

# Report of the Auditor-General



*Nimba County Arcelor Mittal Social  
Development Fund For the Period  
May - September 2009*

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*Acting Auditor-General, R.L.*

**6 February 2012**

**TRANSMITTAL LETTER**

**REPORT OF THE AUDITOR-GENERAL ON THE NIMBA COUNTY SOCIAL DEVELOPMENT FUND FOR THE OPERATING PERIOD 1 APRIL TO 30 SEPTEMBER 2009**

1. I am pleased to issue this report, which is the first audit commissioned on the accounts and related financial records of the Nimba County Social Development Fund. The report covers the operating period 1 April to 30 September 2009.
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, Nimba County received US\$1,500,000.00 as its share of the Social Development Fund with an accrued interest of US\$24,056.85, thus making US\$1,524,056.85 the total cash available in the County SDF Account as at 26 May 2009. Total expenditure for the operational period (1 April to 22 October 2009) supported by vouchers was US\$121,386.00, leaving a cash balance of US\$1,402,670.85.
4. The Management of the Nimba 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 Nimba. The amount of US\$ 121,386.00 of the county's SDF was spent on administrative cost while developmental projects were being sidestepped.
5. This practice observed in the management of the SDF in the three benefiting counties namely Bong, Nimba and Grand Bassa Countries has affected the designed purpose of the Social Development fund. 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.
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. Observations and key findings conveyed in this report were formally communicated to individuals and officials who are in charge of the management of the Nimba County SDF through a Draft Management Letter for their responses, and where responses were provided, they were evaluated and incorporated verbatim in this report.
7. The financial irregularities noted amounted to US\$76,761.00 and involved unauthorized payments, payment for office space not occupied and unsupported expenditure.

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 R.L.**

***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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## **ACRONYMNS USED**

<b>ACRONYMN</b>	<b>MEANING</b>
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
CDMC	County Development Management Committee
MDAs	Mineral Development Agreements
DFC	Dedicated Fund Committee
HIPC	Heavily Indebted Poor Countries
CDA	County Development Agenda
PMT	Project Management Team
CDF	County Development Fund
DFCS	Dedicated Fund Committee Secretariat
NCDMC	Nimba County Development Management Committee
SDF	Social Development Fund
LAMCO	Liberia-American Mining Company

## **Introduction**

1. I audited the financial and operational records of the ArcelorMittal Social Development Fund of Nimba County for the operating period 1 April to 30 September 2009. The management of the Fund is divided into three layers and involved the Dedicated Fund Committee (DFC), the County Development Management Committee (CDMC) and the Project Management Team (PMT). Counties benefiting from the fund are Bong, Nimba and Grand Bassa and each of the benefiting counties has its own CDMC and PMT. The DFC is a Standing Committee headed by the Minister of Lands, Mines & Energy, Hon. Eugene H. Shannon; who was appointed by the President of the Republic of Liberia, Madam Ellen Johnson Sirleaf. Other members are the Minister of Finance, Minister of Planning 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 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 President 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 yearly. The amount is made up of US\$1,500,000.00 as Nimba County's share of the ArcelorMittal Social Development Fund.
5. For the operating period under review, the cash received by the Nimba County Social Development Fund released by the DFC was US\$1,500,000.00 with an accrued interest of US\$24,056.85, making total cash available in the County SDF Account US\$1,524,056.85 as at 26 May 2009. Total expenditure for the operational period (1 April to 30 September 2009) supported by vouchers was US\$121,386.00, leaving a cash balance of US\$1,402,670.85.
6. However, the Bank Statement of the Nimba County SDF Account from the Liberia Bank for Development and Investment (LBDI) indicated a total debit of US\$131,721.67 and bank balance of US\$1,392,360.18 as at 22 October 2009, giving a variance of US\$10,335.67 between bank statement total debits and expenditure supported by vouchers submitted.

## **Dedicated Fund Committee (DFC)**

7. Members of the DFC were appointed by the President in accordance with Article 12 of the Mineral Development Agreement, signed between the Government and Mittal Steel Liberia Holdings and Amended in May 2007. The DFC is mandated to exercise an oversight of the CDMC. It is further required to set the duties and responsibilities of the CDMC subject to

approval by the President of the Republic of Liberia and serve as a National Coordinating Committee for the ArcelorMittal Social Development Fund. The DFC is the National Coordinating and Regulatory Body for the management of the County Social Development Fund, while the County Development Management Committee oversees the management of the fund at the county level.

### **County Development Management Committee (CDMC)**

8. The County Development Management Committee (CDMC) is to lead the determination and prioritization of balanced development needs in each county. In this process, they are required to ensure that:
9. The County Development Agenda be the main basis for determining a county's development priorities.
10. There is broad-based and grassroots participation, especially by the youths, vulnerable groups and women's groups.
11. Prioritization of needs be done on the basis of needs assessment conducted for this purpose.

### **Project Management Team (PMT)**

12. The project management team is required to handle the day-to-day administrative functions of the County Social Development Fund.
13. The project management team comprises of a Project Manager and an Accountant. The inclusion of other persons on the PMT shall depend on the types of projects to be undertaken by the county.
14. The Project Management Team is required to report to the CDMC Chairman, through the Office of the Superintendent.

### **Background**

15. The Mineral Development Agreement (MDA) between ArcelorMittal and the Government of Liberia signed in 2005 and ratified by the Sirleaf's administration in 2007 established a County Social Development Fund. The program is funded by an annual contribution of US\$3million provided by Mittal Steel Liberia (ArcelorMittal). The beneficiaries of this Fund are Nimba County (50%), Grand Bassa County (33.3%) and Bong County (16.7%).
16. Article 12, 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 as per the above stipulated percentages.
17. 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 oversees the management of the Fund at the county level.
18. The CDMC also appoints the PMT to manage the day to day activities of the fund and projects undertaken by the county.

19. The Project Management Team (PMT) serves as a secretariat in the daily operation and implementation of the Social Development Fund for each county.

### **Audit Scope**

20. The audit covered the provisional operational period of the Social Development Fund beginning 1 April 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 and related records compiled on the activities of the PMT and CDMC are free of material misstatements, and in accordance with Section 53.7 of the Executive Law of 1972 as well as various provisions of the Revenue Code of Liberia, 2000 and Public Procurement and Concessions Act, 2005.
21. To satisfy the above objectives, the control environment within which the transactions/events undertaken by the PMT and CDMC were 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, are 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.
22. The outcomes of the above reviews are presented in this report. The following relevant financial and related information formed an integral part of the audit:
  - PMT Personnel and Payroll
  - Social Development Fund
  - Records
  - Views and participation of the citizens in the selection of projects
  - Project Administration

### **Limitation of Scope**

23. There was delayed in the provision of financial and accounting records. Furthermore, I was not able to obtain all the necessary documents as well as access to some officials of the SDF:
  - Returned Checks;
  - Access to CDMC Members and
  - Documentation on total funds given to Nimba County from Mittal Steel Social Development Contribution.

