PD-AAT-011 ,8
IAN-44,67

NON-FEDERAL AUDIT OF
SENEGAL'S CASAMANCE REGIONAL DEVELOPMENT
PROJECT (685-0205)
FINANCIAL AND COMPLIANCE REVIEW
27 MONTHS ENDED SEPTEMBER 30, 1984
PERFORMED BY DELOITTE HASKINS & SELLS OF
ABIDJAN, IVORY COAST

AUDIT REPORT 7-685-86-02-N
March 19, 1986

UNITED STATES GOVERNMENT

memorandum

DATE March 19, 1986

REPLY TO ATTN OF John P. Competello, RIG/A/WA

SUBJECT Audit of the Casamance Regional Development Project (Audit Report No. 7-685-86-02N)

TO Sarah Jane Littlefield, Director, USAID/Senegal

Enclosed is the report on Audit of the Casamance Regional Development Project dated March 5, 1986, prepared by Deloitte Haskins and Sells--a non-federal audit firm located in Abidjan, Ivory Coast.

Under Section 4 of the Inspector General Act of 1978 (PL 95-452) the AID Office of the Inspector General (OIG) is responsible for compliance with standards established by the Comptroller General of the United States in performing audits of federal programs and activities and for assuring that any work performed by non-federal auditors complies with these standards. Office of Management and Budget Circular A-50 (revised) requires OIG oversight of audits made by non-federal auditors. Accordingly, we reviewed the work performed by Deloitte Haskins and Sells. In our opinion, the audit met U.S. government audit standards for financial and compliance audits.

The audit was made at your request and that of my counterpart--the Regional Inspector General for Investigations and Inspections, West Africa (RIG/II/WA). A nine-part statement of work comprised the audit objectives (Appendix M of the enclosed report) which were specifically identified because of suspected fraud, waste and mismanagement of AID monies. The audit included (1) end use examination of specific commodities, (2) determination of current inventories, (3) voucher verification of specific project activities, (4) verification of selected operating account expenditures, (5) review of reimbursement practices on personal mileage accounts, and (6) review of vehicle repair expenses. In addition, the RIG/II/WA reported to you on their review of project gasoline consumption (IG/II Case No. D 850032, Senegal, Fraud Prevention and Detection Inspection, Casamance Regional Development Project No. 685-0205 dated February 4, 1986).

The audit covered the period from July 1, 1982 to September 30, 1984. We had previously reported on project activities up to March 31, 1982 (with selected fund reviews extending several months beyond this cut-off date) in Audit Report No. 7-685-84-1 dated November 17, 1983. Also, a Government of Senegal audit agency reported on project activities subsequent to September 30, 1984.

Buy U.S Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO 10
(REV 7-76)
GSA FPMR (41 CFR) 101-11.6
5010-112

* GPO : 1978 O - 261-441 (3529)

The audit identified several deficiencies in project accountability: inadequate accounting for commodities and the agricultural credit fund (Appendix B & C); unreliable perpetual inventory systems (Appendix C); inadequate support for certain USAID/Senegal reimbursements (Appendix H); and weak internal controls over vehicle spare parts (Appendix I).

Corrective actions had been taken in most cases. Also, project administration and management had improved from implementation of accounting and internal control systems. No significant fraud, waste or mismanagement of AID monies were substantiated.

Your comments on the draft audit report were considered and, as a result of the project's termination on December 31, 1985, we are closing all except the following report recommendations upon issuance of this report. These recommendations are considered open and will be included in the OIG audit recommendation follow-up system.

Recommendation No. 1

USAID/Senegal assure productive use of undistributed AID-procured fertilizer valued at about $60,000 by having the Government of Senegal establish an appropriate sales price.

Recommendation No. 2

USAID/Senegal obtain from Senegal's parastatal agency, PIDAC, evidence of payment of social security taxes amounting to about $35,000 which were liquidated against AID advances but remain unpaid. USAID/Senegal should also assure proper accountability for social security taxes since September 30, 1984. If the Senegalese agency fails to submit evidence within sixty (60) days of demand, then USAID/Senegal should issue a Bill of Collection.

Please advise me within 30 days of actions taken or planned which we can consider in closing these recommendations.

I appreciate your interest and support of the OIG non-federal audit program.

LIST OF REPORT RECIPIENTS

	No. of Copies
Deputy Administrator	1
Assistant Administrator, Bureau for Africa	5
Assistant to the Administrator for Management	1
AFR/CONT	5
AFR/PD	1
AFR/SWA	2
AA/XA	1
EXRL	1
SAA/S&T/Rural Development	1
XA/PR	1
LEG	1
GC	1
OPA	2
M/FM/ASD	2
PPC/CDIE	3
REDSO/WCA	1
USAID/Accra	1
USAID/Bamako	1
USAID/Banjul	1
USAID/Bissau	1
USAID/Conakry	1
USAID/Dakar	5
USAID/Freetown	1
USAID/Lome	1
USAID/Monrovia	1
USAID/N'Djamena	1
USAID/Niamey	1
USAID/Nouakchott	1
USAID/Ouagadougou	1
USAID/Praia	1
USAID/Yaounde	1
IG	1
AIG/A	1
IG/PPO	1
IG/LC	1
IG/EMS/C&R	12
AIG/II	1
RIG/II/Dakar	1
RIG/A/Washington	1
RIG/A/Cairo	1
RIG/A/Manila	1
RIG/A/Singapore	1
RIG/A/Nairobi	1
RIG/A/Tegucigalpa	1

Deloitte
Haskins + Sells

AUDIT OF THE CASAMANCE REGIONAL DEVELOPMENT PROJECT

4

5th March 1986

15 éme Etage
Immeuble Alpha 2000
01B.P.V. 245
Téléphone 22-52-53
33-13-17
Télex 23820
Abidjan 01
Ivory Coast

5th March 1986

2744/401A/GHH/sb

The Regional Inspector General
for Audit,
c/o American Embassy,
BP 49 - Dakar,
Senegal.

