Bong County 16.7% (US\$501,000.00) on an annual basis.
43. Article 12, page 13 of the MDA also established a Dedicated Fund Committee (DFC) to manage and disburse the annual US\$3 million social contribution for Nimba, Grand Bassa and Bong Counties.
44. In accordance with this provision, the DFC is to serve as the national coordinating and regulatory body for the management of the County Social Development Fund, while the CDMC appointed by the President of the Republic of Liberia oversees the management of the Fund at the county level.
45. The CDMC also appoints the PMT to manage the day to day activities of the fund and projects undertaken by the county.

### Composition of DFC, CDMC and PMT

46. The composition of the DFC, CDMC and PMT during the period under review and their respective functions are presented below:

### Dedicated Fund Committee

No.	NAME	POSITION
1	Hon. Eugene H. Shannon, PhD.	Chairman, Dedicated Fund Committee and Minister of Lands, Mines & Energy.
2	Hon. Augustine Kpehe Ngafuan	Co-chairman and Minister of Finance
3	Hon. Amara F. Konneh	Member and Minister of Planning & Economic Affairs
4	Mr. Joseph Matthews	Member and Chief Executive Officer-ArcelorMittal Liberia
5	Hon. O. Natty B. Davies	Member and Minister of state without Portfolio

### County Development Management Committee (CDMC)

No.	NAME	POSITION
1	Hon. Ambulai B. Johnson	Chairman, CDMC and Minister of Internal Affairs
2	Hon. Nathaniel K. Innis	Co-Chairman and Chairman, Grand Bassa County Legislative Caucus
3	Hon. Julia Duncan-Cassel	Member and Superintendent of Grand Bassa County
4.	All members of the Grand Bassa County Legislative Caucus	Members
5	Mr. Simeon Freeman	Member and a Prominent Citizen of Grand Bassa County
6	Dr. Samuel Bennett	Member and a Prominent Citizen of Grand Bassa County
7	Elder Dunn Zanzan	Chairman of the Council of Chiefs of Grand Bassa County

### Project Management Team

No.	Name	Position
1	Mr. Arthur B. Jimmy	Project Manager
2	Mr. Sylvester Taylor	Project Accountant
3	Madam Rose Cummings	Project Consultant

47. Members of the Dedicated Fund Committee were appointed by the President in accordance with Article 12 Page 13 of the Mineral Development Agreement (MDA) signed between the Government and Mittal Steel Liberia Holdings and Amended in May 2007. The functions of the DFC include:

- The exercise of an inherent oversight of the County Development Management Committee (CDMC).
- setting the duties and responsibilities of the CDMC subject to approval by the President of the Republic of Liberia
- Serving as a National Coordinating committee for the ArcelorMittal Social Development Fund

County Development Management Committee (CDMC)

48. The County Development Management Committee was also appointed by the President and have the following functions:

- Launch consultative process to set development priorities for short, medium and long-terms.
- The process must include all stakeholders at the village, town, chiefdom, district and county level and link the prioritization of development needs with the County Development Agenda (CDA) of the county.
- Use a Project Application Template to generate project proposals for all development projects and submit these to the Dedicated Fund Committee for approval and Submit Project proposals in every quarter of a calendar year.
- Manage the County Social Development Fund by maintaining a single County Social Development Fund bank account into which the county's share of social contributions will be paid upon the authorization of the Dedicated Fund Committee.
- Differentiate bank accounts from the existing County Development Fund bank accounts into which the Government of Liberia makes annual budgetary allotments for development for purposes of audit and reporting
- Throughout the life of the MDA, the CDMC submits its records to an annual independent audit to ensure that funds management is in accordance with generally accepted accounting principles.
- For Project Management the CDMC shall lead in the selection of bidders for project implementation contracts and in consultation with the DFC, ensure that there is open and competitive bidding for contracts in accordance with the Government's bidding process.
- Also ensure that first preference for award of contracts be given to companies and organizations working in the county, where not expedient, award contracts to other companies and organizations outside their counties.
- Use of international companies and organizations is the last resort.
- Contribute a portion of their county's allocation to support a national development specialist who will handle daily project management issues.
- That the Specialist works closely with the Office of the Assistant Superintendent for Development.



- For Monitoring, auditing & evaluating, the CDMC, through its County Development Specialist, on a regular basis, monitor project implementation.
- Use the monitoring reports and feedback to address challenges and constraints.
- Each member of the CDMC may also conduct independent monitoring of funds utilization and project management and their findings be shared among the entire membership of the Committee, and must form the basis for remedial and corrective measures.
- That the CDMC participate in the annual evaluation of the County Social Development Fund and the projects it supports to include an audit of the funds management system and procedures.
- Also evaluate projects to determine impact, relevance and adherence to core objectives of the Fund.
- For Reporting the CDMC submits quarterly progress reports to the DFC on the management of development projects
- Each Committee member shall be provided with the quarterly bank statements of all escrow accounts
- To manage the CDMC it shall select its own chairperson and meet regularly once every quarter to discuss operational matters, Where required.
- The Chairperson convenes a meeting to discuss urgent matters that will not wait for the regular Committee's meetings.
- That the Development Specialist provides regular updates to the County Development

## **THE PROJECT MANAGEMENT TEAM**

### **The Project Manager**

- Serves as Secretary to, and manage the Secretariat of, the CDMC, including its assets and personnel;
- He or she produces minutes of meetings held by the Committee and maintain a filing system of Committee's records as well as prepares proposals for projects selected by the CDMC and develop various plans and instruments for the smooth implementation of approved projects;

- Cultivates a cordial working relationship with all contractors, while at the same time ensuring that they perform in line with their implementation contracts and initiate all payment requests and reviews all payment vouchers prepared by the Project Accountant;
- Serves as an alternate to the County Superintendent in the signing of payment checks as well as prepare and submit monthly project progress reports to the CDMC through the office of the Chairman, meaning that he will co-sign payment checks like the superintendent along with the chairman or co-chairman of the CDMC;
- Conducts monthly inspections of projects and provide technical and administrative support and advice to ensure smooth project operations;
- Supports and participates in regular monitoring and evaluation of projects by the Dedicated Fund Committee and other parties;
- Performs all other assignments as may devolved from the Chairman, in keeping with the guidelines of the County Social Development Fund.

#### **The Project Accountant**

- Serves as official deputy to Project Manager and manage all project funds in line with Generally Accepted Accounting Principles (GAAP);
- Prepares an operational budget from the budget in the project proposal and uses it to track expenditures, review, analyze and report on payment requests from contractors;
- Prepares all payment vouchers ensuring that the necessary supporting documents are attached;
- Prepares monthly financial reports for submission to the County Development Management Committee (CDMC) through the office of the Project Manager;
- Prepares monthly bank reconciliation statements and carry out any other duty as prescribed by the Project Manager and the Chairman of the.

#### **Audit Objectives**

49. The audit objectives were to obtain assurance that:

- Adequate internal controls have been put in place regarding the receipt and expenditure of Social Development Fund allocated to the County;
- All SDF allocated or otherwise disbursed have been expended and applied for projects intended for which the allocations were made and that the expenditures

incurred conform to the authority which governs them as stated in the approved Guidelines and other relevant regulation of the GOL;

- All procurement of goods and contractual services were done in line with the PPCC Act and other applicable laws;
- All emoluments incurred were authorized and made to existing employees;
- All assets of the Fund are properly recorded, safeguarded and utilized for the purpose intended;
- The Social Development Fund have been received and allocated during the period under audit and verified that it was deposited into the County's Account designated by the CDMC.

### **Audit Scope and Methodology**

50. The audit covered the provisional operational period of the Social Development Fund beginning from 1 May 2009 to 30 September 2009. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements compiled on the activities of the PMT and CDMC are free of material misstatements.

51. Accordingly, the control environment within which the transactions/events were undertaken by the PMT and CDMC was assessed. Inherent risks associated with significant transactions and events were also assessed with the aim of determining the adequacy of CDMC responses to these risks. On the basis of the outcome of these reviews, I evolved and executed audit procedures, which in my view, were necessary to minimize audit risks. Systems underpinning material transaction streams and events were reviewed and depending upon the extent of reliability placed on a system, substantive tests as appropriate were undertaken.