### **Methodology**

24. The audit approach includes a review and examination of records pertaining to the expenditure of the SDF.
25. The conduct of physical verifications of all projects undertaken by the PMT
26. Interview with community members and members of the Project Management Team, and relevant county authorities

## **Audit Objectives**

27. The audit objectives were to verify that:

- Adequate internal controls have been put in place regarding the receipt and expenditure of Social Development Fund allocated to Nimba County;
- Verify as to whether awarding and execution of projects were done in a transparent manner and that there was no fraud, waste or abuse of the Social Development Fund;
- Whether the concept of the value for money was taken into consideration;
- Assure that contract execution was done consistent with contract terms and that sufficient and timely remedial actions were taken in cases of defaults;
- All SDF allocated or otherwise disbursed have been expended and applied for projects intended for which the allocations were made and that the expenditure conforms to the authority which governs it 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, 2005 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 purposes intended;
- The Social Development Fund has been received and allocated during the period under audit and verified that it was deposited into the County's Account designated by the CDMC;

## **Statement of Accountability**

28. The activities undertaken by the PMT during the period under review was characterized by a number of financial irregularities. The financial irregularities noted amounted to US\$76,761.00 and involved unauthorized payments, payment for office space not occupied and fencing. Details of these irregularities are shown in subsequent paragraphs.

## **Conclusions**

29. A number of issues came to my attention during the course of the audit. These issues which are conveyed in this report are briefly stated below:

- Unapproved Payments
- Non adherence to project guidelines
- Unsupported expenditure
- Failure to occupy office building paid for from project fund
- The running of a multimillion dollars project from the back yard of the project manager private residence
- The failure of project engineer to submit to audit

- Handling of Project Fund was characterized by too many confusions and disagreements
  - High level of political interest than the substantive issues and citizens' participation.
30. During the audit, I held discussions on the observations made with management. I compiled the observations into a management letter and submitted it to the auditees. Where responses were provided, they were evaluated and incorporated into the final report.

## **DETAILS OF FINDINGS AND RECOMMENDATIONS**

### **Project Administration**

#### **Observation**

31. According to Section 7.1.2 under Projects Operations and Administration of the Project Guidelines for the use of the ArcelorMittal Social Development Fund, the PMT comprises three persons namely, the Project Manager, Project Accountant and the Project Engineer. However, the Nimba County PMT has the manager, accountant and an unidentified project engineer only identified as John Y. Yealu, who was never seen at any time during the course of the audit, though all necessary efforts were applied in locating the purported project engineer.
32. The Project Manager (PM) in accordance with the Project Guidelines 7.1.6 Count one; should serve as Secretary to, and manage, the Secretariat of the CDMC including its assets and personnel. The PM is also responsible to produce minutes of meetings held by the Committee and maintain a filing system of Committee's records as well as prepare proposals for projects selected by the CDMC and develop various plans and instruments for the smooth implementation of approved projects.
33. Project Guidelines 7.1.6 Count 3 further requires the Project Manager to cultivate cordial working relationship with all contractors, while at the same time ensuring that they perform in line with the implementation of contracts. He should initiate all payment requests and review all payment vouchers prepared by the Project Accountant. He must also alternate to the County Superintendent in the signing of payment checks as well as prepare and submit monthly progress reports of project to the CDMC through the office of the Chairman of the CDMC and DFC.
34. The PM under the Project Guidelines 7.1.6 Count 7 should also conduct monthly inspections of projects and provide technical and administrative support and advise the CDMC to ensure smooth project operations. He is to support and participate in regular monitoring and evaluation of projects by the Dedicated Funds Committee (DFC) and other parties and perform all other assignments that may be delegated to him from the Chairman of the CDMC.
35. Contrary to the above provisions, the Project Manager, Michael Wiles, could not provide evidence as to the status of the projects with respect to approval and implementation. It was also established that the PM initiated all payment requests and reviewed all payment vouchers prepared by the Project Accountant.
36. There was evidence of the Project Manager keeping some records of the CDMC and preparing project proposals for the committee. However, the filing system did not meet the minimum requirement of a standardized filing system as files were seen in hand bags instead of cabinets. The act of misplacing project documents was visible and could weaken project implementation efforts and cause undue delay for development. It was further observed that the operations of the project manager were single handedly controlled by the Chairman of the CDMC Hon. Ambulai B. Johnson and not the decisions of the membership of the Committee, thus denying assurance on effective operation of internal check.

37. Furthermore, the Project Accountant is required by the Project Guidelines to serve as official deputy to the Project Manager and manage all project funds in line with Generally Accepted Accounting Principles (GAAP) as well as prepare operational budgets from the budget in the project proposal and use it to track expenditure, review, analyze and report on payment requests from contractors. He is also required to prepare all payment vouchers ensuring that the necessary supporting documents are attached, and prepare monthly financial reports for submission to the County Development Management Committee (CDMC) through the office of the Project Manager. The Project Accountant should also prepare monthly bank reconciliation statements and carry out any other duty as prescribed by the Project Manager and Chairman of the CDMC.
38. My review saw no evidence that the Project Accountant, Morris Paye, acted in this capacity. Moreover, the Project Accountant's operation was characterized by a very high risk as the PMT was carrying on its activities without an established and secured business/office.
39. My examination of PMT activities revealed that the team was operating from the backyard of Mr. Michael Wile's residence in managing this multi-million dollar fund.

#### **Risk**

40. The programmes of the PMT may not be effectively and efficiently monitored and implemented due to the lack of a technical capacity, which should be provided by the Project Engineer.
41. The appointment of an individual to the position of a project engineer who cannot be seen or identified could mean the placement of ghost names on the payroll of the PMT, which could lead to project fund being misappropriated and misdirected for personal use.
42. Managing the account of a multi-million dollar project without a functional operational office risks the safety of the entire SDF assets.

#### **Recommendation**

43. The CDMC and the PMT should provide all supporting documentations to substantiate the employment of the Project Engineer, John Yealu. (Employment Letter, Employment Form, Application Letter, CV of the Project Engineer, etc.). Failing, should lead to the recruitment of an active Project Engineer with the requisite technical knowledge who shall be visible and present on the job to oversee and provide guidance on technical matters such as project proposals preparation, selections, design, implementation and evaluation.
44. The CDMC should henceforth ensure that all individuals recruited for the management of the SDF are active on the job and that their activities are strictly monitored to ensure maximum productivity and efficiency in the implementation of development projects initiated under the SDF.
45. The PMT should improve its record keeping system by securing a filing cabinet to be used for the safekeeping of project documents. The Chairman, of the CDMC should also discontinue the unilateral running of the secretariat and allow the Committee to function as set forth in

the Project Guidelines, where the views of the entire membership will be considered in decision making.