For the attention of Mr. J.P. Competello

Dear Sir,

AUDIT OF THE CASAMANCE REGIONAL DEVELOPMENT PROJECT (685-0205)

In accordance with work order n° 12 issued under Indefinite Quantity Contract n° 681-0000-1-00-3154-00 we have provided audit services to the above project covering the period from July 1982 to September 1984. Our audit was carried out in accordance with generally acceptable US government audit standards applicable to financial and compliance audits and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary. As a result of our audit we confirm that the items tested, with minor exceptions, were in compliance with applicable laws and regulations and that nothing came to our attention to cause us to believe that the items not tested were not so in compliance.

Our audit included the study and evaluation of the internal controls applied by the project in so far as they related to the statement of work. We describe the results of this study, the weaknesses identified and make our recommendations in the attached appendices.

The audit team comprised:

Manager	Michael Neave replaced for part of the time by G.H. Hunter
Auditors	John Li Lucien Agbia

The audit team met with USAID/Senegal and RIG/A/WA officials in Dakar on October 28th and 29th 1985 and carried out the field work in Ziguinchor between October 30th and December 4th 1985. End of mission meetings were held in the offices of RIG/A/WA and USAID/Senegal on December 5th and 6th 1985 to discuss the draft report on the results of the audit.

Project manager Neave was present with the team in Dakar and Ziguinchor at the begining of the audit and Hunter visited Ziguinchor between November 26th and 29th to review the files and supervise the finalisation of the audit.

The statement of work (see Appendix M) defines the areas to be audited and we set out the detailed results of our work, our observations and recommendations in the appendices to this letter as follows:

	Appendix
Project Implementation Order/Commodities (PIO/C) - Credit Activities	A
PIO/C - Other Activities	B
Agricultural Credit Fund	C
Salaries Paid to PIDAC Personnel by Local Contractor	D
Volet Feminin (Women's Component)	E
PIDAC Operating Account Expenditure	F
Reimbursement of Technical Assistants' Personal Mileage	G
PIDAC Salary Reimbursements	H
Vehicle Repair Expenses	I
Review of project paper, project authorisation, project agreement and amendments and other documents and reports relevant to the project	J
Summary of recommendations	K
USAID/Senegal comments dated February 10th 1986	L
Statement of work	M

The contents of this report were discussed with project senior management at a meeting held in the office of the director of PIDAC (see below) on November 28th. Present at the meeting were:

Mr. Bodian	Director PIDAC
Diao	Head of finance and administration - PIDAC
Traoré	Agent comptable particulier (ACP) senior accounting officer - SOMIVAC (see below)
Hunter	DHFS
Li	DHFS
Agbia	DHFS

Mr. Coly, general manager of SOMIVAC, was unable to attend due to ill health. A less formal meeting was to be arranged at a later date but Mr. Coly had not recovered by the time the audit team left Ziguinchor. Mr. Traoré (ACP) assured us Mr. Coly had been made fully aware of the results of our work.

Our draft report was submitted to you dated December 27th 1985. Your comments and observations have been taken into consideration and the responses of USAID/Senegal to our draft recommendations are included at appendix L.

Mr. Geoff Fritzler from the office of the Regional Inspector General in Dakar met the team in Ziguinchor on November 25th to discuss the progress of the audit. He carried out a detailed review of the audit files in Ziguinchor between December 2nd and 4th.

The main acronyms used in this report are explained as follows:

PIO/C	Project Implementation Order/Commodities
PIDAC	Projet Intérimaire pour le Développement Agricole de la Casamance Senegal's rural development implementation agency
SOMIVAC	Société pour la Mise en Valeur Agricole de la Casamance - parent organisation of PIDAC
PIL	Project Implementation Letter
ISRA	Institut Sénégalais pour la recherche Agricole
SECID	South East Consortium for International Development
DAF	Directeur d'Administration et Finances

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Our audit covered the period from July 1982 to September 1984. Reports have been prepared by other organisations covering the financial and internal control aspects of the project for the period prior to September 1984. Improvements have been made to the administration and management of the project, new accounting and control systems have been recommended and are being introduced.

Qualified Senior Personnel

As mentionned above, new and improved accounting and control systems are being introduced including a new computer system. In order for such a system to work well and efficiently and to continue to do so after the consultants have left, it is essential that properly qualified, trained and competent senior personnel be available. It should also be the policy of the project to retain the services of such personnel for extended periods of time to ensure continuity and for the project to benefit from their experience.

Material Supplied by USAID/Senegal

Certain equipment and vehicles supplied to the project under PIO/C were only operational for short periods of time. This was caused principally by the absence of spare parts and expertise to repair the items when they became unserviceable. We recommend that the availability of spares and after sales service be taken into consideration when ordering equipment for the project.

PIDAC Expenditure Returns

Since the RIG/A/WA report dated November 1983 there has been an improvement in the way in which expenditure claims have been prepared and submitted to USAID/Senegal. This is due to the assistance and training provided by the Sahel Regional Financial Management Project (SRFMP) team to the project financial and administrative management. In addition all expenditure reimbursement claims are reviewed in detail by the assistant project officer prior to submission to USAID/Senegal. The result has been a significant reduction in the number of expenditure items rejected or queried by USAID/Senegal. We recommend that this assistance to the project be maintained.