52. The outcomes of the above reviews are conveyed in this report.

### **Limitation of Scope**

53. I was not able to obtain the documents listed below for purposes of the SDF review:

- Contract Agreements for the 8 Streets Project
- Bidding documents for the BRTS 3 Roads project

### **Conclusions**

54. The report findings mainly dwelt on:

- The awarding of contracts outside of the PPCC Act provisions;

- Non-adherence to project guidelines;
  - DFC approval of budget without project details;
  - The unilateral transfer of funds from the headquarters of LBDI to its local branch in Buchanan by the Superintendent and the Project Manager;
  - Unsupported expenditures;
  - Delivery of checks through a third party;
  - Conflicting account of cash paid to the President of the Grand Bassa County Community College for the purchase of vehicle; and
  - The transfer of US\$400,000.00 to the GBCCC without a program or budget.
55. During the audit, I held discussions on the observations made with management. However, due to time constraint and the distance between the PMT and GAC, I was not able to issue Audit Observation Memoranda (AOMs) to the management. I compiled the observations into a management letter and submitted it to the auditees. The responses provided were evaluated and incorporated into this final report.

## DETAILS OF FINDINGS AND RECOMMENDATIONS

### Financial Position of the SDF and Status of Projects Implementation

56. For the operating period, the total cash received by the Grand Bassa County Social Development Fund was US\$1,017,463.91 while the total expenditure was US\$761,182.16 and a cash balance of US\$256,281.75 was reported as at October 5, 2009.
57. The cash balance was verified from my analysis of the independent bank statement directly obtained from the Grand Bassa County SDF Banker, the LBDI, thus confirming the reported figures.
58. The Project Management Team reported that US\$1,017,463.91 was allotted to Grand Bassa County by the Dedicated Fund Committee (DFC). The amount is made up of the first US\$1,000,000.00 of the county's share of the ArcelorMittal Social Development Fund and an accrued interest of US\$17,463.91 at the rate of 1.726%.
59. As at October 6, 2009 the CDMC and PMT have expended US\$761,182.16. The amount represented expenditure of US\$264,000.00 made on approved projects, US\$131,913.16 for administrative costs and US\$365,269.00 transferred to the account of the Grand Bassa Community College (GBCC) by the Superintendent Julia Duncan-Cassel and Project Manger Arthur Jimmy.
60. The Grand Bassa County PMT and CDMC proposed and received funding for five projects for the 12-month (May 2009-April 2010) operational period. The Projects included:
  - The 8 (Eight) Streets Contract in Central Buchanan signed between the PMT and one ADC/27/7 INC. for which US\$55,000.00 was already paid but had no formal contract;
  - The 3 (three) Roads Contract which included the Gee Roberts Road in Compound #3, Nyonbeh Town-Wheasaye Road (Grand Kola Road) and the Main Street from Bassa High to Monrovia Junction (Tubman Street) in Central Buchanan was signed between the PMT and the Buchanan Renewable Technical Services (BRTS),
  - The Grand Bassa County Community College
  - Health Project for the Construction of a Duplex in Carduor Town and
  - Educational Project for the Gorablee School Rehabilitation.
61. As noted, two of the road rehabilitation works (Nyonbeh Town – Weasaye Road and the Bassa High to Monrovia Junction Road) undertaken by the Buchanan Renewable Technical Services (BRTS) as the contractor, were visibly seen during a physical verification tour to Nyonbeh Town and Buchanan City as well as confirmation of dilapidated conditions of the roads prior to the rehabilitation from testimonies of ordinary citizens. But there was no physical evidence of any work done on the 8 Streets Contract and the Grand Bassa County Community College Project in Central Buchanan. The health and education projects had not

begun as noted in the progress report of the PMT. We could not verify the status of the Gee Roberts Road project due to bad road condition.

62. On the overall, the management of the ArcelorMittal Social Development Fund for Grand Bassa County was characterized by weak controls over receipt and disbursements. There was no monetary value attached to some individual projects. Payments were made without due regard to the Project Guidelines and other regulatory frameworks such as the Financial Rules and the PPC Act, 2005. The over crowdedness of the CDMC with political appointees is also another governance issue that came to my attention.
63. Furthermore, there were irregularities noted in the management of the funds which call for urgent actions to be taken by the DFC and the President of the Republic of Liberia to adjust the management structure to strengthen control over the fund.
64. The CDMC should abolish the position of Project Consultant which is not provided for in the guidelines governing the Social Development Fund.

## **PROJECT ADMINISTRATION**

### **Incomplete Management Structure**

#### **Observation**

65. According to Page 11, paragraph 7.1.2 titled "Administration" of the Guidelines for the utilization of the ArcelorMittal Social Development Fund, the PMT should comprise three positions namely; the Project Manager, Project Accountant and Project Engineer. The PMT as constituted by the Grand Bassa County CDMC was without a Project Engineer. Instead, the PMT had a project consultant which is not provided for in the guidelines.
66. Count 7.1.7 of the Project Guidelines requires that the project engineer serves as the principal technical officer for all construction and rehabilitation projects. He is to also provide technical advice to the PMT and CDMC on the designs, technical specifications, scope of work, costing and viability of projects undertaken in the county. The project engineer is additionally charged with the crucial role of serving as an official link between contractors and the PMT as well as review, supervise and report on all infrastructural projects.
67. However, the position of Project Consultant had neither job description nor any physical evidence of work performed to indicate its relevance to project implementation under the Social Development Fund. In effect, the Bassa CDMC could not provide any justification for the appointment of the project engineer. We question why the CDMC would choose to appoint an individual who does not in any way possess the requisite technical capability as required by the Guidelines and does not contribute to the social development effort of the county considering the high cost to the Fund, for which no explanation was provided by CDMC and PMT.

### **Risk**

68. The absence of a Project Engineer to provide the requisite technical expertise for the identification, planning, monitoring and evaluation of social development in the county could lead to projects not being properly identified, planned, monitored and implemented in line with technical specifications and SDF guidelines.
69. The absence of a Project Engineer could provide opportunities for inflation of project costs to the detriment of the County SDF.
70. The appointment of a Project Consultant to a position in the PMT, a position not provided for, would lead to project funds being misapplied.

### **Recommendation**

71. The Grand Bassa County CDMC should recruit a Project Engineer with the requisite technical knowledge to oversee and provide guidance on technical matters such as project proposals, selections, implementation, monitoring and evaluation.
72. The Grand Bassa County CDMC should involve the Ministry of Public Works Resident Engineer in the selection, implementation, monitoring and evaluation of all projects.

### **Management's Response**

73. *The management letter on this matter was issued on the 17<sup>th</sup> November 2010, but management did not comment.*

### **Budget Preparation**

#### **Observation**

74. Budgeting for projects should provide detailed descriptions in order to give estimated costs attached to each project component. This is intended to serve as a standard against which to monitor and evaluate performance of independent contractors who are given the task of project implementation. It is also a useful tool by which those charged with the management of the projects fund are monitored to ensure that they do not engage in wasteful ventures such as inflating of material costs to the disadvantage of the funding authority which may lead to unwarranted application of allocated project funds.
75. It is therefore expected that all project budgets are done in an analytical manner as a way of providing details of individual cost estimates and allowances in keeping with set standards.
76. However, our review of project documents of the GBCSDF budget revealed that the entire presentations were marked by blanket allocations with no supporting details such as bill of quantities, etc attached. The purported budget was a mere schedule of projected expenditure without any basis which does not meet minimum standard of a project budget.

The financial plan does not have any details thus making it incomprehensive as all the monetary figures inserted have no basis to serve as yardstick for measuring performance or compliance.

77. It was further noted that the GBCSDF applied budget codes are different from those of the National Budget under which the GOL appropriated the fund. The budget also does not carry any signature to indicate authority and approval. **(See exhibit 1)**

### **Risk**

78. The use of blanket allocation as means of expending project funds could leave the use of such fund to the exclusive discretion of local managers and contractors who may be tempted to engage in wasteful application of project funds.
79. The use of codes other than those under which the fund was appropriated within the National Budget could make comparative analysis of appropriated funds difficult.
80. Monitoring and evaluation of projects may prove difficult if not impossible if detailed cost estimates are not prepared to accompany projected figures which may not be realistic but done out of mere imagination.
81. Value for money may not be achieved in project formulation and implementation.

### **Recommendation**

82. I therefore recommend that all project budgets be prepared in a more analytical manner to provide details of cost estimates to serve as guide to the usage of project funds.
83. The Management of the GBCSDF should apply the budget code consistently to facilitate easy comparison of appropriated fund to the county with the National Budget.
84. The GBCSDF CDMC and PMT should henceforth affix their signatures to the budget and all other official financial documents to indicate authority, approval and responsibility.