### **Management's Response**

46. *Our Project Engineer was present at one of our meetings with the Auditor, and was subsequently on the field in Nimba conducting road inspection, identification of project sites, as per our project implementation log and road network calculation. In reference to Mr. John Y. Yealu's existence, see the CDMC meeting minute of July 13, 2009, paragraph 28.*
47. *The DFC approved project proposals and the approved operational budget by the CDMC were submitted to the auditors, which demonstrated approval by competent authority over the project. As for implementation, the constant delays of implementation were due to CDMC inability to make decisive decision on project implementation as specified in our quarterly report to the DFC. Decision to implement projects are the responsibility of the CDMC not the PMT. Please refer to first quarter report 2009.*
48. *The approved operational budget, payment request voucher, payment vouchers, checks, and project quarterly reports to the CDMC were indications that the Project Accountant was operating in line with approved guidelines See **Guidelines***
49. *The Project Management Team was operating from Monrovia, at the Ministry of Internal Affairs due to the delay in provisions of logistics and operational vehicles for the implementation of projects, though the team started work in May of 2009, logistics and operational vehicles were provide in November to the PMT despite our numerous requests to the CDMC as recorded in our first quarter report.*
50. *The core members of the PMT (Project Manager, Project Accountant and Project Engineer) were vetted and recruited by the Nimba Legislative Caucus. Henceforth, any inquiry pertaining to the existence of the Project Engineer should be directed to the Nimba Caucus. See CDMC meeting minute of July 13, 2009, paragraph 28, which the Project Engineer made a presentation.*
51. *The DFC didn't have any asset except the Bank Account. All operational equipment used in the development of project allocation log, operational budget, several assessment trips to Nimba, etc were done using the properties of the PMT members.*

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

52. The contradictory position of management relative to the existence of the Project Engineer is an indication that the Project Engineer does not exist, and has thus never worked with the fund to perform his assigned tasks. The Project Manager is perfectly positioned to provide information on the performance of the project engineer. At one point, the Project Manager claimed that the project engineer was present during the meeting with auditors, at another point he declined to comment on the existence of the Project Engineer and directed me to talk to the county's caucus regarding his status. I did not see the project engineer at any point during the course of my audit.

53. I maintain my recommendation that CDMC and the PMT should provide me all supporting documents proving the employment of the Project Engineer, John Yealu (Employment Letter, Employment Form, Application Letter, CV of the Project Engineer, etc.).

## **Reporting and Duplication of Functions**

### **Observation**

54. According to the project guidelines, The CDMC is required to submit a quarterly progress reports to the DFC on the management of development projects and that each Committee member is to be provided with the quarterly bank statements of all escrow accounts. There was no evidence of a quarterly report by the CDMC even though the CDMC has operated over two (2) quarters. I could not confirm as to whether members of the CDMC were receiving quarterly bank statements of the escrow accounts of the Social Development Fund as members of the CDMC have distanced themselves from the audit of the SDF.

### **Risk**

55. Refusal of members of the CDMC to provide quarterly reports on the implementation of the fund could lead to low and poor performance of the PMT due to the limited oversight and lack of reporting.

### **Recommendation**

56. CDMC members should as per the Project guidelines prepare and submit a quarterly report to the DFC and the citizens of each county on the implementation and utilization of the fund so as to avoid doubts and enhance the spirit of transparency.

### **Management's Response**

*Management letter on this matter was issued on 30<sup>th</sup> of December 2010, but Management did not comment.*

## **Dominance of Politicians on CDMC**

### **Observation**

57. My review of personalities which make up the CDMC for Nimba County revealed that the Committee was dominated by politicians with very little civil society and professional representations. Below is a list of members of the CDMC with their respective political position:

- i. Hon. Ambulai B. Johnson: Chairman and Minister of Internal Affairs
- ii. Hon. Prince Y. Johnson: Co-Chairman, Chairman of the Nimba County Legislative Caucus and Member of the Liberian Senate
- iii. The entire Nimba Legislative caucus members
- iv. Mr. Robert Kamei, Superintendent, Nimba County
- v. H. Q. Taylor, eminent citizen
- vi. Cllr. David Jallah, eminent citizen
- vii. Traditional Chief not identified

58. The process of project proposal, selection and implementation has not been effective due to disagreements 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 fund are holding high political offices with only three persons from the community.

59. The Project Management Team operations were observed to have been often heavily influenced by these highly placed government officials making fund management difficult and non-result oriented. There was disagreement among committee members with one group advocating for adherence to the PPC Act, 2005 and other regulatory frameworks while another group contended the contrary.
60. 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.
61. Notwithstanding, there remained several challenges to the proper management of the fund such as control weaknesses in the authorization and disbursement of the fund. The streamlining of projects for maximum benefits is another issue the President must address. 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 Nimba County are to get the needed development for which the money is been provided.

### **Risk**

62. 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 positions to influence project decisions and direction in their interest to the detriment of the County.
63. The domination of the CDMC by political appointees/politicians could also influence procurement and other decisions, thus hindering transparent procurement practices and non-determination of lowest responsive evaluated bid.

### **Recommendation**

64. I recommend that the number of politicians be reduced and replaced with credible private citizens with developmental and managerial backgrounds to enhance the CDMC's performance in project implementation.
65. Also, the CDMC roles should be limited to oversight, devoid of direct involvement with the day to day management of the fund in order to place the responsibility for management and accounting for the fund solely into the care of the PMT, which shall then be accountable to the CDMC.

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

*Management Letter on this matter was issued on the 30<sup>th</sup> of December 2010, but Management did not comment*

## Payments made without Approval

### Observation

66. The Project Guidelines 8.5.2 requires that before funds are disbursed, either one from the class of signatories below must all sign financial documents before disbursements are made.

#### 'A' Signatories

- CDMC Chairman
- Nimba Legislative Caucus Chairman

#### 'B' Signatories

- County Superintendent
- Project Manager

67. Contrary to the dictates of the Guidelines, my review indicated that seven (7) payment vouchers valued at US\$43,747.00 were paid without being approved by the designated authorities. **(See chart below):**

No.	Date	Payee	Request Form #	Voucher #	Amount USD	Ck #	Approving Authority	Comment
1	19/06/09	Dedicated Fund Committee	0530	0029	25,000.00	1026990	Nil	Check received by Gbemie Horace, Liaison Officer, DFC
3	19/06/09	Harrison S. Karnwea, Sr.	0531	0030	8,902.00	1026993	Nil	Check received by Tech. committee Chair
4	25/05 /09	Robert S. Kamei, Jr.	0503	0006	4,000.00	1026951	Nil	Check received by Wallace Kamei, Student
5	19/06/ 09	Prince Forfor	0532	0031	4,000.00	1026991	Nil	Nil
6	3/06/09	Various	0517	0016	620.00	1026974-75	Nil	Nil
7	1/06/09	Liberian Observer Corporation	0508	0009	1,225.00	1026954	Nil	Check received by Caroline Malikie, Agent
		<b>Total</b>			<b>43,747.00</b>			

### Risk

68. Disbursements from the Social Development Fund without the approval of those designated by the Guidelines could lead to project funds being misapplied and misallocated. The practice may expose the utilization of the fund to fraud and mismanagement, thereby denying the people of Nimba County the needed benefits from the SDF.