Compliance

The project is operating in accordance with instructions from AID/Washington and USAID/Senegal. Our review of Project Implementation Letters (PIL) and other correspondence revealed minor instances where the procedures were not fully complied with. For example, some decisions were taken and executed under a PIL which preceded the grant amendment to permit such decisions and some were executed without reference to a PIL. These decisions were subsequently reversed.

We trust the contents of this report respond to the work order and meet your requirements. However we should be pleased to provide any further information you may require in connection with our audit.

We take this opportunity to thank you and your staff for the help and guidance given us during our audit and to thank project management and staff for their cooperation and willingness to provide the documentation and information we required.

Yours truly,

D C Lefe Hanhur

APPENDIX A

PIO/C CREDIT ACTIVITES

The objective of our review was to verify the end use of commodities purchased for the credit activities.

USE OF COMMODITIES

During the period under review, agricultural equipment and fertilizers bought by USAID/Senegal under PIO/C cost CFA'139 M. These purchases have been received at the various zone stores.

At 30th September 1984, items had been distributed as follows:

	Bought	Distributed	% Distributed
Equipment n° of items	1.405	1.094	78%
Fertilizers n° of tons	1.320	430	33%

Note: a) The distribution of agricultural equipment for use by farmers is satisfactory.

b) The poor percentage of fertilizer stock distribution is principally due to 479 T of phosphate tricalcique which is not being bought by farmers as the requested price is now FCFA 44/kg when it used to be given free.

The director of PIDAC, Mr. Bodian stressed that this stock is an important fertilizer but as the farmers are not willing to pay the price requested it is still undistributed (stock accountability is dealt with under Appendix C).

ACCOUNTING FOR PURCHASES

Since USAID/Senegal is not sending copies of purchases invoices promptly and regularly purchases are not being properly recorded. Only FCFA 67 M worth of purchases were posted and these entries were made at the year end. This was identified in our report dated September 1984 and a subsequent report dated June 1985 pointed out that our recommendation had not been followed.

RECOMMENDATIONS

- USAID/Senegal must send copies of all purchase invoices promptly to PIDAC to enable the transactions to be recorded.

- The perpetual inventory system (la comptabilité matière) should receive a copy of the purchase order and details of quantities sent to each zone. This will enable them to reconcile quantities with goods received notes (bons d'entrée) from each zone.

- PIDAC should try to educate farmers in the importance of using this fertilizer despite the cost or a positive step should be taken by USAID/Senegal to distribute the fertilizer.

APPENDIX B

PIO/C OTHER ACTIVITIES

The objective was to verify the end use of commodities purchased by USAID/Senegal under PIO/C for the project.

Commodities purchased comprised mainly:

- motor vehicles, motor cycles
- rural equipment (e.g. well drills)
- laboratory equipment
- other equipment

A sample of the above commodities was physically inspected (see exhibit 1).

OVERALL CONCLUSION

It was possible to physically inspect the sample extracted but only with difficulty as documents relating to goods received and distributed were not available. PIDAC does not keep a fixed asset register and does not have a proper system to identify its assets. Nevertheless these commodities are generally being properly used by PIDAC and this view is reinforced by observations made by us in the course of our visits.

There exists a good system of internal control at ISRA (Senegalese Agricultural Research Institute). Commodities could be easily identified and are being properly used. We noted the following in our detailed audit work:

Receipt of Goods

A commission, comprising persons from several departments, acknowledges receipt of goods by PIDAC. For the period being audited the "procès verbal de réception" or receiving reports (PV) retained by the user department were not traced. However they are now kept by the purchasing department (service d'approvisionnement) which recently came into existence.

Recommendation

Instead of acknowledging receipt through a PV which takes time to be prepared, the purchasing department should maintain a register which can immediately record purchases. The register would be signed by the commission and by the responsible official of the user department to which the goods are subsequently despatched.

Accounting for Goods Received

PIDAC does not normally receive invoices in respect of USAID/Senegal purchases, which are therefore not accounted for.

Recommendation

USAID/Senegal should send a copy of the invoice promptly to PIDAC to enable the accounting transaction to be recorded.

A system whereby a ledger card is prepared for each asset should be started. We are informed that the computer system being implemented for PIDAC will provide for the proper accounting for fixed assets.

Stock Management

Certain sections of the project (volet elevage, volet santé, protection végétale) receive a number of products (pesticides, pharmaceutical products) but no stock records are maintained. No control exists over distribution to users.

APPENDIX B

Recommendations

A ledger card for each item of stock should be opened and details of stock movements recorded thereon. This would enable the stock level to be determined at any time and would reduce the possibility of stock out situations.

Responsible officals, after touring zones, should report on the quantities being used and explain stock unaccounted for.

User Responsibility

Personnel using vehicles and equipment are not accountable for damage arising from misuse. This leads to negligence on the part of many users.

Recommendations

Disciplinary action should be taken against users who do not conform to operating instructions or who ignore basic precautions.

Some equipment (e.g. motor cycles) given to specific personnel for use on a longer term basis should give rise to PV signed by the employee. These PVs would render the employee responsible for certain types of damage needing repair.

USAID/Senegal Purchasing Policy

Most of the motor vehicles and equipment bought are not easily repaired due to unavailability of spare parts and lack of after sales service. We recommend that the purchasing policy should take into account the availability of spare parts and after sales service.

EXHIBIT 1 TO APPENDIX B

COMMODITIES PURCHASED - OTHER ACTIVITIES

Main items	Sample per PIO/C	Physically Verified	Broken Down	Note Reference
SOMIVAC				
Motorbikes	11	4	4	(1)
ISRA				
Laboratory equipment	Various	All		
Motor cars	2	2		
SECID				
Truck	1	1		
PIDAC				
Motor vehicles	5	5	2	(2)
Other equipment	3	3	1	
Motorbikes - personnel	48	-	-	(3)
Motorbikes - PIDAC	27	5		(4)

Notes:

1) - One motorbike had been broken down for seven months at the time of our visit.