### **Management's Response**

85. *The management letter on this matter was issued on the 17<sup>th</sup> November 2010, but management did not comment.*

### **Dominance of Politicians on the CDMC**

#### **Observation**

86. Review of personalities making up the CDMC of Grand Bassa County revealed that the committee is dominated by politicians with a very low civil society representation. Below is a list of members of the GBCDMC with their respective political position:

- Hon. Ambulai B. Johnson, Chairman and Minister of Internal Affairs;



- Hon. John Innis, Co-Chairman, Chairman of Grand Bassa County Legislative Caucus and Member House of Representative;
  - Hon. Gbehzongar Findley, Member and Representative of Grand Bassa County;
  - Hon. Gabriel P. Smith, Member and Representative of Grand Bassa County;
87. The operation of the CDMC has not been too effective due to disagreement among Committee members which can be largely attributed to political differences, as the bulk of the Committee members who are charged with the responsibility to oversee the SDF management hold high political offices with only three persons from the community (Two eminent persons and a traditional chief).
88. The PMT operations were observed to have been often heavily influenced by these highly placed government officials thus making fund management difficult and non-result oriented.
89. However, with the intervention of the ArcelorMittal through the introduction of guidelines and periodic monitoring, there seems to be some degree of awareness now taking root in the management of the fund.
90. Notwithstanding, there remained several challenges to the proper management of the fund such as control weaknesses in the authorization and disbursement of the fund as well as streamlining of projects for maximum benefits. The prioritization of development projects over excessive administrative and operational expenditure need to be considered by the DFC, CDMC and the PMT. Hence the need for urgent action to improve financial and administrative management of the fund remains cardinal and a responsibility that those in authority must take seriously if the people of Grand Bassa County are to get the needed development for which the money is been provided.

### **Risk**

91. The inclusion of too many politicians with diverse political interests on the CDMC may retard project implementation efforts as they may be tempted to use their position to influence project decision in their interest to the detriment of the County.
92. The domination of the County CDMC by political appointees/politicians could also influence procurement decisions and thus hinder transparent procurement practices, which could undermine value for money.

### **Recommendation**

93. We therefore recommend that the number of politicians be reduced and replaced with credible private citizens with developmental and managerial backgrounds, so as to enhance the CDMC's performance.

94. The CDMC's roles should be limited to oversight devoid of direct involvement with the day to day management of the SDF in order to place the responsibility of management and accounting of the fund solely into the care of the PMT which shall then be responsible to report to the CDMC on an agreed periodic basis.

### **Management's Response**

*The management letter on this matter was issued on the 17<sup>th</sup> November 2010, but management did not comment.*

### **Approval of Funds without Project Details**

#### **Observation**

95. Counts 4.1, 4.2 and 4.3, page 7 of the Project Guidelines on Submission, Approval and Management of Projects require that the CDMC submits all proposals for projects to the DFC, using Project Application Templates provided by the DFC and that all technical drawings and specifications for projects be included in project proposals so as to guide the selection of contractors and the monitoring of the projects.
96. Count 4.3.1, 4.3.3, and 4.3.6 of the Guidelines specifically stipulate that all project applications be accompanied by evidence of community and grassroots decision-making in project selection, detailed technical drawings and specifications for infrastructure projects and the entire membership of the CDMC approve all project proposals by appending their signatures as attachments.
97. However, the DFC through its Co-chairman, Hon. Augustine Kpehe Ngafuan on April 2, 2009 signed and approved the amount of US\$1,000,000.00 for the Grand Bassa County Project Management Team and County Development Management Committee from the ArcelorMittal Social Development Fund (SDF) without any of the above requirements being met.

#### **Risk**

98. The blanket approval of projects without first obtaining the requisite details including scope of works, technical details and other specifications as required by the regulatory frameworks governing the SDF may lead to project objectives not been achieved, as the CDMC and the PMT may be tempted to use their discretions in the implementation of projects.
99. The DFC failure to adhere to set criteria intended to govern the proper use of the project funds could serve as a recipe for error, misuse and abuse in the application of the fund.

#### **Recommendation**

100. I therefore recommend that members of the DFC adhere to the operational guidelines by requesting all project details before approving them. Adequate care should be exercised to ensure that project funds are disbursed only when all set criteria have been satisfied as set forth in the Guidelines and other regulatory frameworks of the GOL.

101. The DFC should request for a comprehensive report for the use of the US\$1,000,000.00 to cover all projects undertaken by the Grand Bassa County PMT and CDMC before releasing any further funding to the county. A copy of the report should be submitted to the Office of the Auditor General of the Republic of Liberia for his review and validation.

**Management's Response**

102. *The management letter on this matter was issued on the 17<sup>th</sup> November 2010, but management did not comment.*

**No Bill Boards at Project Sites**

**Observation**

103. The Project Management Team of Grand Bassa County headed by Mr. Arthur B. Jimmy did not erect signboards at any of the project sites funded under the SDF. See below photograph of a project sites. This omission violated the project Guidelines Article 7.4, required that the CDMC post or plant a plaque or sign board at every project site funded by the ArcelorMittal Social Development Fund with the inscription "Funded by ArcelorMittal Social Development Fund",
104. I am of the opinion that the planting of the sign boards is intended to clearly distinguish between project funded from the SDF and those from the CDF as well as other projects. The exercise addresses the issue of easy reference to specific projects in terms of location, sources of funding and date of completion.
105. The plaques are also intended to give citizens an insight into how the Social Development Fund which is being utilized for the benefit of the communities and that it is the targeted communities that are the ones benefiting. The signs are also important in helping community members physically see that the concessionaires are living up to commitment made to them thereby promoting harmonious working relationship between the citizens and investor.
106. When questioned on this omission, the CDMC and PMT acknowledged the error and promised to erect the bill boards as required by the Guidelines.

**Risk**

107. Failure by the PMT to erect the sign boards as set forth in Section 7.2 paragraph 7.4 of the Project Guidelines would create uncertainty among the ordinary people about the source of funding for the ongoing projects as the county is dealing with numerous development funds – i.e. the SDF, CDF, etc.
108. The Public may not be able to distinguish projects funded by the social development Fund (SDF) and that of the County Development Fund (CDF) as well as projects funded by other organizations.
109. This action may create negative impressions about the concessionaire's commitment to making good its promise for social development in its areas of operations.

### **Recommendation**

110. I therefore recommend that the PMT print and post bill boards at every project site funded from the SDF as required by the Project Guidelines.
111. The PMT should go beyond planting signs/bill boards and engage local community members who cannot read and write by radio talk shows in the local vernaculars so as to educate them about projects, the source of funding and the benefits to the communities, which will serve to promote cordial working relationship between the citizens and the concessionaire.

### **Management's Response**

112. *During the period under audit, only two projects were being implemented; the Grand Bassa Community College and 3 roads rehabilitation. When the concern was raised, the PMT explained that the Bill Boards were imprint and would be installed at the completion of the project. But you maintained that the Bill Boards should have been placed there before the commencement. Predicated upon your argument, the PMT immediately installed the bill boards at the various sites.*

### **Auditor General's Position**

113. Management did not provide me with pictorial evidence of the printed bill board as proof of its assertion. As stated in my cover letter of the draft audit report of December 30, 2010, mere explanation without documentary evidence to support your claim was not acceptable. I therefore maintain my recommendation that management of the Grand Bassa County ArcelorMittal SDF plant the bill boards at the project site so as to distinguish the SDF funded projects from other projects.

## **PROJECT IMPLEMENTATION**

### **ADC 27/7, INC. (8 ROADS PROJECT)**

#### **Payment for Project to a Non-existing entity**

#### **Observation**

114. An amount of US\$ 55,000.00 was paid to a firm named ADC/27/7 INC. for the rehabilitation of eight roads within the Grand Bassa County. Review of documentation on the roads project indicated that no contract was entered into, no payment voucher was prepared by the Project Accountant, no bidding was carried out and neither Project Proposal nor invoices were submitted. Further analysis showed that the payment to the firm was ordered and contract awarded by the County Superintendent, Mr. Julia Duncan Cassel.
115. RULE 51 of the Financial Rules of the GOL states that Ministries, Agencies and Public Corporations that receive funds from the Ministry of Finance shall maintain proper books of accounts as well as a complete documentation for all expenses incurred, which shall be subject to audit on demand.

116. This statement also fulfils one of the cardinal principles of internal control that transactions once authorized and executed must be properly recorded for reporting purposes.
117. The Guidelines which govern the Social Development Fund also require that the Project Accountant prepares all payment vouchers ensuring that the necessary supporting documents are attached before payments are made.
118. However, as indicated above, a review of the disbursement on the project revealed that two separate payments of US\$20,000.00 on checks number 574 on the 6th of May 2009 and US\$35,000.00 on check number 578 on 15th of May 2009 respectively were effected to one Eddie Williams, observed to be from the Office of the Superintendent, Madam Julia Duncan-Cassel, without vouchers or supporting documents, thus circumventing the Financial Rules and Project Guidelines.
119. Furthermore, the payment could not be justified as the purported eight roads projects for which the money was paid had not been implemented. In addition, a follow-up visit to the project site in September, 2010, eleven months after the first inspection, there was still no sign of any work done on the eight roads project.
120. The Ministry of Commerce also confirmed that the ADC 27/7, Inc. does not exist which is an indication that the GBCSDF Authority did business with a bogus entity. (**See exhibit 2**).