## **Recommendation**

69. I recommend that all funds disbursed from the ArcelorMittal Steel Social Contributions be approved by the designated authorities before such disbursements are made.
70. Project Manager Michael Wiles, and Project Accountant Morris Paye, should provide material justification for the US\$43,747.00 paid without the approval of any of the signatories. Failing that, they should be made to account for US\$43,747.00.

## **Management's Response**

71. *Please note that all checks under paragraph 62, page 12 were given full approval under the approved operation budget, and under guidelines 8.5.3 of the project guidelines. Also note that all checks were approved and assigned by either one primary (A1) or (A2) and (B1) or (B2), and made in line with 8.5.2 Evidence of compliance is the returned check mentioned which bore both the required signatories. Please refer to the returned checks in your possession.*
72. *As of the date we received our letters of employment, we were indeed qualified for salaries payments. Moreover, we started work upon employment as evidence by the development of the project allocation log, operational budget, several assessment trips to Nimba, and our involvement in the conduct of the bidding process, which also requires operational funding. However, the delay in the full implementation of these approved projects did not lie in the preview of the PMT.*

## **Auditor General's position**

73. An approved operational budget in itself does not constitute authorization for payments. Before payments are made, the project guidelines require that they are duly approved by the authorized personnel and should meet the entire payment requirement as stated in the project guidelines. I did not see any evidence that the payments of US\$43,747.00 met the minimum payment requirement. I therefore, maintain by my recommendations.

## **Expenditure without Project Implemented**

### **Observation**

74. My review of project documents of the Nimba County SDF revealed that a total of US\$121,386.00 had been expended from the US\$1,500,000.00 without implementing a single project as at 31 October 2009. Our analysis of supporting documents for the expenditure indicated that the US\$121,386.00 was utilized without due regard to value for money decision making as the least project such as the micro financing project costing US\$25,000.00 which is just 20.60% of the reported expenditure has not been utilized. Most of these funds were used as salaries for members of the project team and operational funds. A total of US\$8,000.00 has been used for operational fund; whereas, a total of US\$29,049.00 has been used for salaries for employees without a single project been implemented for the two (2) quarters.

### **Risk**

75. This expenditure trend observed whereby a substantial amount is expended without a project being implemented could lead to a greater portion of the Social Development Fund being spent on staff and administrative costs to the disadvantage of communities of the County for whom the fund was allocated.
76. The prioritization of administrative cost over vigorous planning and implementation of social development may seriously undermine the spirit and intent of the social development fund.
77. This action may further intensify the frustration of community members and thus result to undue resentment for the concessionaire operations that is living up to its social responsibility to the community as spelt out in the MDA.

### **Recommendation**

78. I recommend that Hon. Ambulai Johnson, Former Minister of Internal Affairs, Project Manager Michael Wiles, and Project Accountant Morris Paye, provide material justification for the utilization of US\$121,386.00 of the SDF without implementing a single project in the county.
79. Any fund withdrawn from the account should be utilized for a conspicuous project implementation through the views of the community members. The participation of the community members will improve the spirit of transparency.

### **Management's Response**

80. *Management Letter on this matter was issued on 30<sup>th</sup> December 2010, but management did not comment.*

### **Office Space Paid for but Not Occupied**

#### **Observation**

81. My review of project documents revealed that an office space was rented for the PMT in Saclepea, Nimba County, for a fee of US\$ 14,000.00 for the period of twenty two (22) months, commencing 25 May 2009 to December 2010 as indicated by a lease agreement entered into by Mr. Michael Wiles on behalf of the PMT and, Mr. Harrison S. Karnwea, Sr., who served as Minister of Internal Affairs during the period under audit. The payment of the US\$4,000.00 was made on a LBDI check number 1026952 and voucher number 0007 to Mr. Karnwea. The payment voucher number 0007 was prepared, reviewed and approved by Morris Paye, Project Accountant, Michael Wiles, Project Manager and the CDMC Co-Chair, Senator Prince Y. Johnson.
82. Additionally, an MOU was entered into between Project Manager, Michael Wiles, and one Prince Tozoe to fence the same building rented but not utilized by the PMT at a cost of US\$2,514.00 paid on voucher number 0025 and check number 1026985, dated June 12, 2009. The payment voucher was prepared, signed and approved by the Project Accountant, Morris Paye, the Project Manager, Michael Wiles and the former Chair of the CDMC, Minister of Internal Affairs, Ambulai Johnson. The rented office building was physically verified to be

empty five (5) months after the PMT had paid the rental and fencing fees. **(See photograph).**



**Figure 1: Rented House in Scalepea for the Project Management Team for which US\$14,000.00 was paid but not yet occupied after five months**



**Figure 2: A reed fence around the rented house for the PMT in Scalepea that was not occupied for which US\$2,514.00 was paid**

83. This action on the part of the CDMC and PMT runs counter to the operations of the other SDF benefiting counties that are using the administration buildings of their respective counties to house the PMT as a cost saving measure, since the building has adequate space to host the three man project management team.
84. Furthermore, the Nimba County PMT by locating itself several miles away from the official seat of the county; Sanniquellie, creates a wide administrative gap between the Superintendent and Project Manager who are both signatories to SDF Account. By this action, the issue of consultations, processing of project documents, meetings and other matters such as the signing of checks and other financial matters are bound to be delayed due to the long distance between the two. I am of the opinion that the PMT should not isolate itself from the rest of the decision makers, especially at this embryonic stage of management of the SDF, as it has the propensity to delay and undermine the prompt processing and implementation of projects.

## **Risk**

85. Value for money may not be realized in the project management process if funds disbursed from the Social Development Fund are not properly applied.
86. The fund could have been diverted into personal use under the pretext of rental payment.