   - Break downs for several months are frequent due to spare parts not being readily available.

2) 1 Datsun and 1 Chevrolet truck are broken down for over a month.

3) These motorbikes belong to personnel who are repaying from their monthly salaries. These debtors were reviewed and proved to be satisfatory.

4) Of these 27 motorbikes, 15 were distributed to motivators working on the women's component (volet feminin) who work in villages. As it was not practical to see each one of them we only tested five of them. Of the remaining 12 only two have been seen, but Mr. Badianne confirmed that these bikes were not common and after 18 months use, most of them were not functioning.

APPENDIX C

AGRICULTURAL CREDIT FUND

The objective was to audit the credit activities and to draw up a balance sheet of the fund at 30th September 1984.

BALANCE SHEET AT SEPTEMBER 30, 1984

	KFCFA
Stock	45.484
Debtors	70.049
Cash at bank	9.961
	125.494
Fund (Exhibit 1)	125.494

ACCOUNTING POLICIES

Stock has been valued at lower of cost and net realisable value.

Debtors include interest charged to farmers for 1983 sales, but exclude interest and include transport costs for 1984 sales.

A general provision for doubtful debts has been made in addition to the specific debts written off approved by the Director General of SOMIVAC.

The fund represents the investment by USAID/Senegal adjusted for increases or decreases reflected in stock and debtors.

We have been unable to confirm that the quantities of stock valued at September 30, 1984 were in fact physically in stock at that date. The stock value is based on a theoretical quantity - purchases less distributions. Certain assumptions were made to this theoretical quantity in respect of fertilizer.

APPENDIX C

ACCOUNTING RECORDS

The accounting records are generally inadequate and do not permit the financial statements of the fund to be drawn up easily at any given time.

STOCK

The perpetual inventory system (la comptabilité matière) which has recently been introduced is not fully operational and therefore unreliable. SOMIVAC/PIDAC officials acknowledged this fact but gave the assurance that the system will soon be effective.

Recommendations

We understand that the new computerised system being implemented for PIDAC will permit the results of the fund to be evaluated and the production of a balance sheet. We have not assessed the software but the reports that will be produced appear to be appropriate. This system can only work effectively if the personnel is suitably qualified and support is available for problem solving.

The perpetual inventory system should receive all stock documents quickly to have an up-to-date record. The prenumbered stock movement vouchers must be used properly and dates thereon noted on the stock sheets.

At least two physical stocktakes should be carried out at all zones each year. The reconciliation between physical inventory and perpetual inventory must be prepared, differences investigated and corrections made to agree both sets of results.

EXHIBIT 1 TO APPENDIX C

FUND ACCOUNT - RECONCILIATION

	Note	KFCFA
Cost of Purchases - USAID/Senegal		139.270
Net Overheads Unrecovered		(1.036)
Bad Debts Written off (Authorised by the Director General of SOMIVAC)	1	(1.941)
General Provision for Overdue accounts Receivable		(950)
Loss on Sale of Commodities (Given Free or at Less than Cost)		(2.123)
Stock Write-downs	2	(14.281)
Interest on Credit Sales 1983/84 campaign	3	1.887
Balance, Bank Account		4.902
		125.728
Unexplained Difference		(234)
Fund at September 30, 1984		125.494

Notes

1) Bad Debts. These bad debts relate to farmers who followed SOMIVAC instructions and advice as to the use of fertilizers but did not produce expected results due to conditions beyond their control. We were unable to establish whether beneficiaries were in any way connected with SOMIVAC management.

2) Stock Write downs. This charge is essentially due to the following

- 100 tons of NPK 8-18-27 bought at FCFA 141.500/ton valued at CFA 80.000/ton being the price offered to farmers;

- 479 tons of phosphate tricalcique bought at FCFA 41.400/ton valued at CFA 25.000 ton

These valuations prices were agreed with Mr. Badian, director of PIDAC

EXHIBIT 1 TO APPENDIX C
FUND ACCOUNT - RECONCILIATION

3) Interest on Credit Sales. For the 1983/84 campaign, contracts signed with farmers for sales of agricultural equipment included interest at 12% per annum for five years repayable in five equal annual instalments. With effect from the 1984/85 campaign, the policy was changed. Interest was not fixed at the time the contract was signed but the actual yearly interest would depend on the timing of each annuity repaid. Debtors for the latter campaign do not include interest.

APPENDIX D

SALARIES PAID TO PIDAC PERSONNEL BY LOCAL CONTRACTOR

For the period from March to October 1984 some of the PIDAC temporary staff were paid direct by USAID/Senegal. Mr. Celestin Sagna a local contractor, was employed to execute payments. Funds were made available by USAID/Senegal through a bank account opened in his name. On December 10, 1984 the account was closed when the balance of FCFA 151.114 was transferred to USAID/Senegal.

The objective was to verify payments made by the local contractor.

All the funds advanced by USAID/Senegal were credited to the special bank account.

Salaries were properly calculated in accordance with Senegalese legislation. Social security charges have been paid monthly to the organisations concerned.

All cheques except those issued in March and April 1984 were supported by salary vouchers (bulletins de salaire) authorised by the Director of PIDAC. The vouchers bear the employees' National Identity card reference and are signed by them, and copies are kept by USAID/Senegal.

We were unable to check the March and April 1984 payments as the salary vouchers were not available.

