

PD-AAS-294
121-42547

AGENCY FOR INTERNATIONAL
DEVELOPMENT

REVIEW OF EXPENSES INCURRED
IN RELATION TO USAID 677 - 0047
GRANT (US \$ 3,000,000)

PERIOD MAY 15, 1984 - AUGUST 31, 1984

6989135

681-0000-I-000-3156-02

Mr. J.B. Woods
Representative of the Agency
for International Development
N'Djamena

Republic of Chad

N'Djamena, September 14, 1984

Dear Sir,

Following your instructions dated August 27, 1984, we have examined the expenses made by the Ministry of Finance of the Republic of Chad for the period May 15 to August 31, 1984, in accordance with the terms contained in the USAID grant n° 677 0047 which was agreed on April 26, 1984 between the Agency for International Development (AID) and the Republic of Chad.

1. OBJECTIVES OF OUR EXAMINATION

The objectives of our examination were to ensure that the expenses summarized in the exhibit have been made within the framework of the Agency for International Development grant and that these expenses occurred in accordance with the terms contained in the USAID agreement n° 677 0047.

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2. SCOPE OF OUR EXAMINATION

We have carried out the following work :

- Ascertain that the preconditions for the first withdrawal from the AID have been met,
- review on a test basis the nature of the expenses,
- depth test on a certain number of expenses checking to the supporting documents (statement of expense, consultation and selection of suppliers, agreement, administrative work order, invoice, engaging of the expense, approvals, reception of goods, payment...),
- physical inspection on a test basis of the vehicles and equipment acquired,
- reconciliation of the total amount expensed and recorded to the total amount disbursed from the bank account,
- review of the bank reconciliation prepared at August 31, 1984 for the special account n° 4171 at the Banque des Etats de l'Afrique Centrale in N'Djamena and obtaining of the direct confirmation of the balance at the same date.

3. OUR COMMENTS AND RECOMMENDATIONS

3.1 During our review of the expense statements, we noticed that there was no procedure of consulting and selecting suppliers and contractors. To improve the purchase policy, we suggest the application of the existing procedures relating to the state transactions.

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3.2 In certain cases, the reception of goods and services is evidenced by a statement of reception duly approved by the parties. We recommend that this statement of reception be systematically applied to all the transactions passed with suppliers and contractors.

3.3 Some of the recorded expenses do not agree with the corresponding statement of expenses effectively paid for, in particular the following cases :

<u>Statement of</u> <u>expenses number</u>	<u>Amount of</u> <u>the expense</u> <u>F.CFA</u>	<u>Amount</u> <u>recorded</u> <u>F.CFA</u>	<u>Difference</u> <u>F.CFA</u>
92	710 272	650 272	60 000
68, 73, 75, 78, 79	4 741 871	4 741 671	200
134 and 135	5 018 825	5 018 875	(50)
			<u>60 150</u> =====

These differences have been notified to the accounting department responsible for the Trésorerie Centrale who proceeded to make the necessary adjustments.

3.4 Before any payment, the authorized approvals must be duly completed.

Examples :

- Statement 50, payment 102, F.CFA 2,869,747 : no approval of the Ministry;
- statement 51, payment 112, F.CFA 2,096,756 : no evidence of the expense engagement, nor of the state control.

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3.5 Income tax withheld on May 1984 salaries and paid over to the administration approximately amounts to F.CFA 5,300,000. As per article 6.3 of the USAID grant agreement n° 677 0047, all payments will be exonerated of any taxation or fees.

3.6 In contracts signed with third parties, it is stated that the 2,5% registration fee for transactions over F.CFA 1,000,000 will be the suppliers' and contractors' responsibility. It is understood, of course, that this cost is taken into consideration by the suppliers and contractors in their offers, therefore, these fees are necessarily included in the transaction price. If we refer to the above mentioned article 6.3 of the USAID grant agreement, in our opinion, the estimates and offers from suppliers and contractors should be made free from taxes and registration fees. The registration fees on contracts related to the USAID grant and paid for by suppliers and contractors approximately amounts to F.CFA 4,500,000.

3.7 The payments made from the bank account of the cash grant as at August 31, 1984, are F.CFA 885,159 higher than the expenses recorded in the corresponding accounts. At our request, the account analysis has been prepared to investigate and adjust this difference and currently only a difference of F.CFA 9,849 remains unexplained :

	<u>F.CFA</u>
Total of disbursements from the bank account of the cash grant from May 15, 1984 to August 31, 1984	409 966 795
Total expenses recorded from May 15, 1984 to August 31, 1984	<u>409 081 636</u>
Difference	885 159 =====

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F.CFA

The difference is explained as follows :

- Errors in recording expenses (see 3.3 above)		60 150
- Salary paid but not recorded		167 004
- Disbursements booked in error to the cash grant bank account		2 074 483
Bordereau n° 185/TC	118 888	
Bordereau n° 286/TC	79 968	
May 1984 salaries of the Ecole Nationale d'Administration	1 875 627	
- Error in bank transfer n° 115 2354		6 000
- Expenses on the USAID grant disbursed by Treasury cash and not yet reimbursed		(1 413 329)
Cash of June 8, 1984	833 882	
Cash of June 26, 1984	309 258	
Cash of August 27, 1984	270 189	
		<hr/>
		894 308
Unexplained difference		<hr/>
		(9 149)
		<hr/>
		885 159
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4. OUR CONCLUSION

In our opinion, except for matters described in paragraphs 3.5 and 3.6 above, the expenses made by the Ministry of Finance of the Republic of Chad within the framework of the grant of the Agency for International Development for the period from May 15 1984 to August 31, 1984, are correctly recorded and agree with the definition included in the agreement USAID n°677 0047 dated April 26, 1984.

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We thank both the personnel of the USAID and Trésorerie Centrale for their cooperation provided during our work.

Please do not hesitate to contact us if you have any questions regarding the contents of this report.

Yours very truly,

A handwritten signature in cursive script, appearing to read "P. W. Water", followed by a long horizontal line extending to the right.

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EXHIBIT

AGENCY FOR INTERNATIONAL
DEVELOPMENT (AID)
REPUBLIC OF CHAD

SUMMARY OF EXPENSES MADE BY
THE MINISTRY OF FINANCE OF THE
REPUBLIC OF CHAD WITHIN THE
FRAMEWORK OF THE GRANT
USAID - 677 0047

PERIOD FROM MAY 15, 1984 TO AUGUST 31, 1984

	<u>CFA Francs</u>
- May 1984 salaries	191 000 000
- Acquisition of vehicles	108 000 000
- Other equipment , furniture and services	110 000 000
Expenses of the period	409 000 000 =====
Cash grant received during the period	426 000 000 =====
Grant balance at August 31, 1984	17 000 000 =====