**Schedule of payments to ADC 27/7, Inc**

Date	Payee	Purpose	Pmt. Req.	Voucher #	Ck #	Ck Date	Amount	Remarks
6-05-09	Eddie Williams	8 Roads Rehabilitation	N/A	N/A	574	6-05-09	35,000.00	No payment request, no voucher. No evidence of bidding
15-05-09	Eddie Williams	8 Roads Rehabilitation	N/A	N/A	578	15-05-09	20,000.00	No payment request, no voucher
	<b>Total</b>						<b>55,000.00</b>	

**Risk**

121. Making payment for projects which cannot be identified or without appropriate documentation could undermine effective accounting as well serve as a recipe for error, collusion and abuse.
122. Unscrupulous individuals may take advantage of this breach of internal control to defraud the SDF of needed developmental funds.
123. The failure of management to identify the individual to whom project funds had been paid denies assurance on transparency and regularity of the transaction involved.

### **Recommendation**

124. The PMT is advised to operate in line with the Project Guidelines, PPC Act, 2005 provisions and other GOL regulatory frameworks to ensure accountability and transparency in the management of the SDF.
125. It is recommended that the PMT represented by Mr. Arthur B. Jimmy and Mrs. Julia Duncan-Cassel of the CDMC and Superintendent of Grand Bassa County, who approved the checks, should account for US\$55,000.00, as the 8 Roads project paid for did not exist.
126. The two county officials should be further sanctioned for dealing with an illegal entity which is a violation of Section 32 (1f) of the PPC Act, 2005.

### **Management's Response**

127. *Kindly allow us to mention that the name of the company for the eight roads in the city is "All Job Done (ADJ 24/7)" and not ADC. The name ADC was an oversight. Please see attached supporting documents to verify the situation.*
128. *Again, we want to emphatically state that every action by Mr. Arthur B. Jimmy and Julia Duncan Cassell was carried out based on the decision of the CDMC. (We, Julia Ducan Cassell and Arthur B. Jimmy don't do anything on our own). We are both signatories to the account of the fund. The Grand Bassa CDMC is aware of the \$200,000.00 to BRE and the \$55,000.00 to ADJ 24/7, etc. again, the PMT wishes to seriously mention that every action carried out was in line with the CDMC. So, any misdoing or misgiving as may be perceived by you the auditors, let it be blamed on the County Development Management Committee and not on individuals who acted on behalf the CDMC.*

### **Auditor General's Position**

129. The PMT provided documents to me that showed that US\$55,000.00 was paid to a firm named ADC/27/7 INC for the rehabilitation of eight roads within Buchanan City, Grand Bassa County. There were two separate payments amounting to US\$55,000.00 to one Eddie Williams of ADC/27/7 Inc. from the Office of the Superintendent, Madam Julia Duncan-Cassel, without vouchers or supporting documents, thus circumventing the Financial Rules and Project Guidelines.
130. The documents provided for the payment of the same US\$55,000.00 to one ADJ 24/7 and the statement that the name ADC was an oversight is a total contradiction of documents presented for audit purpose. The recommendation is maintained as payment of US\$55,000.00 was paid to bogus entity for works not performed.

### **Conflict of Interest**

### **Observation**

131. My review of project documents revealed that Mr. Eddie Williams, who received US\$55,000.00 as payment on behalf of the ADC 27/7, Inc. is an Information Officer in the Office of the Superintendent of Grand Bassa County, Madam Julia Ducan-Cassell. Mr. William

is on record as one of the members of a three-man Project Monitoring Team to Nyonben-Wheasaye on June 7, 2009 to inspect road rehabilitation works. **(See exhibit 3)**

132. The Project Manager, Mr. Arthur Jimmy, was requested during my review to clarify the status of Mr. Williams and the location of the entity which he represents. Mr. Jimmy however indicated to me that Mr. Eddie Williams does not work with the county and that he (Jimmy) was going to contact him.
133. I also did a follow up with the Project Manager, Mr. Arthur B. Jimmy but he failed to respond. This action on the part of the Project Manager denied assurance as to the authenticity of the PMT assertion that the project was carried out.

### **Risk**

134. The failure of the PMT to produce the contractor for the project could be a signal that the proper procedure may not have been followed in the awarding of the contract.
135. Mr. Eddie Williams could have been fronting for staff of the PMT and CDMC to undertake a project which could be a conflict of interest.

### **Recommendation**

136. I therefore recommend that the Project Manager, Mr. Arthur B. Jimmy should be held for concealing the identity of Mr. Eddie Williams and the ownership of the ADC 27/7, Inc., a company with which the PMT transacted business worth US\$55,000.00 of the Social Development Funds.

### **Management's Response**

137. *The management letter on this matter was issued on the 30<sup>th</sup> December 2010, but management did not comment.*

## **BUCHANAN RENEWABLE TECHNICAL SERVICES (BRTS)**

### **US\$428,000.00 Contract Bill**

#### **Observation**

138. My review of the contract documents signed between the PMT and Buchanan Renewable Technical Services for the construction of three (3) roads projects showed a total contract cost of US\$428,000.00. The Management of the ArcelorMittal Social Development Fund for Grand Bassa County made a part payment of US\$200,000.00 to the BRTS on May 15, 2009 on check # 577, leaving a balance of US\$228,000.00. Upon an audit inquiry, the head of the PMT, Mr. Arthur B. Jimmy, and Project Accountant, Mr. Sylvester Taylor, indicated that the cost of the project was shared 50-50 between the SDF and the CDF. Therefore the balance due to the BRTS by the PMT is US\$14,000.00 and that the remaining US\$214,000.00 to the BRTS is to be paid from the account of the County Development Fund of Grand Bassa County.

139. However, there was no evidence that the project cost of US\$428,000.00 was to be shared between the SDF and CDF as the contract documents for the project presented to me by the PMT clearly indicate that the contract was exclusively between the BRTS and the PMT of the Grand Bassa County ArcelorMittal Social Development Fund.
140. Further, a receipt issued for the US\$200,000.00 by the BRTS to the SDF Authority on May 15, 2009 for the rehabilitation work clearly stated the billed amount of US\$428,000.00, the amount of US\$200,000.00 paid and the balance due as US\$228,000.00. There was no indication on the receipt signed by one WM. G. Cooper for the Accounts Department of the BRTS that US\$214,000.00 of the balance shall be paid from the accounts of the County Development Fund. **(See Table).**

**Schedule of payment to BRTS for three roads (Grand Kola Road, Tubman Street and Gee Roberts Road)**

Date	Payee	Purpose	Pmt. Req.	Voucher #	Ck #	Ck Date	Amount	Remarks
15-05-09	BRTS	3 Roads Rehabilitation	N/A	N/A	577	15-05-09	200,000.00	No payment request, no voucher and the payment was made before the bidding process (violated PPC Act, 2005).
	<b>Total</b>						<b>200,000.00</b>	

141. Count 5 of the Term of Reference (TOR) of the County Development Management Committee requires that the CDMC differentiates bank accounts from the existing County Development Fund bank accounts into which the Government of Liberia makes annual budgetary allotments for development for purposes of audit and reporting. In our judgment, this rule applies to project selection and implementation as well, since the PMT is to separately account for the SDF while the CDF is to be accounted for by the Superintendent.
142. As noted, there was also gross violation of the threshold schedule of the PPC Act, 2005 as the contract was not published and competitively bided.

**Risk**

143. The claim by Mr. Arthur B. Jimmy, the Project Manager of the Grand Bassa County ArcelorMittal Social Development Fund, that the project cost for the three road projects was



to be shared between the SDF and CDF without any documentation to prove this assertion denies assurance that the Grand Bassa County SDF Authority is abiding by the Project Guidelines.

144. Failure by the PMT and CDMC to draw a clear distinction between the SDF and CDF could distort accounting for the two funds and provide opportunities for the misapplication and abuse of the two funds.

### **Recommendation**

145. It is therefore recommended that Mr. Arthur B. Jimmy, Project Manager and Madam Julia Duncan-Cassel, provide the GAC with documented proof that the project cost is to be shared 50-50 between the County Development Fund and the ArcelorMittal Social Development Fund.
146. Also, the PMT and CDMC must make the appropriate adjustments in the accounts of the SDF and CDF and present same to the GAC for verification and validation.