We were unable to verify that the staff did in fact work for PIDAC during the month. The employees were recruited on a monthly basis. Contracts of employment exist but normally are not signed by the employees as they are unavailable, working in the villages. This system has now stopped. The employees are paid by PIDAC direct, and the salaries are claimed back through salary reimbursement returns (mémoire de remboursement) submitted to USAID/Senegal.

EXHIBIT 1 TO APPENDIX D

	KFCFA
Total Funds Advanced by USAID/Senegal and Received by Local Contractor	28.843
Total Salaries Paid	28.692
Total Salaries Audited	23.888
% Salaries Audited	83%

APPENDIX E

VOLET FEMININ
(Women's Component)

The objective was to verify expenditure and the end use of fixed assets purchased.

For the period under review, all payments were properly authorised and recorded and supported by documentation. The furniture purchased for the motivators is being properly utilised.

Our audit included verifying the assets physically. 15 tables chairs and shelves were bought for the 15 motivators to be used at their respective villages. We made surprise visits to five villages to carry out physical inspection.

These 15 sets of furniture costing CFA 390.000 were bought in February 1984 and were left outside awaiting delivery to the villages. They were badly damaged by rain and had to be repaired at a further cost of CFA 217.500. An official of Volet Feminin pointed out that this was due to a storage problem.

One "garde manger" (food storage cabinet) bought in September 1984 and a number of jars to be displayed thereon are still in store. Due to lack of space, these are not being displayed.

Recommendation

Volet Feminin officials must plan the timing of purchases and must ensure that furniture in stock is being properly looked after.

APPENDIX F

PIDAC OPERATING EXPENSES

The objective was to review the basis on which PIDAC operating expenses have been recorded and reported and to verify a small number of items.

The approach adopted was to compare total movements on the cash and bank books to total expenditure listed on returns.

We were unable to review the operating expenses for July to December 1982 as these returns did not segregate bank and cash expenses and did not bear journal references. The petty cash journal for that period was not available.

We were unable to review cash operating expenses for most of 1983 as again the journals were not found. At the meeting on November 28, 1985 with project senior management, we were told these journals were with the court in connection with a fraud investigation.

In respect of periods for which records were available (60% of total expenses claimed), we found nothing to suggest that expenses have been claimed twice.

We tested a sample of items and found that three invoices totalling BDrA 409,190 had not been claimed by PIDAC. A senior PIDAC official confirmed that these amounts were valid claims.

We noted a net improvement in the overall preparation of the returns (reports). The returns are checked by the assistant project officer, Mr. Balinoo, at Lilongwe before being submitted to USAID Bangui. Mr. Balinoo said the number of rejects has been very low for the latest returns.

APPENDIX F

Recommendation

We recommend that in order to ensure accurate record keeping the controls exercised by PIDAC's Director of Finance and Administration (DAF) and the Assistant Project Officer at Ziguinchor continue to be carried out as effectively as they have been over the past year.

APPENDIX G

TECHNICAL ASSISTANT PERSONAL MILEAGE REIMBURSEMENT

The objective was to audit the bank account for reimbursement of private mileage and to report briefly why it was created without a PIL.

A special bank account was opened on February 9, 1983. Technical assistants paid funds into this account representing a refund of their personal use of vehicles. No payments were made from the account. The account was closed on October 11, 1985 and the balance of FCFA 419.235 was paid to USAID/Senegal.

Vouchers supplied by USAID/Senegal to us were verified and totalled FCFA 260.630 (i.e. 64% of total).

The bank account was created without a PIL. Mr. Badiane, the Assistant Project Officer, advised that SOMIVAC/PIDAC officals opened this account with authorisation by USAID/Senegal given in the course of a meeting. The minutes of this meeting have not been found.

APPENDIX H

PIDAC SALARY REIMBURSEMENT

The objective was to examine a sample of vouchers and:

1) check correctness of salary reimbursement returns prepared by PIDAC,

2) check indemnities claimed by personnel are in accordance with USAID/Senegal policy,

3) check that permanent staff is authorised by USAID/Senegal in accordance with PIL 55.

Our sample was extracted from six months in the period concerned.

CONCLUSION

Gross salaries were properly calculated in accordance with Senegalese legislation governing the public sector. Indemnities and social security charges were in accordance with USAID/Senegal policy and with current regulations.

The personnel was properly authorised by USAID/Senegal in accordance with PIL 55.

Errors mainly due to negligence were found in the preparation of the returns. This is a manual exercise and it involves a clerk extracting all relevant figures from the monthly salary printout despatched by the "Centre des Etablissement Publics", a government accounting agency to SOMIVAC. Net errors found were FCFA 175,000 being amounts underclaimed by PIDAC. According to the DAF, such errors are normally adjusted in the following month.

APPENDIX H

Our work revealed that for July to September 1984, the social security charges had not been paid. This implied that expenses not paid were being set off against USAID/Senegal advances. On further discussion with PIDAC officials we were informed that social security charges for the last two years have not been remitted thus reducing the amount of USAID/Senegal advances.

We were informed that the liability to-date amounts to FCFA 15m of which FCFA 8m relates to the employer's contribution. This has not been accrued as a liability in PIDAC's books.

Penalties may be payable on these overdue liabilities. The PIDAC officials believe that they can negotiate not to pay such penalties.

Recommendations

We are informed that salaries will be calculated on the new computer system. Although in theory this should eliminate errors, care will still have to be exercised to ensure the salaries are correct.

USAID/Senegal should require PIDAC to submit payment vouchers in respect of all social security charges set off against advances. Failing this USAID/Senegal should issue a bill of collection for the amounts not proved.

USAID/Senegal should investigate further to trace these unjustified advances.

APPENDIX I

VEHICLE REPAIRS

The objective was to ensure that vehicle repairs have been properly authorised and to determine whether a record is maintained of all repairs carried out to each vehicle.