## **Recommendation**

87. The following officers, CDMC Co-Chair Senator Prince Y. Johnson, Project Manager Michael Wiles and Project Accountant Morris Paye should provide material justification why an office space was paid for but not used for the operation of the PMT.
88. Further, CDMC Chairman former Minister of Internal Affairs Ambulai Johnson, Project Manager Michael Wiles and project Accountant Morris Paye also provide material justification for project fund to fence a building that was not utilized for PMT operations.
89. Social Development Funds provided to the County should be used for purposes agreed on by the citizens of the county and approved by the DFC as well as the CDMC.
90. The PMT should immediately relocate from the Project Manager home to the rented office space in Saclepea for the remaining months, and thereafter; request for an office space in the administrative building to host the PMT so as to enhance the smooth operations of the SDF.

## **Management's Response**

91. *We entered a contract and secured a building for the NCSDF. The PMT hope that the CDMC would have expeditiously facilitated the process of logistics for occupation of the office and make decisions on project implementation. The fencing of the office space was absolutely necessary to protect physical assets of the CDMC including vehicles, generators, computers, air conditioners that value more than the cost of the fence that were to be provided to the . However, the PMT could not operate from empty rooms.*
92. *Regarding the location of the PMT, the decision as to where the PMT head office is based was done by the CDMC. Meanwhile, the County Superintendent is not the only person in the signatory "B" category.*

## **Auditor General's Position**

93. Management's contention that "the PMT could not operate from empty rooms" is an indication that management was not prudent in its decision making process. Management secured a building without CDMC making provision for office furniture to ensure that the property is utilized immediately after securing the building thereby causing financial loss to the people of Nimba County. While it is the CDMC rights to determine where the Office of the fund can be located, the decision should be cost effective to the social development fund Therefore, I maintain by my recommendations.

## **Awarding of Contract to Bogus entity**

### **Observation**

94. My review of contract document indicated that the PMT entered into an agreement with one (1) Wegee Consultants, Inc for consultancy services to develop a proposal for Nimba County ArcelorMittal Social development fund and additional technical assistance valued at US\$12,500.00.
95. However, a letter dated 11 August 2010 received from the Ministry of Commerce to substantiate the reliability of the existence of Wegee indicated that Wegee Consultants is not a registered business entity operating in the Republic of Liberia. **(Exhibit 2)**
96. Further attempts to contact Wegee Consultant by making telephone calls and exerting efforts to locate the office of this purported consultant firm could not materialize as there was no trace of the firm.
97. Wegee Consultants could not be located both in Nimba County and Monrovia, indicating that Nimba County PMT entered this contract without conducting due diligence on the legal status of the entity.
98. One James A. Thompson signed for Wegee Consultants while Former Superintendent Peter S. Kamei signed for the CDMC of Nimba County.

### **Risk**

99. Entering an agreement with an entity that is not registered with the Republic of Liberia could lead to funds been misdirected and misappropriated for personal use.

### **Recommendation**

100. I recommend that the following officers; Ambulai Johnson, former Minister of Internal Affairs, Project Manager Michael Wiles, Project Accountant Morris Paye and James A. Thompson, Manager of Wegee Consultants, Inc. provide material justification to substantiate that Wegee Consultant is a legitimate entity. Failing they be made to account for the US\$12,500.00 paid to Wegee Consultants, Inc..

### **Management's Response**

101. *The PMT was not in existence when the contract between the NCSDF and Wegee Consultant which was entered into March 18, 2009, while the PMT came into being May 2009. However, payment request came from the Superintendent of Nimba County at the time (Mr. Robert Kamei), backed by a contract and signed by the Superintendent. In addition, the project proposals and payment were contained in the original projects and operational budget. The contract was entered into by the CDMC as evidence of the contract, and paragraph 86 of your Draft Management Letter.*

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

The following officers, Ambulai Johnson, former Minister of Internal Affairs, Project Manager Michael Wiles, Project Accountant Morris Paye and James A. Thompson, Manager of Wegee Consultants, be made to account for US\$12,500.00 paid to Wegee Consultants, Inc, as there

is no documentary evidence to proof that Wegee Consultants is a legitimate entity dully registered under the Liberia law. Furthermore, an enquiry made by me to the Ministry of Foreign Affair to established the legality of Wegee Consultant show that there is no entity within its records by the name Wegee Consultant Inc.

## **Views of Some County Officials**

### **Observation**

102. In accordance with my mandate, as spelt out in Chapter 53 of the Executive Law of 1972, I went to Nimba County to review the receipt and usage of the county's share of the US\$3,000,000.00 Annual Social Contribution from ArcelorMittal for community development within the three counties-Bong, Grand Bassa and Nimba. According to the Mineral Development Agreement (MDA), Nimba County is entitled to an annual amount of US\$1.5 million.
103. Prior to my departure, I contacted the Superintendent, Hon. Robert Kamei, through a written communication and telephone conversation to have him informed about the audit. However, within that time, Hon. Kamei was relieved of his post as Superintendent by President Ellen Johnson-Sirleaf, President of the Republic of Liberia. He was replaced by Mrs. Edith Gongloe-Weh.
104. Mrs. Gongloe-Weh was contacted via cell phone to meet with my team of auditors in Monrovia so as to finalize arrangements for the audit since she was now appointed to the office. She welcomed the audit and accepted to meet with the team but later informed the team that she was busy due to her engagement with activities leading to her induction as Superintendent at the time. She however told the team that she did not really need to be in Nimba County for the audit since she has just been appointed and has not taken office. She indicated that the county office was opened and there were people there in charge.
105. With the hope that the incumbent was still holding on pending a formal turn over, and the urgent need to conduct the audit within the set time frame for the review exercise of the ArcelorMittal Social Development Fund, my team of auditors on September 23, 2009 contacted the Office of Hon. Robert Kamei and Hon. Roger Woodson, Superintendent and Assistant Superintendent for Development respectively but both of them were out of Sanniquelle. Attempts made to contact them failed.
106. Mr. Thomas Q. Suah, County Inspector was contacted on September 24, 2009 but told the team that he did not have any documents in his possession/office regarding the ArcelorMittal Social Development Fund for Nimba County. He further informed my team of auditors that everything concerning the fund was done by the dismissed Superintendent Mr. Robert Kamei and his Assistant Superintendent for Development Mr. Woodson. Mr. Suah told auditors that beside the series of meetings held with citizens initially to decide on how the funds should be utilized, he did not have any official knowledge about how the Office of the Nimba County Superintendent handled the Social Development Fund. Mr. Suah indicated that he only heard about the fund in the grape vine as he was never consulted nor given any documents by Former Superintendent Kamei. He therefore advised the team to wait until Saturday,

September 26, 2009 at which time Hon. Kamei and his Assistant Hon. Woodson would be in Sanniquelle for the induction ceremony of the new Superintendent.