### **Management's Response**

147. *The management letter on this matter was issued on the 30<sup>th</sup> December 2010, but management did not comment.*

## **Violation of the PPC Act, 2005 in Awarding Contracts**

### **Observation**

148. Section 65 (1) of the PPC Act, 2005 requires that competitive bidding be done for the provision of goods and services and that the lowest valued and most responsive bidder who meets the evaluation criteria as specified in the bidding documents be awarded the contract for providing such goods/services. Furthermore, best practice requires that a formal contractual agreement be formulated so as to outline the relevant obligations of both parties.
149. Contrary to the above, the CDMC of Grand Bassa County awarded a contract for the rehabilitation of three separate roads (Nyonbeh Town – Weasaye Road, Gee Roberts Road and the Bassa High to Monrovia Junction Road) valued at US\$428,000.00 to the Buchanan Renewable Technical Services without going through the competitive bidding process. The Grand Bassa County Authority awarded the contract and made 47% payment of the contract sum to the BRTS, which is the technical arm of the Buchanan Renewable Energy (BRE), a concessionaire, before publishing and preparing the contract agreements thus circumventing the PPCC procurement process.

### **Risk**

150. The awarding of contracts without due regard to the PPC Act provisions undermines the provisions of the PPC Act, 2005 as well as government economic revitalization policy.
151. This practice of single handedly selecting well established concessionaire to the disadvantage of other upcoming businesses may deny other local entrepreneurs the benefits of

participating in the economic recovery program of government, which runs counter to the GOL Poverty Reduction Strategy (PRS).

### **Recommendation**

152. The PMT and the CDMC of Grand Bassa County should ensure that the PPCC Procurement Process, which was initiated by Government to promote economy and transparency in the procurement of goods and services, is strictly observed.
153. The Grand Bassa County PMT headed by Mr. Arthur B. Jimmy and the CDMC represented by Superintendent Julia Duncan-Cassel, should be held for violation of the PPC Act, 2005 and should be made to provide full explanation as to why funding from the ArcelorMittal, a Concessionaire, was used to pre-finance the work of another concessionaire at such a high percentage rate.

### **Management's Response**

154. *The PMT registers with serious regret the violation of the PPC Act. The PMT wants to further indicate that their action was not deliberate and intended to undermine the PPC Act. It was due to lack of information about the Act. Honestly, we did not have any information about the entire PPC process; not until in June 2009, when we attended the first workshop held under the auspices of the Dedicated Fund Committee in Gbarnga and the second workshop held in September 2010 in Monrovia sponsored by the DFC. It was during the Gbarnga workshop that we saw for the first time the Guidelines governing the Arcelor Mittal Social Development Fund. It was there and then that we got to know about the DFC, CDMC and the PMT and their respective roles. It is often said that "ignorance to the law excuses no one" but we are of the opinion that DFC should have held interactive forum like the one held in Gbarnga that brought together members of the PMT, CDMC of the three counties and the DFC before the commencement of the project implementation. We again maintain that we were not knowledgeable about the PPC Act and our failure to act was not intentional, a situation that we remain regrettable of. At present we are doing our best to adhere to this act.*

### **Auditor General's position**

155. The Auditor General plans to conduct a workshop for all the administrators of the County Development Fund and the Social Development Fund. The workshop will address basic accountability and financial management issues related to the management of the funds. The law is the law. Being ignorance of the law is no excuse. Therefore, I maintain my recommendations

### **Road Rehabilitation Suspended By BRTS**

#### **Observation**

156. It was observed that the road rehabilitation works at the Nyonbeh Town – Weasaye Road (Grand Kola Road) was suspended by the Buchanan Renewable Technical Service (BRTS) during our physical verification tour of the project. The BRTS indicated that the suspension of

the work was due to heavy down pour of rain in its letter to the Project Manager of the Grand Bassa County SDF, Mr. Arthur Jimmy dated July 6, 2009. **(See exhibit 4)**.

157. Although, it was verified that the projects were well under way and that there were physical evidences that the BRTS had carried out substantial works on the Nyonben Town-Wheasaye (Grand Kola) Road Project. Local residents spoken to also confirmed to me that the road has been in a dilapidated condition prior to the rehabilitation works. **(See Photo)**.



**Figure 1 : The newly rehabilitated Nyonbeh Town-Wheasaye (Grand Kola) road .**

158. However, there was also evidence that several segments of the road remained in very bad shapes, specifically with the creeks/streams along the road. The culverts were not in place and vehicles plying the road including the vehicle used by the auditors were forced to pass in the creeks. **(See Photo)**.



**Figure 2 A view of a segment of the Nyonbeh Town-Wheasaye (Grand Kola) road awaiting the installation of culverts.**

159. Moreover, it was further noted that the road rehabilitation effort fell short of reaching a commercial fishing town of Grand Kola where many marketers travelled often to purchase fish and other farm products for sale on the local market. **(See Photo).**



**Figure 3: The end of the rehabilitation work at Wheasaye Town which started from Nyonbeh Town along the main high way from Buchanan leading to Sinoe County. The project did not cover the stretch of road from this point to the commercial fishing town of Grand Kola along the Atlantic Ocean.**

### **Risk**

160. The rehabilitation work may not last as the height of the road is far below the flood level of most of the creeks along the road.
161. To undertake a separate rehabilitation work for this segment of road in the future may cost the SDF more than if it was included in the current contract.

### **Recommendation**

162. I therefore recommend that the Project Manager Mr. Arthur Jimmy and the Superintendent, Mrs. Julia Duncan-Cassel, who is a member of the CDMC in the County, should prevail on the Buchanan Renewable Technical Services (BRTS) to elevate the height of the road at the various creeks/streams to avoid erosion and early damage to the road.

### **Management's Response**

163. *The rehabilitation exercise was suspended due to the heavy down pour of rain. Since the insertion of the dry season, we wrote BRE reminding and urging Management to continue the exercise. But the management wrote back to say that this company is no longer involved in Road Rehabilitation and construction. Based upon the feedback, the CDMC has published the information with respect to the expression of interest. At present CDMC is going through the vetting exercises to select a new company to continue the rehabilitation exercise.*

### **Auditor General's Position**

164. You indicated that the rehabilitation exercise was suspended due to the heavy down pour of rain which was a known fact because I was able to verify the suspension of the work. It was against this backdrop that I recommended that the quality of work done on the road be improved by elevating the height of the road at the various creeks/streams along the road.
165. You clearly indicated to me that the BRTS concessionaire-turned contractor was to begin and complete the rehabilitation works on the roads upon the inception of the dry season. Management has now informed me that the BRE wrote management in response to a communication written by management stating that BRE was no longer involved in Road Rehabilitation and construction. According to the time table as stipulated in the contract, the road rehabilitation works should have been completed over a year ago. The BRTS was paid up-front with money taken from the Grand Bassa County SDF without due regard to PPCC guidelines and other regulatory frameworks. When confronted with the issue of violating the laws governing the awarding of such contracts, your argument was that the company had the ability to perform. Project Manager Arthur Jimmy and Superintendent Julia Duncan-Cassel who disbursed US\$200,000.00 without exercising due diligence must take full responsibility for any action of breach on the part of the BRTS by restituting the amount back into the account of the Grand Bassa County ArcelorMittal Social Development Fund and present the deposit slip to me for my review and validation.

### **WEEGEE CONSULTANTS, INC. CONSULTANCY CONTRACT**

#### **Failure to Implement US\$9,000.00 Contract Agreements**

##### **Observation**

166. It was observed that a Contract Agreement was signed between the County Development Management Committee (CDMC) of Grand Bassa County represented by Superintendent Julia Duncan-Cassel and Weegee Consultant represented by Mr. James A. Thompson in which Weegee was hired to provide Professional Services to the County's SDF. According to the terms and conditions of the MOU, Weegee was to package a proposal for submission to the management of the ArcelorMittal Social Development Fund for Grand Bassa County based on templates provided by the CDMC indicating how the US\$1,000,000.00 allotted to the County should be utilized.
167. Weegee Consultant was to, among others; carry out the following as per the agreement:
- Pay a visit to Grand Bassa County to collect information on the areas identified by the County's Administration for inclusion into the project proposal,
  - Facilitate the production of technical drawings for teacher quarters, nurses as well as advise on additional infrastructure for the community college,