For the period under review, vehicle repairs expenses reimbursed by USAID/Senegal relate to project vehicles and were properly authorised by responsible officials (i.e. DAF and the director of PIDAC)

No records were maintained of repairs by vehicle until July 1985 when a system of ledger cards was implemented. Each project vehicle has a ledger card to record all repairs relating to it. They are kept by a storekeeper not connected with the purchasing department for proper segregation of duties. However these cards are not up-to-date because invoices are not always submitted by the purchasing department to the storekeeper as intended.

The DAF has taken steps whereby he will authorise payment of an invoice only when it has been stamped "received by storekeepr".

We noted that nearly half of the project vehicles (10 out of 22) were broken down. Some vehicles had not been used for over a year due to unavailability of spare parts and expertise.

The total cost for vehicle repairs for the period was FCFA 11.508.571 per the general ledger. Of this FCFA 4.768.769 (41%) was audited.

APPENDIX I

Recomendations

For a more efficient use of the motor vehicles available to the project, we recommend the following:

- a garage be set up at PIDAC to look after general maintenance of the vehicles. PIDAC has three mechanics at its disposition;

- spare parts delivered with vehicles should be strictly controlled and proper stock records of these should be maintained;

- the parts being replaced should if possible be repaired or reconditioned. If they can still be of use such parts should then be recorded and controlled;

- the official responsible for the fleet who has been trained by USAID/Senegal at Dakar, should be in overall charge of repairs;

- in respect of major repairs given to external garages the ability of the garage to finance the purchase of expensive parts and to provide a fast service should be considered as well as cost before selecting the garage;

- drivers should be made responsible for breakages arising from negligence on their part;

- USAID/Senegal when supplying vehicles to the project should have regard to the availability of spare parts and after sales service for the types of vehicles chosen.

APPENDIX J

REVIEW OF PROJECT DOCUMENTATION

Prior to commencing our audit we read and reviewed the documentation detailed in the work order Article III para. J as follows:

"The auditors will need to review the Project Paper, project authorisation, PROAG and Amendments, PILs, Protocols, and other project correspondence to determine whether the project is operating in accordance with instructions from AID/W and the USAID. In addition, the auditors should also consult the 1983 Evaluation Report and the 1983 RIG Report; the Sahel Regional Financial Management Project Report on SOMIVAC/PIDAC, dated November 16, 1984; Arthur Anderson Report Diagnosis of the project's financial and accounting management, issued in March 1985 in French and in May 1985 in English; Arthur Anderson Report Casamance Project SOMIVAC/PIDAC Special Funds Management Systems issued in March 1985 in French and in May 1985 in English; CVCCEP SOMIVAC Rapport Particulier dated July 1985; and the reports of Gueye Associates".

During our work we referred to the major items in the above documentation in order to better understand the operation of the project.

APPENDIX K

SUMMARY OF RECOMMENDATIONS

Appendix A

USAID/Senegal must send copies of all purchase invoices promptly to PIDAC to enable the transactions to be recorded.

The perpetual inventory system (la comptabilité matière) should receive a copy of the purchase order and details of quantities sent to each zone. This will enable them to reconcile quantities with goods received notes (bons d'entrée) from each zone.

PIDAC should try to educate farmers in the importance of using this fertilizer despite the cost or a positive step should be taken by USAID/Senegal to distribute the fertilizer.

Appendix B

Instead of acknowledging receipt through a PV which takes time to be prepared, the purchasing department should maintain a register which can immediately record purchases. The register would be signed by the commission and by the responsible official of the user department to which the goods are subsequently despatched.

USAID/Senegal should send a copy of the invoice promptly to PIDAC to enable the accounting transaction to be recorded.

A system whereby a ledger card is prepared for each asset should be started. We are informed that the computer system being implemented for PIDAC will provide for the proper accounting for fixed assets.

APPENDIX K

A ledger card for each item of stock should be opened and details of stock movements recorded thereon. This would enable the stock level to be determined at any time and would reduce the possibility of stock out situations.

Responsible officials after touring zones, should report on the quanitites being used and explain stock unaccounted for.

Disciplinary action should be taken against users who do not conform to operating instructions or who ignore basic precautions.

Some equipment (e.g. motor cycles) given to specific personnel for use on a longer term basis should give rise to PV signed by the employee. These PVs would render the employee responsible for certain types of damage needing repair.

Appendix C

We understand that the new computerised system being implemented for PIDAC will permit the results of the fund to be evaluated and the production of a balance sheet. We have not assessed the software but the reports that will be produced appear to be appropriate. This system can only work effectively if the personnel is suitably qualified and support is available for problem solving.

The perpetual inventory system should receive all stock documents quickly to have an up-to-date record. The prenumbered stock movement vouchers must be used properly and dates thereon noted on the stock sheets.

At least two physical stocktakes should be carried out at all zones each year. The reconciliation between physical inventory and perpetual inventory must be prepared, differences investigated and corrections made to agree both sets of results.

Appendix E

Volet Feminin officials must plan the timing of purchases and must ensure that furniture in stock is being properly looked after.

Appendix F

We recommend that in order to ensure accurate record keeping the control exercised by PIDAC's Director of Financial and Administration and the Assistant Project Officer at Ziguinchor continue to be carried out as effectively as they have been over the past year.

Appendix H

We are informed that salaries will be calculated on the new computer system. Although in theory this should eliminate errors, care will still have to be exercised to ensure the salaries are correct.

USAID/Senegal should require PIDAC to submit payment vouchers in respect of all social security charges set off against advances. Failing this USAID/Senegal should issue a bill of collection for the amounts not proved.