107. My team of auditors met with Hon. Robert Kamei on Saturday, September 26, 2009. In response to our inquiry as to what Mr. Kamei knew about the SDF, he indicated that he was no longer the Superintendent. He pointed out that the Project Management Team was there to answer questions and that if there was anything wrong he had done, he should be written and formally invited but was not prepared to discuss anything about the office of the Superintendent since he was no longer in the position.
108. Mr. Roger Woodson did not turn out in Sanniquelle and therefore the team was not able to see him.
109. My team of auditors also met with Nimba County Engineer, Mr. Torlon, and City Mayor of Sanniquelle, Madam Mary Nyan Gonleipa, and other county officials. The officials denied any official knowledge about the Social Development Fund. They pointed out that the only knowledge about the SDF was from the grapevine and therefore referred the team to the dismissed Superintendent and his Assistant for Development who they believed were the ones involved with the management of the fund.

### **Risk**

110. The management of the Social Development Fund which is a public fund to the exclusion of other county officials may indicate attempts by officials in whose care the fund was placed to manage it without transparency and accountability.
111. The management of the fund may be characterized by suspicions as there might obviously be misleading information from officials who are denied formal information about the receipt and utilization of the fund.

### **Recommendation**

112. The DFC, CDMC and PMT should find a way of disseminating information on the receipt and utilization of the SDF to all stakeholders in the County to prevent erroneous impression on the use of the SDF.

### **Management's Response**

113. *Management Letter on this matter was issued on 30<sup>th</sup> December 2010, but management did not comment.*

### **Citizens and Pressure Group Disagreement with CDMC and PMT**

#### **Observation**

114. I contacted Mr. George Wuo, Chairman of the Concerned Citizens of Nimba County. He indicated to me that the group is in the fore front of advocating that citizens be consulted for their approval before the ArcelorMittal Social Development Fund can be utilized. Mr. Wuo said that Nimba Citizens were not satisfied with the manner in which the Social Development Fund was been expended. He recounted that series of meetings held between the citizens and the

- Nimba Legislative Caucus ended in deadlock with varying opinions on how the SDF should be utilized.
115. He also informed me that the citizens have petitioned the President Johnson-Sirleaf, to place a freeze on the Social Development Fund. The concerned citizens' Chairman provided the team with the following information which largely corroborated with documents provided by the CDMC and PMT.
  116. That there were series of meetings held but all ended with descending opinions with one group opting for the purchase of road equipments; while the other group was opposed to it;
  117. A committee of district representatives was set up to review the proposals for the use of the fund and report back to the body; but the PMT and CDMC never waited for the District representatives Committee review report.
  118. A resolution drafted by the citizens went missing suspecting that there was a foul play by some Nimba Legislative Caucus Members who attempted to manipulate decision regarding the use of the ArcelorMittal Social Development Fund in their favour;
  119. A Management Team was appointed by members of the CDMC and was being paid fabulous salaries without the approval of citizens. Payment voucher #0040 dated September 18, 2009 confirmed this assertion. **(Exhibit 3)**
  120. That US\$14,000.00 was paid for a house in Saclepea, Nimba County to be used as office for the Nimba County SDF Project Management Team for a period of 20 months (US\$700.00 per month), while there was space at the administration building in the county capital of Sanniquelle.
  121. That US\$12,500.00 was paid to a consultancy firm called Wegee with each proposal of two sheets costing US\$12,500.00. This was to the dismay of the citizens who hold the belief that US\$12,500.00 for two sheets project proposal without any special technical features was unfair to the county;
  122. That US\$2,500.00 has been used to fence (reeves) the house to be used as office for the Project Management Team in Saclepea was done without the value for money been taken into consideration. However, payment voucher #0025 revealed that US\$2,514.00 was paid on June 12, 2009 on check #1026985;
  123. That the Minister of Internal Affairs, Hon. Ambulai Johnson and the Project Manager, Mr Michael Wiles, signed and paid a check of US\$12,500.00 but the payee is not known. It was later established that the amount was paid to Wegee Consultants Inc., which was confirmed to be a bogus entity by the Ministry of Commerce.
  124. That the members of the Project Management Team have not visited Nimba County since their appointment to acquaint themselves with happenings in the county but are instead operating in the conference room of the Ministry of Internal Affairs in Monrovia and from the

private residence of the Project Manager. This assertion was also confirmed in October 2009 when I visited the residence of Project Manager Michael Wiles.

125. That the Project Accountant is employed with the Liberia Water and Sewer Corporation in Monrovia, while other citizens equally qualified for the position remained jobless in the county. Mr. Morris Paye, the individual concerned confirmed working for the LWSC but resigned before he became the Project Accountant.
126. That Mr. Harrison Kanwea has been paid US\$8,920.00 as reimbursement for six weeks meeting with the Technical Team in Cocopa; which the group sees as fabulous spending;
127. That the Project Manager has sent US\$1,500.00 to his district for Agricultural Project which is not mentioned in the budget;
128. That US\$50,000.00 has been paid to the DFC upon the written request of Minister Eugene Shannon, Ministry of Lands, Mines, and Energy. **(See exhibit 4)**
129. US\$990.00 for administration and meetings held in Monrovia has being spent;
130. That a check of US\$250.00 was displayed to them (Concerned Citizens) in one of their meetings by Junior Senator Adolphus Dolo as transportation allowance which Mr. Wuo told me that the Senator refused to accept the money on grounds that the expenditure was not justified; describing it as the "people's money"
131. That US\$2,125 as cost of administration and budgeting has also been used;
132. That a total of US\$123,204.00 has been expended from the ArcelorMittal Social Contribution to Nimba County by the by the CDMC and PMT authorities without the implementation of a single project in the county.
133. The copy of a budget said to be of the Project Management Team for the ArcelorMittal Social Development Fund was presented to me by Mr. George Wuo, Chairman of the Concerned Citizens of Nimba. Our analysis of the budget revealed that it was an adjusted budget meaning that there was an original budget. However, the original budget was not provided by the PMT for my review. Below is a summary of the budgetary items with a total cost of US\$ 3,245,130.00 for the operational period of 20 months (April 1, 2009-October 31, 2010). **See chart below.**

#### Copy of Proposed Budget for the Nimba County SDF

Budget Item	Amount USD	%
Staff Compensation	305,000.00	9.4
Project Development Cost	12,500.00	0.39
Cost of Ads. & Meetings	19,570.00	0.60
N/A (Sheet out of batch)	13,410.00	0.41
Administration and Operating Cost	420,343.00	12.95
Project Monitoring	38,831.00	1.20
Equipment Acquisition	1,599,994.00	49.30

<b>Budget Item</b>	<b>Amount USD</b>	<b>%</b>
Construction Facilities	229,690.00	7.08
Training	337,792.00	10.41
Agricultural Inputs	193,000.00	5.95
Women Empowerment (Micro Finance)	25,000.00	0.77
Contribution to DFC	50,000.00	1.54
<b>Total</b>	<b>US\$3,245,130.00</b>	<b>100%</b>

134. The payment of US\$50,000.00 to the DFC is also opposed by the citizens who believe that there was no legal basis for the deduction of this amount from the Social Development Fund.