- Develop a comprehensive package (Project Proposal) on how the US\$1M is used in the areas of Health, Education, and Roads with provision for Administrative Cost and technical committee expenditure;
  - Develop a Monitoring and Implementation plan for the project with a draft budget and
  - Provide a management consultancy for a period of one calendar year.
168. According to Financial Rule 21, Payments shall be made only on full and satisfactory completion of goods and services and that no part payment on partial completion of delivery of goods / services shall be made unless otherwise specified in the contract.
169. Rule 22 also states that advance payments arising out of contracts shall only be made against collateral guarantee from a recognized financial institution acceptable to the Government / Ministry concerned for an amount not less than the amount of the advance payment. The validity of the collateral guarantee shall be for a period not less than the time the advance is recovered or the vendor has provided services equivalent to that of the advance.
170. Contrary to the above, Weegee Consultant was paid US\$9,000.00 though the contract did not make any specific indication for such an action as prescribed in the Financial Rules which was in force during the course of the transaction.
171. From review of project implementation documents of GBCSDF, there were no evidence that the Weegee Consultant performed any of the above mentioned tasks.
172. Moreover, the management structure of the Project Management Team of the Grand Bassa ArcelorMittal Social Development Fund provides for a project engineer who should be equipped with the technical knowledge to provide the above services and therefore did not need to go out to seek the services of a contractor.
173. Additionally, the PMT had within its employ a Project Consultant who was being paid, and should have therefore been equipped with the requisite technical abilities to render the services for which Weegee Consultant was hired and paid a lump sum of US\$9,000.00
174. A further check on the status of Weegee Consultants, Inc. with the Ministry of Commerce and Industry revealed that the entity does not exist meaning that the GBCSDF Authority transacted business with an illegal entity. **(See exhibit 5)**

**Schedule of payment to Weegee Consultants, Inc.**

Date	Payee	Purpose	Pmt. Req.	Voucher #	Ck #	Ck Date	Amount	Remarks
6-05-09	James A. Thompson	Consultancy (Proposal)	N/A	N/A	575	6-05-09	9,000.00	No payment request, no voucher and no evidence of competitive bidding done for the contract.
	<b>Total</b>						<b>9,000.00</b>	

**Risk**

- 175. The payment of project fund to individual without due regards to internal control procedures such as competitive bidding could lead to misapplication, error or fraud in the use of cash intended for community development.
- 176. The hiring of contractor to provide services for which provision has been made in the Project Guidelines could lead to duplication of functions and may result to undue strain on project funds.
- 177. The payment may have been a bogus one since there is no evidence of performance.

**Recommendation**

- 178. It is therefore recommended that the CDMC should account for US\$9,000.00 of the SDF paid to Weegee Consultant Inc. since the entity did not perform the service for which it was paid.
- 179. The CDMC should be reprimanded for dealing with an illegal entity.

**Management's Response**

- 180. *The PMT inherited this agreement. This agreement was established before our appointment and the team was told that Weegee Consultant Inc. represented by Mr. James Thompson crafted and produced the first proposal submitted to the DFC by the Bassa CDMC. But not much information was provided to team until we finally got a copy of the agreement. When I contacted Mr. Thompson as to why Weegee did not provide the technical assistance that they were required to do in keeping with the contract agreement, he told me that the PMT did not ask them. In other words, he maintained that Weegee did not live up to the agreement because the PMT did not go after him. So our argument was that it was not mentioned that the PMT go after Weegee which is a poor excuse. So the PMT believes that Weegee still owes the PMT services and those services should be performed.*

### **Auditor General's Position**

181. Weegee Consultants Inc. did not live up to the agreement, the CDMC should be made to restitute US\$9,000.00 of the SDF paid to Weegee Consultant Inc. since the entity did not perform the service for which it was paid. The entity is a bogus entity as confirmed by the Ministry of Commerce.

## **GRAND BASSA COMMUNITY COLLEGE PROJECT**

### **Unconventional Employment Policy**

#### **Observation**

182. Conventionally, the process of organization for the establishment of a new entity always begins with the hiring of a temporary workforce usually through contractual agreements. This practice is exercised the world over as a cost saving measure by managers. Initiating a project or program with a permanent workforce could create the risk of liabilities such as back pay and other benefits that can be avoided if the skills and services are used on a contractual basis which limits are defined in a formal agreement between management and the staff. In case of a premature failure of program or project, the services of individuals are terminated by the terms of the contracts at no additional cost to the entity or program.

183. However, the CDMC and PMT of Grand Bassa County appointed Dr. Levi B. Zangai as President for the Grand Bassa County Community College and begun the payment of a monthly salary of US\$3,200.00.

#### **Risk**

184. The appointment of a President and other staff of the Community College on a permanent basis at this embryonic stage of the project when the process of organization of the institution is still in progress may cost the project more in terms of salaries and other benefits beyond measure as the Labour Law shall apply in case of any stoppage in the flow of funds either due to some unforeseen condition.

185. In case of any break in the flow of funds which may be due to unforeseen events, there may be demands by the employees for their salaries and other benefits which could accumulate into huge debt burden for the SDF. This would eventually add to the Government's domestic debt stock

#### **Recommendation**

186. The CDMC should begin all development projects with staff hired on a contractual basis as a cost saving measure so as to save the fund from future legal liabilities.

#### **Management's Response**

187. *The County Development Management Committee did not ignore the conventional policy on employment as maintained in the report. The committee/leadership of the county appointed Dr. Levi Zangai as President and an agreement was signed between the leadership and Dr. Zangai. The PMT believes that the county leadership acted in the right direction. An emerging*



*community college would require a full time service president charged with the responsibilities of creating the necessary condition for establishing said community college.*

### **Auditor General's Position**

188. This is a mere explanation. There was no agreement presented between Dr. Zangai and the County Development Management Committee to serve as president of the Grand Bassa Community College and there was also no evidence that Dr. Zangai was vetted for or that any vetting process went on for the presidency of the college.
189. The PMT should therefore provide documentary evidence for the vetting process that led to Dr. Zangai been the president of the Community College and agreement signed between Dr. Zangai and the CDMC.

### **Contract with No Agreement**

#### **Observation**

190. My review of documents from the operation of the Grand Bassa County SDF revealed that the CDMC and PMT undertook a project to establish a community college within the County; specifically in the City of Buchanan at a cost of US\$400,000.00.
191. It was however observed that the project was undertaken without a formal contract. Instead, Dr. Levi Zangai, was appointed by the SDF Authority to carry out the organization process of the college. There was no formal contract signed between the management of the fund and Dr. Zangai to give specifications to guide project implementation and monitoring.
192. It was further observed that Dr. Zangai has started operating in his capacity as President of the proposed Community College without any evidence of a formal organizational or operational plan.
193. To secure a contract, it must be documented to safe guard the interest of the parties involved in the contract deal. The contracting parties must agree on specific terms and conditions to guide the planning, implementation, monitoring and evaluation of the contract (what is agreed upon in the contract) to ensure proper execution of project activities.
194. Furthermore, Section 4.1 and 4.2 of the Guidelines for Project titled PROPOSAL SUBMISSION which governs the usage of the ArcelorMittal Social Development Fund clearly states that:
- All proposals be submitted using the Project Application Template provided by the Dedicated Fund Committee and
  - All technical drawings and specifications for projects be included in project proposals and these specifications be used to guide the selection of contractors and the monitoring of the projects.

195. I however observed that Contrary to the above management concept and in the absence of a program or project specifications, the DFC through its Co-Chairman and Minister of Finance, Hon. Augustine Kpehe Ngafuan on April 2, 2009 approved a blanket amount of US\$400,000.00 from the ArcelorMittal Social Development Fund for the establishment of a Community College in Grand Bassa County.
196. Documents provided by the PMT revealed that US\$34,731 of the US\$400,000.00 advanced for the college project was expended on salaries, benefits and other costs without a formal budget.
197. The balance of US\$365,269.00 was transferred to the Grand Bassa Community College account by the Superintendent and Project Manager for the setting up of the College. To date, no budget or report has been submitted to the PMT for the usage of this amount. Moreover no work has been done on the site and building of the said College but US\$34,731 had been used on the College for salaries and others. At the same time, a 12-member Board of Trustees has been set up with each member receiving sitting fees along with other benefits such as transportation and DSA for meetings. **(See exhibit 6).**
198. From a follow up conducted, the administration of the Grand Bassa Community College headed by Dr. Levi Zangai confirmed the receipt of the US\$400,000.00 and has started providing documents as to how the fund was being utilized.
199. However, due to the volume of the records being provided and the need to fully review the receipt and disbursement of the funds so as to determine as to whether the process was free of any material misstatements, I have decided to do a separate review (audit) of the activities of the Grand Bassa Community College as regards the US\$400,000.00.