USAID/Senegal should investigate further to trace these unjustified advances.

Appendix I

A garage be set up at PIDAC to look after general maintenance of the vehicles. PIDAC has three mechanics at its disposition.

Spare parts delivered with vehicles should be strictly controlled and proper stock records of these should be maintained.

APPENDIX K

The parts being replaced should if possible be repaired or reconditioned. If they can still be of use such parts should then be recorded and controlled.

The official responsible for the fleet who has been trained by USAID/Senegal at Dakar, should be in overall charge of repairs.

In respect of major repairs given to external garages the ability of the garage to finance the purchase of expensive parts and to provide a fast service should be considered as well as cost before selecting the garage.

Drivers should be made responsible for breakages arising from negligence on their part.

USAID/Senegal when supplying vehicles to the project should have regard to the availability of spare parts and after sales service for the types of vehicles chosen.

APPENDIX L

UNITED STATES GOVERNMENT

memorandum

DATE: February 10, 1986

REPLY TO ATTN OF: DIR: S. J. Littlefield

SUBJECT: Casamance Regional Development Project (685-0205): Response to the Draft Audit.

TO: RIG/Dakar/DIR: J. Competello

Deloitte Haskins and Sells Audit (draft) of Project 685-0205 dated December 27, 1985.

Here are the responses by USAID/Senegal to the recommendations made in the above referenced audit (draft). Mission ability to effectively follow-up on some of the recommendations has been affected by the PACD of December 31, 1985.

Recommendation: "USAID must send copies of all purchase invoices promptly to PIDAC to enable the transaction to be recorded."

Response: A comparison conducted by the Sahel Regional Financial Management Project (SRFMP) of invoices required by PIDAC with the files of SMO was performed in December 1985, and copies of missing invoices were provided to PIDAC with French translations.

Recommendation: "The perpetual inventory system (la comptabilité matière) should receive a copy of the purchase order and details of quantities sent to each zone. This will enable them to reconcile quantities with goods received notes (bons d'entrée) from each zone."

Response: An inventory system has been installed and procedures written for implementation. We are recommending that PIDAC follow this procedure.

APPENDIX L

Recommendation: "PIDAC should try to educate farmers in the importance of using this fertilizer despite the cost or a positive step should be taken by USAID to distribute the fertilizer."

Response: PIDAC did not receive any instructions from the Ministry of Rural Development concerning official prices for fertilizer during the 1985 agricultural season. We believe this is the principle reason why fertilizer purchased by PIDAC during the calendar year 1985 for the credit program did not move during the 1985 agricultural season. Once the question of price is clarified satisfactorly, we believe that farmers will use more fertilizer. PIDAC's work with farmer and village organizations has always emphasized the importance of upgraded agricultural techniques including the use of fertilizers.

Recommendation: "Instead of acknowledging receipt through PV which takes time to be prepared, the purchasing department should maintain a register which can immediately record purchases. The register would be signed by the commission and by the responsible official of the user department to which the goods are subsequently despatched."

Response: The SRFMP personnel discussed this with PIDAC in December 1985, and PIDAC agreed at that time to begin maintaining such a register.

Recommendation: "USAID should send a copy of the invoice promptly to PIDAC to enable the accounting transaction to be recorded. A system whereby a ledger card is prepared for each asset should be started.

We are informed that the computer system being implemented for PIDAC will provide for the proper accounting for fixed assets."

Response: The USAID project office has asked PIDAC to identify any additional invoices required for purchases made through the PACD.

The new computer system recently installed in the PIDAC Accounting Division, does indeed provide for the proper accounting of fixed assets.

Recommendation: "A ledger card for each item of stock should be opened and details of stock movements recorded thereon. This would enable the stock level to be determined at any time and would reduce the possibility of stock out situations.

Responsible officials, after touring zones, should report on the quantities being used and explain stock unaccounted for."

Response: A ledger card system was installed. USAID has repeatedly recommended to PIDAC officials that they should adjust inventory records accordingly after field trips, we will continue to make this recommendation.

APPENDIX L

Recommendation: "Disciplinary action should be taken against users (of motor vehicles) who do not conform to operating instructions or who ignore basic precautions.

Some equipment (e.g. motor cycles) given to specific personnel for use on a longer term bsis should give rise to PV signed by the employee. This PV would render the employee responsible for certain types of damage needing repair."

Response: We are recommending that PIDAC follow through on these recommendations.

Recommendations: "We understand that the new computerised system being implemented for PIDAC will permit the results of the credit fund to be evaluated and the production of a balance sheet. We have not assessed the software but the reports that will be produced appear to be appropriate. This system can only work effectively if the personnel is suitably qualified and support is available for problem solving.

A) The perpetual inventory system should receive all stock documents quickly in order to have an up-to-date record. The prenumbered stock movement vouchers must be used properly and dates thereon noted on the stock sheets.

B) At least two physical stock takes should be carried out at all zones each year. The reconciliation between physical inventory and perpetual inventory must be prepared, differences investigated and corrections made to agree both sets of results."

Response: Reference the first paragraph of this recommendation the computer system has been installed. Substantial training has been offered to accounting division employees in the operation of the system. Reference paragraph A, we believe this procedure is being carried out. Reference paragraph B, we recommended during the final month of the project that PIDAC carry out this function.

Recommendation: "Volet féminin officials must plan the timing of purchases and must ensure that furniture in stock is being properly looked after."

Response: We will urge the Volet Féminin to follow through on this recommendation.

Recommendation: "We recommend that, to ensure accurate record keeping, the control of reimbursement vouchers exercised by PIDAC DAF and the assistant project officer at Ziguinchor continue to be carried out as effectively as they have been over the past year."