135. However, a check of the project documents provided by the PMT indicated that the County was only allotted US\$1,500,000.00.

### **Risk**

136. The constant ignoring act of the PMT and CDMC to allow and accept the citizens to participate in the selection of projects could lead to the misdirection of projects to locations of personal and political interest.

137. Moreover, this could lead to the misapplication and misappropriation of funds.

### **Recommendation**

138. I recommend that as of the receipt of this report, all project selection, valuation and implementation should meet the full consent of the citizens from all levels of the county.

139. The PMT should stop the excessive spending on trivial issues and focus on the substantiate issue, which is concrete project implementation.

140. There should be a legal or appropriate backing for each expenditure undertaken by the PMT.

### **Management's Response**

141. *Management Letter on this matter was issued on 30<sup>th</sup> December 2010, but Management did not comment.*

### **Unauthorized Employment**

#### **Observation**

142. Our review of documents presented for audit revealed that, the ArcelorMittal Social Development Fund/Project Guidelines had no provision for the position of a Project Assistant.

143. However, the Project Management Team headed by Mr. Michael Wiles employed Mr. Prince F. Forfor as Project Assistant thereby violating the guidelines for the fund. Between June and September of 2009, US\$3,107.00 was paid to Mr. Prince F. Forfor as salaries which were not provided for by the guidelines. There was also inconsistency in the recording of the amount paid to Mr. Forfor as payments to him for the months of May, June, July and September 2009 were described as compensation while the payment for August was described as salary.

144. There were also variations in the amount paid to him ranging from US\$350.00 to US\$800.00.  
**(See table below):**

**Schedule of salaries disbursements to Mr. Prince Forfor**

NO	DATE	NAME DESCRIPTION	AMOUNT USD	CHECK NO.
1	6/10/09	Compensation, Sept. 2009	345.00	1027015
2	18/09/09	Salary for August, 2009	654.00	1027011
3	21/07/09	Compensation, July 2009	654.00	1027004
4	30/06/09	Compensation, June 2009	654.00	1026997
5	1/06/09	Compensation, May 2009	800.00	1026961
<b>TOTAL</b>			<b>3,107.00</b>	

**Risk**

145. This rather strange remuneration to personnel whose hiring is not sanctioned by the Guidelines could be a misuse of project funds.
146. This practice could undermine the full implementation of SDF funded projects as fund intended for the projects could be applied to underwrite the cost of maintaining unauthorized personnel within the service of the SDF management.

**Recommendation**

147. I recommend that the Project Manager, Mr. Michael Wiles and the Project Accountant, Mr. Morris Paye provide material justification for the disbursement of US\$3,107.00 made to Mr. Prince F. Forfor as there was no evidence of any provision in the Project Guidelines for the position.

**Management's Response**

148. *As mentioned in paragraph 13 of your draft management report. The inclusion of other members on the PMT shall depend on the type of project undertaken. The appointment of project assistant was enshrined in the approved project and approved CDMC operational budgets the word salary and compensation were used interchangeably.*

**Auditor General's Position**

149. Management did not provide any evidence to justify the type of project undertaken which warranted the appointment of a Project Assistant as claimed in its response above. In addition, I did not see any evidence of a provision in the project guidelines that call for the creation of a position of a project assistant. Therefore, I stand by my recommendations.

**Payment to an Unidentified Project Engineer**

**Observation**

150. Our observation revealed that between the months of June and September of 2009, US\$5,942.00 was paid to one John Y. Yealu the Project Management Team described as a Project Engineer. However, Mr. Yealu could not be identified nor located by me.

**Schedule of salaries and compensations to Mr. John Y. Yealu who was not seen**

NO	DATE	NAME DESCRIPTION	AMOUN USD	CHECK NO.
1	6/10/'09	Compensation, Sept. 2009	1,161.00	1027013
2	18/09/'09	Salary for August 2009	1,161.00	1027010
3	21/07/'09	Compensation, July 2010	1,161.00	1027003
4	30/06/'09	Compensation, June 2010	959.00	1026996
5	1/06/'09	Compensation, May 2010	1,500.00	1026960
<b>TOTAL</b>			<b>5,942.00</b>	

**Risk**

151. The inclusion of individual on the payroll of the SDF without any practical job performance could lead to the misapplication of project funds.
152. This practice could undermine the full implementation of SDF funded projects as fund intended for the projects could be applied to underwrite the cost of maintaining ghost within the service of the SDF management.

**Recommendation**

153. I recommend that the Project Manager, Mr. Michael Wiles and the Project Accountant, Mr. Morris Paye provide material justification for the US\$5,942.00 paid to John Y. Yealu as Project Engineer who could not be identified nor located by me.

**Management's Response**

154. *Management Letter on this matter was issued on 30th December 2010, but Management did not comment.*

**Irregular Reimbursement**

**Observation**

155. My review of project documents of the Nimba County ArcelorMittal Social Development Fund revealed that US\$4,000.00 was paid to Mr. Robert S. Kamei, Jr., Former Superintendent of Nimba County. According to Payment Voucher # 006 dated May 25, 2009, the amount represents reimbursement for expenditure incurred by the Office of the Superintendent for hosting the first meeting of the Nimba County Development Committee (CDMC) held from 12<sup>th</sup> – 13<sup>th</sup> August 2008 in Sanniquellie City.
156. From my analysis of the payment transaction, the disbursement was effected upon a letter dated May 23, 2009 from Mr. Robert S. Kamei, Former Superintendent of Nimba to whom the US\$4,000.00 was paid. The letter was addressed to Project Manager Michael Wiles with office address at Saclepea City, Nimba County when Mr. Wiles has never operated or carried out the activities of the Nimba County SDF outside of Monrovia which was one of the major concerns of Nimba Citizens. Mr. Kamei request for the money was said to be based on the approval of the then Chairman of the CDMC and now former Minister of Internal Affairs, Mr, Ambulai Johnson. However, there was no evidence that former Minister Ambulai Johnson ever approved the reimbursement of US\$4,000.00 to Mr. Kamei. Moreover, the source of the amount for which reimbursement was requested was not

disclosed and there was no evidence indicating that US\$4,000.00 was expended in August 2008 to be reimbursed from the SDF when in fact the fund has not been appropriated by the National legislature to be expended. I therefore wonder as to where Mr. Kamei and Project Manager Michael Wiles got the authority to commit the GOL when the Government has been operating the cash-based budget system since 2006.