#### Schedule of payments made to the Grand Bassa Community College

Date	Payee	Purpose	Pmt. Req.	Voucher #	Ck #	Ck Date	Amount USD	Remarks
12-05-09	Oyancy Morris	GBCC Land Survey	N/A	N/A	576	12-05-09	1,900.00	No payment request, no voucher
21-05-09	GBCDF	Refund for vehicle	N/A	N/A	583	21-05-09	12,000.00	No payment request, no voucher
3-06-09	Dr. Levi Zangai	Salary for May	N/A	N/A	590	3-06-09	3,200.00	No payment request, no voucher
25-05-09	Dr. Levi Zangai	Salary fo April	N/A	N/A	585	25-05-09	3,200.00	No payment request, no voucher
20-06-09	Drr. Levi Zangai	Citizen/Board meeting	N/A	N/A	591	20-06-09	1,500.00	No payment request, no voucher
9-07-09	Dr. Levi	Salary for July	N/A	N/A	59	9-07-	3,200.00	No payment

Date	Payee	Purpose	Pmt. Req.	Voucher #	Ck #	Ck Date	Amount USD	Remarks
	Zangai				7	09		request, no voucher
16-07-09	Rev. David Zeogar	BOT Transportation allowance	N/A	N/A	601	16-07-09	480.00	No payment request, no voucher
4-08-09	Dr. Levi Zangai	Salary for July	N/A	N/A	603	4-08-09	2,680.00	No payment request, no voucher
3-09-09	Dr. Levi Zangai	Salary for August	N/A	N/A	618	3-09-09	2,940.00	No payment request, no voucher
22-09-09	GBCC	Transferred to GBCC Accounts	N/A	N/A	686	22-09-09	365,269.00	No payment request, no voucher and no evidence of competitive bidding in keeping with the PPCC Act.
	<b>Total</b>						<b>396,369.00</b>	

### Risk

200. In the absence of a formal contact agreement/program and detailed project proposal to guide the process of organization with cost and time line attached to the establishment of the community college, the DFC, CDMC and the PMT may find it difficult to monitor the progress of the project and determine value for money in project execution, as there is no yard stick to measure compliance.
201. The absence of a formal budget to guide the organization team of the Grand Bassa County Community College in expending funds allotted to it may make it impossible to determine wrongful payments and could serve as recipe for error, fraud and misapplication.

### Recommendation

202. I recommend that the DFC ensures that all projects are approved only upon the presentation of a comprehensive project proposal.
203. The PMT and CDMC should also ensure that written agreement is prepared for all contracts given out to contractor for the execution of every project under taken to ensure that they are implemented in line with set guidelines which shall be spelt out in the agreement.
204. The CDMC and PMT should halt all activities for the establishment of the Community College until a full contract agreement specifying the responsibilities of both the SDF management and Dr. Zangai in the project implementation process is prepared and signed.

205. The agreement should provide full details including all technical drawings and specifications to guide the contractor and monitor the project implementation.
206. The administration of the Community College should fully cooperate by providing all documents regarding the receipt and disbursement of the US\$400,000.00 to enable me conduct and conclude the audit of the activities of the Grand Bassa Community College specifically on the fund.

### **Management's Response**

207. *The establishment of the Community College with respect to the appointment of Dr. Zangai was done legally as far the PMT is concerned. The Community College has a charter signed by the president in keeping with the commission on Higher Education guidelines. The college has a Board of Trustees and a contract agreement was formally signed. The college has a working budget and every other document it takes to run a college. This information will be verified by GAC auditors that are presently auditing the college.*

### **Auditor General's Position**

208. The issue is not whether the Community College has a charter or not. The issues are among others, I did not see any evidence of a formal agreement between Dr. Zangai and the administrators of the fund, funds were disbursed without an operational budget. Therefore, I maintain my recommendations.

### **Conflicting Accounts for US\$12,000.00**

#### **Observation**

209. During my review of expenditure made by the PMT, it was observed that check #583 with value at US\$12,000.00 and dated May 21, 2009 was paid to the order of the Grand Bassa County Development Fund (GBCDF), as reimbursement for amount said to have been paid for the purchase of a vehicle for Dr. Levi Zangai, President of the Grand Bassa County Community College. The amount was signed for by one Mr. Varney Johnson on a flying sheet without any logo or inscription to denote either the office or the position of the recipient in the Office of the Superintendent. In our quest to verify the purchase and existence of the vehicle, I requested for the purchase documents for our review. We also requested that the Grand Bassa County PMT provide the vehicle for physical verification.
210. However, the authority of the Grand Bassa County ArcelorMittal Social Development Fund only provided me with a hand written receipt valued at US\$7,500.00 for one used Honda Sport CRV-VX1, with no other documents such as bill of sale, etc. There were no documents to account for the variance of US\$4,500.00 or to give reasons why US\$12,000.00 was disbursed for a vehicle purportedly costing US\$7,500.00. The vehicle as well as its documentation was also not provided for my inspection.
211. Furthermore, there was no document to prove any prior arrangement that US\$12,000.00 was withdrawn from the County Development Fund for the purchase of the vehicle and to be later reimbursed from the ArcelorMittal Social Development Fund Accounts to support the claim.

212. Additionally, there was no evidence that the PPCC Procurement process which required that the competitive bidding be exercised in the procurement of goods and services was applied during the purchase of the vehicle.

### **Risk**

213. The failure of the PMT to provide documents for the variance of US\$4,500.00 between the purchase price of the vehicle of US\$7,500.00 and the US\$12,000.00 said to have been used for the purchase of the vehicle could be an indication that the amount quoted may have not been paid at all.

214. The PPCC requirements may not have been adhered to in the vehicle procurement.

215. The PMT inability to locate and present the vehicle for physical verification may be indication that the vehicle might not have been purchased at all.

216. The absence of documents to prove that US\$12,000.00 was taken from the account of the Grand Bassa County Development Fund to be reimbursed from the ArcelorMittal Social Development Fund again could deny assurance that the transaction took place and that transparency was observed during the transaction.

### **Recommendation**

217. The PMT represented by Mr. Arthur B. Jimmy should account for the variance of US\$4,500.00 between the US\$12,000.00 disbursed and the US\$7,500.00 purportedly paid for the vehicle.

218. The Superintendent of Grand Bassa County, Madam Julia Duncan-Cassel and the PMT represented by Arthur B. Jimmy is requested to produce the Honda Sport CRV-VX1 with the relevant supporting documents including Bill of Sale, genuine payment receipt, etc. for audit authenticity, or failing this they should be held jointly and severally to account for the US\$7,500.00, representing the cost of the vehicle.

### **Management's Response**

219. *The management letter on this matter was issued on the 30<sup>th</sup> December 2010, but management did not comment.*

### **Health Project**

#### **Observation**

220. Review of the Progress Report on the Health Project by the Project Manager, Mr. Arthur Jimmy dated July 6, 2009 revealed the following:

- The DFC allocated US\$100,000.00 for Health project as item #12 with budget code 1700 representing 9.8 % of the total Appropriation for the first One Million Dollars including interest accumulated over the year.

- The Project Manager, Mr. Arthur Jimmy in his Progress Report for the month July 2009 reported only US\$90,000.00 as the amount allocated for the Health Project instead of US\$100,000.00

No.	Budget Item	Budget Code	Appropriation	Percentage
12	Health	1700	US\$100,00000	9.8 %
	Amount reported		(US\$ 90,000.00)	
	<b>Variance to be accounted for</b>		<b>US\$ 10,000.00</b>	

- The GBCSDF also expended US\$2,500.00 of the US\$90,000.00 reported by the County SDF for a health project leaving cash balance of US\$87,500.00.
- The US\$2,500.00 was paid to one Mrs. Keziah Snowe on August 4, 2009 as a donation to a surgical a team. **(See Chart).**

Date	Payee	Purpose/Description	Voucher #	Check Date	Ck #	Amount
4/8/09	Mrs. Keziah Snowe	Donation to Surgical team	277	4/8/09	609	US\$2,500.00
	<b>Total</b>					<b>US\$2,500.00</b>

221. According to the implementation update, the Project Manager in the progress report summary listed the following as major activities undertaken during the period:

- To produce construction plan
- Visitation to site
- Production of BOQ ( Bill of Quantity)
- Publication for the EOI (Expression of Interest)

222. However, there was no evidence that any of the activities was carried out by the Project Manager.

223. The Project Manager in count # 2 of the progress report also indicated that challenges were yet to be identified since the project has not begun. The PM however did not take into account the long delay in identifying contractor and doing a formal contract agreement for the timely implementation.

224. The Project Manager further indicated in section 4 of the Monthly Progress Report titled Recommendation and Follow-up Actions” for July 2009 made recommendations which did not contribute to the speedy implementation of the project. **(See exhibit 7).**

225. However, six months after the approval of US\$100,000.00, there was no evidence that the health project arrangement had been finalized. As at October 6, 2009, contractor for the project had not been selected and the contract agreement had not been consumated.
226. Instead, The Project Manager, Mr. Arthur Jimmy reported US\$90,000.00 in his progress report rather than the US\$100,000.00. He did not provide any evidence or the authority for the variance.
227. The Grand Bassa County CDMC and PMT proposed the construction of a duplex in Garduor Town located in District # 3. From the project profile, the health facilities when completed shall cater to 47,721 citizens as direct beneficiaries from 75 different towns and villages.
228. The Project was said to be proposed in line with the GOL Poverty Reduction Strategy (PRS) Pillar #4 (rehabilitation of infrastructure and provision of basic social services).