Response: These procedures were observed through the PACD of December 31, 1985. No further action is contemplated on this recommendation.

APPENDIX L

Recommendations: "We are informed that salaries will be calculated on the new computer system. Although in theory this should eliminate errors, care will still have to be exercised to ensure that the salaries are correct.

USAID should required PIDAC to submit payment vouchers in respect to all social security charges set off against advances. Failing this, USAID should issue a bill of collection for the amounts not proved. USAID should investigate further to trace these unjustified advances."

Response:

According to PIDAC, the attached receipts, for the period from July 1985 - December 1985, represent the total amount which PIDAC owed to IPRES for civil service and contractual employees paid directly by PIDAC. PIDAC points out that PIDAC civil service and contract employees were paid by the CEP before July 1985 when it was the practice of the CEP to deduct employee IPRES contributions before any given employee received his/her paycheck. USAID has asked the ACP of SOMIVAC to obtain for us a letter from IPRES certifying that they have received from the CEP all the employees' contributions which they deducted while they were processing the PIDAC Payroll.

According to our records, PIDAC still owes IPRES for the employee share for all PIDAC temporary employees for the months of January-June 1985. USAID will verify the calculation of the amount which PIDAC owes IPRES so that RCON will be able to deduct this amount from the final vouchers submitted by PIDAC. USAID will confirm by separate memo when this action has been completed.

Recommendations: "For a more efficient use of the motor vehicles available to the Project, we recommend that a garage be set up at PIDAC to look after general maintenance of the vehicles. PIDAC has three mechanics at its disposition."

Response: The USAID Project office urged PIDAC to submit a proposal for the establishment of a light maintenance garage. Unfortunately, PIDAC did not submit plans for such a garage until just a few weeks before the PACD. Accordingly, USAID could not take the necessary action to review and approve the construction of the garage, since the work would not have been terminated by the PACD.

Recommendations: "Spare parts delivered with vehicles should be strictly controlled and proper stock records of these should be maintained."

Response: An inventory system is now in place, as was indicated above. The USAID Project office intends to follow up, with the assistance of SMO and the USAID garage, on the maintenance of a proper system for controlling the use of spare parts.

APPENDIX L

Recommendation

"The parts being replaced should if possible be repaired or reconditioned. If they can still be of use, then such parts should then be recorded and controlled."

Response: Arrangements were made before the PACD for reconditioning some parts with the assistance of the Mission Garage. (Dakar offers much better opportunities than Ziguinchor to have parts reconditioned). PIDAC has not worked out an arrangement, despite repeated urging by USAID project management to do so, to use the Dakar liaison office of SOMIVAC to handle details such as searching out shops in Dakar which recondition auto parts.

Recommendations: "The official responsible for the fleet, who has been trained at USAID Dakar, should be in overall charge of repairs."

Response: USAID informally communicated this recommendation to PIDAC, but the present DAF of PIDAC prefers to channel all car repairs through the PIDAC chief mechanic. USAID does not plan any further actions on this recommendation since the PACD is past.

Recommendation: "In respect of major repairs given to external garages the ability of the garage to finance the purchase of expensive parts and to provide a fast service should be considered as well as cost before selecting the garage."

Response: First, the number of reliable garages available in Ziguinchor is limited. It is USAID's opinion that the key constraint to keeping PIDAC vehicles in service is PIDAC's general inability to buy spare parts as the need develops. Obviously, if they could expeditiously buy spare parts, then they wouldn't have to depend on garages to obtain the parts for them. The GOS budget process for contingency expenses, cumbersome purchasing procedures and lack of representation in Dakar all contribute to PIDAC's inability to buy spare parts as the need develops. The USAID Project Officer worked with PIDAC for over two years to up grade this function; little measurable success was achieved by Project's end. No further action is contempleted.

If you require any clarification of our response to these recommendations, please contact Bob MacAlister.

APPENDIX M

STATEMENT OF WORK ISSUED UNDER WORK ORDER N° 12

The audit scope will generally include all transactions from 6/30/82 - 9/30/84. The following activities will be included:

A. End use of all commodities purchased under PIO/C for the credit activities.

B. End use of all commodities purchased under PIO/C for other activities.

C. Credit activities will be audited to determine current inventory, situation status of accounts receivable and repayments. A balance sheet should be prepared for the credit fund.

D. All of the vouchers from the local contractor who pays some of the PIDAC personnel, will be audited 100%. The contract period was from January 1, 1984 - October 31, 1984 for approximately forty (40) employees.

E. All of the vouchers for the Volet Feminin will be audited and an end use study made on fixed assets and supplies purchased through the Volet's bank account.

F. Review the basis on which the PIDAC operating account expenditures have been recorded and reported and verify a small number of items.

G. The account for the reimbursement of technical assistants personal mileage will be audited and a brief report on how and why it was created without a PIL.

H. PIDAC salary reimbursement vouchers will be audited on a sample basis.

I. All project expenses for repairs of vehicles.

J. In addition, the auditors will need to review the Project Paper, project authorization, PROAG and Amendments, PILs, Protocols, and other project correspondence to determine whether the project is operating in accordance with instructions from AID/W and the USAID. In addition, the auditors should also consult the 1983 Evaluation Report and the 1983 RIG Report; the Sahel regional Financial Management Project report on SOMIVAC/PIDAC, dated November 16, 1984; Arthur Aderson Report Diagnosis of the project's financial and accounting management, issued in March 1985 in French and in May 1985 in English; Arthur Anderson Report Casamance Project SOMIVAC/PIDAC Special Funds Management Systems issued in March 1985 in French and in May 1985 in English; CVCCEP SOMIVAC Rapport Particulier dated July 1985; and the reports of Gueye Associates".