157. Further scrutiny revealed that payment request #0503 was approved by Mr. Robert Kamei to whom the US\$4,000.00 was been reimbursed while voucher #0006 on which check # 1026951 was raised and paid was not approved. The amount was signed for by one Wallace Kamei said to be a student on May 28, 2009 in violation of Financial Rule **23** which states that Payments for "Goods and Services" provided / rendered shall be made only to the vendor/service provider. No payment shall be made to a third party.
158. There was also no evidence of a written authorization from Mr. Robert S. Kamei, Former Superintendent of Nimba County for Student Wallace Kamei to sign for the US\$4,000.00 on his behalf.

### **Risk**

159. The claim of approval for fund without providing evidence could be an indication that the amount may not have been approved by the former Minister.
160. Making reimbursement for an amount without indicating the source from which the cash was taken could be an indication that cash may have been provided for the expenditure.
161. The failure by the Nimba SDF Authority to provide evidence that the US\$4,000.00 was expended in August 2008 to be reimbursed from the SDF when in fact the fund has not been appropriated by the National Legislature could be an indication that the SDF may be expended without appropriation and approval.

### **Recommendation**

162. I recommend that all funds from the SDF be appropriated and approved before been used.
163. That the Project Manager Michael Wiles, Project Accountant Morris Paye and the former Superintendent Robert S. Kamei, Jr. Provide material justification for use of the US4,000.00 from the Social Development Fund of the county when it was not appropriated by the National Legislature of Liberia. Failing, they should be held to account.
164. They provide material justification for disbursing US\$4,000.00 from the SDF without approval of the payment voucher by the designated officer of the CDMC. Failing, they should be held severally to account for the US\$4,000.00.
165. It also recommended that henceforth, all payments be approved by the relevant authorities in relation to the Social Development Fund before effecting payment.

### **Management's Response**

166. *The payment of this reimbursement was approved by CMDC and the check was also signed by the chairman, moreover, attached to the payment voucher is the acquittal listings supporting the Superintendent claim for reimbursement.*

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

167. A listing of expenditures does not serve as sufficient evidence for the disbursement of public funds. For any payment of goods and services to be consummated, all supporting documents including original receipts should be attached to the payment voucher. Furthermore, the payment to Mr. Kamei, the Superintendent of the county for reimbursement of alleged services provided was in violation of the PPC Act of 2009 which calls for payment directly to vendors for goods and services. I therefore maintained my recommendations.

### **Agriculture Project**

#### **Observation**

168. My review of Project documents revealed that the PMT represented by Project Manager Michael wiles entered into and signed an MOU with one Alphonso Myers on 6 June 2009 for the brushing of 170 (One Hundred and Seventy) plots of swamp in Tippita, Nimba County at a cost of US\$1,500.00. The parties agreed that the project was to be pre-financed by the contractor, Mr. Alphonso Myers. It was also agreed that the project was to be paid for in full upon the completion.
169. According to the agreement, the farm was intended to produce swamp rice and serve as demonstration site. It was further agreed that 75% of the total work force was to constitute former combatants as a means of economically empowering them.
170. However, there was no evidence that provision for the above stated project was ever made in the SDF approved budget for the period under review.
171. It was further noted that the list of former combatants were supposed to form 75% of the work force was not attached to the payment dossier.

#### **Risk**

172. The use of US\$1,500.00 of the SDF for project that was not included in the SDF budget to be approved by the relevant authority could lead to errors, misapplication or fraud in the application of the fund.
173. The failure by the PMT and CDMC Authorities to ensure that payments are made in keeping with established internal control procedures which require that recipient name, signature and title are written including the date could weaken control over the use of the fund.
174. The amount may not have been received by the purported contractor as spelt out in the contract agreement.

175. The absence of the list of former combatants who supposed to form 75% of the work force for economic empowerment may be an indication of the parties' failure to comply with the terms and conditions of contract agreement which could undermine the prudent utilization of the fund.

### **Recommendation**

176. I recommend that former CDMC Chairman then Minister of Internal Affairs Ambulai Johnson, Project Manager Michael Wiles and Project Accountant Morris Paye provide material justification for using US\$1,500.00 of the SDF for project that was not included in the SDF budget to be approved by the relevant authority. Failing, they should be held to account for said amount.
177. Project Manager Michael Wiles and Project Accountant Morris provide material justification for using US\$1,500.00 in making payments outside of established internal control procedures.
178. Project Manager Michael Wiles and Project Accountant Morris provide me with the list of former combatants who supposed to form 75% of the work force for economic empowerment as spelt out in the MOU to serve as proof.

### **Management's Response**

179. *The PMT did not at any time pay \$ 4,000.00 for Agriculture Projects to the MOU between the PMT and Mr. Alphanso Myers did not have the Provision for listing of ex combatants that be used to clear the swamp. Only as a request to employ ex combatants.*
180. *The approved DFC budget and the CDMC operational budget contained the allocation for Agriculture project.*

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

181. Government's poverty reduction program was undermined due to the contractor's failure to comply with the terms and condition of the agreement reached with the PMT to ensure that 75% of ex-combatants form part of the agriculture program's work force. The lives of ex combatants in the county would have been economically impacted had they been hired for the agriculture project as spelt out in the agreement. Therefore the contractor, Mr. Alphanso Myers should be debarred from holding any government contract in the county for breaching the agreement.

### **Statement of Accountability**

182. 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.

183. The activities undertaken by the PMT during the period under review witnessed by a number of financial irregularities. The financial irregularities noted amounted to US\$78,261.00 and involved unauthorized payments, payment for office space not occupied and fenced. Details of these irregularities are provided vide **Annex (1)**.

### **Acknowledgement**

184. 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 Nimba 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 carry 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 SCHEDULE**

<b>No</b>	<b>Issues</b>	<b>Amount USD</b>	<b>Responsible Officials</b>	<b>Position</b>
1.	Payments made without approval (Para. 66-70)	43,747.00	Mr. Michael Wiles Mr. Morris Paye	Project Manager Project Accountant
2.	Payment for office space not occupied (Para. 81-90)	14,000.00	Hon. Prince Y. Johnson Mr. Michael Wiles Mr. Morris Paye	CDMC Co-Chair Project Manager Project Accountant
3	Payment for fencing of building not occupied (Para. 82-90)	2,514.00	Mr. Ambulai Johnson  Mr. Michael Wiles Mr. Morris Paye	Chairman, CDMC & former Internal Affairs Minister Project Manager Project Accountant
4.	Awarding of contract to a bogus Entity (Para. 94-100)	12,500.00	Mr. Michael Wiles Mr. Morris Paye Mr. Ambulai Johnson  James A. Thompson	Project Manager Project Accountant Chairman, CDMC & former Internal Affairs Minister Manager, Wegee Consultants Inc.
5.	Irregular Reimbursement (Para.155-165)	4,000.00	Robert S. Kamei, Jr Michael Wiles Morris Paye	Former Superintendent Project Manager, Project Accountant
	<b>Total</b>	<b>76,761.00</b>		

## **EXHIBITS**