### **Risk**

229. The use of fund intended for the implementation of a specific project on issue other than the intended purpose could lead to the misapplication of project fund.
230. The reporting of actions/efforts without evidence that they were indeed carried out could mislead the DFC in making project decisions.
231. The variation between the budget allocation and the report of the Project Manager may be that the Project Manager is keeping an inaccurate report of the fund which could lead to errors, misapplication or fraud.
232. Making recommendations that are not in line with existing realities could negatively affect project selection and implementation decisions.
233. The approval of funds without a concrete commitment/plan for the prompt implementation of project may lead to keeping idle cash which could be misapplied.

### **Recommendation**

234. I recommend that the Project Manager; Mr. Arthur Jimmy and Superintendent Julia Duncan-Cassel provide substantive justification for the difference of US\$10,000.00 from the US\$100,000.00 allocated for the Health Project in Garduor Town located in District # 3.
235. The Project Manager, Mr. Arthur Jimmy and the Superintendent, Mrs. Julia Duncan-Cassel should account by providing material justification for the use of US\$2,500.00 of project fund for purpose other than the construction of the duplex in Garduor Town.
236. The Project Manager, Mr. Arthur Jimmy should provide evidence that he has taken the actions as listed under the major activities or reprepare the report to reflect the existing realities at the time.

237. The Project Manager, Mr. Arthur Jimmy should henceforth make recommendations that are relevant to efforts needed speed up the implementation of the health project which is already six (6) months behind time, thus undermining GoL's Poverty Reduction Strategy.

### **Management's Response**

238. *Health and Education Projects were identified and money allocated for project implemented. The PMT is pleased to mention that projects identified have been implemented.*
239. *Under Health, a nursing quarter (duplex) has been constructed in Gorblee District #3, Grand Bassa County. The two apartments into one building are intended to accommodate Health workers assigned at the Gorblee clinic. The cost of the project is \$38,452.08. Additional, the clinic building and the physician assistant's residence in upper Buchanan is US\$17,683.41. Contribution to Dr. Coleman Surgical Outreach, cost of this was US\$2,500.00*

### **Auditor General's Position**

240. As indicated in my cover letter to the draft audit report, mere explanation is not acceptable. Evidential matters must be addressed with appropriate documentation to back them. However, there was no documentary evidence provided to substantiate this expenditure as per your claim. The US\$100,000.00 must be fully accounted for or refunded by Project manager Arthur Jimmy and Superintendent Julia Ducan-Cassel.

### **Education Project**

#### **Observation**

241. US\$100,000.00 was allocated for education. According to a schedule of budget appropriation for the first US\$1,000,000.00, the amount was listed as item #11 with assigned code #1600 and represents 9.8 % of the US\$1,017,463.91 to the Grand Bassa County ArcelorMittal Social Development Fund.
242. My review of the project documents indicated that the Project Manager Progress Report did not cover the US\$100,000.00 allocation to the SDF.
243. It was further observed that six (6) months after the provision of US\$100,000.00 by the DFC to the GBC PMT and CDMC, there was no evidence that efforts were being applied to identify a contractor and have a formal agreement for the implementation of the project.
244. It was further observed that the Project Manager, Mr. Arthur Jimmy reported US\$90,000.00 as the approved budget/cost of the Education Project (Gorblee School Rehabilitation) in his July Monthly Progress Report instead of US\$100,000.00 thus creating a variance of US\$10,000.00. There was no disclosure of any kind to indicate how this reduction came about as the Bank Statement was not made available for audit to ascertain the veracity of the variance between the budgeted amount and what was actually disbursed. (**See table**)



Date	Code	Purpose/Description	Amount
30/04/2009	1600	Education	US\$100,000.00
31/07/2009	N/A	Education (Gorblee School Rehabilitation) as Monthly Reported in the Progress Report of July 31, 2009 by the PM.	(US\$ 90,000.00)
		<b>Variance between budget and amount reported by PM</b>	<b>US\$ 10,000.00</b>

### Risk

245. The inconsistencies in the reporting of the amount allocated to the GBCSDF for the education project could be an indication of inaccurate recording which may mislead the CDMC and DFC in making financial decisions for the project.
246. This amount may have been misallocated by the Project Management Team.
247. The PMT and CDMC failure to identify and hire a contract to speedily carry out the contract may cause idle cash to stay in the possession of the Project Management Team which could be misapplied.
248. Project may be delayed and may cause the PMT to incur additional costs in the implementation process.

### Recommendation

249. I recommend that the Project Manager Arthur Jimmy and Superintendent Julia Duncan-Cassel provide substantive material justification for the difference of US\$10,000.00 from the US\$100,000.00 allocated for the Education Project in Gorblee, District # 3.
250. The Project Manager, Mr. Arthur Jimmy and CDMC should speed up the process of identifying a contractor, sign a formal agreement and begin the immediate implementation of the project as the delay in the implementation of the project undermines GOL Poverty Reduction Programmes.

### Management's Response

251. *For education two academy buildings containing three class rooms each have been contracted for the use of the second Government High School, Gorblee High School in Gorblee Administration District, Grand Bassa County. The cost of the Building is US\$83,444.00.*
252. *It is good to mention that all of these projects have been implemented in keeping with the PPC Act and contract agreement signed.*

### Auditor General's Position

253. Once again, you have failed to provide me with documentary evidence to support your assertion. If indeed the project were implemented as claimed by you and the entire US\$100,000.00 of which the US\$10,000.00 in question is a part, the transaction documents

including report(s) should have been attached to your response to the draft audit report. By your failure to do this means your failure to account for the amount as mentioned supra.

254. I maintain my recommendation that Project Manager Arthur Jimmy and Superintendent Julia Duncan-Cassel be made to account for US\$10,000.00 taken from the US\$100,000.00 allocated for the Education Project in Gorblee, District # 3.

### **Statement of Accountability**

255. In this report, it is required that I hold people accountable for public monies entrusted to them for the purposes of providing services to the taxpayers. Section 53.7 of the Executive Law of 1972 defined the minimum reporting requirements in my audits. Section 53.7 requires me to report the following:

- Any officer or employee who has willfully or negligently failed to collect or receive monies belonging to the Government.
- Any public monies not duly accounted for and paid into an authorized depository.
- Any appropriation that was exceeded or applied to a purpose or in manner not authorized by law.
- Any deficiency or loss through the fraud, default or mistake of any person.
- Inadequate or ineffective internal control of public monies and assets. When appropriate, the report shall also include recommendations for executive action or legislation deemed necessary to improve the receipt, custody, accounting and disbursement of public monies and other assets.

256. The activities undertaken by the Grand Bassa County ArcelorMittal Social Development Fund Project Management Team during the period under review were marred by a number of financial irregularities. The financial irregularities noted amounted to US\$88,500.00 and involved payments for project not implemented and understatement of amount allotment for projects. Details of these irregularities are provided vide **Annex (1)**.

### **Acknowledgement**

257. I wish to express my thanks and appreciation to officials and staff of the Dedicated Fund Committee, County Development Management Committee and Project Management Team of Grand Bassa County for their cooperation during the course of this audit. I further wish to thank the auditors of the General Auditing Commission for assisting me to have carried out this audit. The professionalism and commitment throughout the audit are commendable.



**Winsley S. Nanka, CPA, CFE  
Acting Auditor General, R.L.**

**February 2012**

**ANNEX (1)**  
**Accountability Statement**

No	Issues	Amount USD	Responsible Officials	Position
1.	Payment for Project to a Non-existing entity Unsupported (Para.115-127)	US\$55,000.00	Mr. Arthur Jimmy Madam Julia Duncan-Cassel Mr. Eddie Williams	PMT, Adm. Building Buchanan City  Office of the County Superintendent
2.	Variance of expenditure made for the purchase of vehicle (Para. 211-219)	US\$4,500.00	Mr. Arthur Jimmy Madam Julia Duncan-Cassel Dr. Levi B. Zangai	Manager/GBCSDF Superintendent/Grand Bassa Co. President/ Grand Bassa Community College
3.	Failure to implement Contract Agreements. (Para.167-180)	US\$9,000.00	Mr. James Thompson Mr. Arthur Jimmy Madam Julia Duncan-Cassel	Manager/Wegee Consultants, Inc. Project Manager/GBCSDF Superintendent/Grand Bassa Co.
4	Health Project (Para. 221-238)	US\$10,000.00	Mr. Arthur Jimmy Madam Julia Duncan-Cassel	Manager/GBCSDF Superintendent/Grand Bassa Co.
5	Education Project (Para. 242-251)	US\$10,000.00	Mr. Arthur Jimmy Madam Julia Duncan-Cassel	Manager/GBCSDF Superintendent/Grand Bassa Co.

## **EXHIBITS**