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AUDIT OF  
THE HAITIAN NATIONAL SERVICE  
FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

Audit Report No. 1-521-87-10-N  
April 15, 1987

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

U. S. MAILING ADDRESS  
RIG/T  
APO MIAMI 34922

OFFICE OF THE REGIONAL INSPECTOR GENERAL  
**AMERICAN EMBASSY**  
TEGUCIGALPA --- HONDURAS

TELEPHONES.  
32-0044 & 32-0092  
also 32-3120/9, EXT. 293 & 296

April 15, 1987

MEMORANDUM

TO : D/USAID/Haiti, Gerald Zarr  
FROM : RIG/A/T, *Coinage N. Gothard* Coinage N. Gothard, Jr.  
SUBJECT: Audit Report No. J-521-87-10-N, "Audit of the Haitian National Service for Endemic Diseases"

This report presents the results of a non-Federal financial and compliance audit requested by your Mission of National Service for Endemic Diseases (SNEM), a Haitian governmental agency. The certified public accounting firm of Peat Marwick Mitchell & Co. in Haiti prepared the report, which is dated March 13, 1987.

The purpose of this financial and compliance audit was to determine if the financial statements of SNEM fairly presented its financial position as of June 30, 1986; to study and evaluate SNEM's system of internal controls; and to determine if SNEM complied with applicable laws, regulations and agreements.

Peat Marwick Mitchell & Co. disclaimed an opinion on the financial statements as of June 30, 1986 due to material errors in accounting records and weaknesses in internal controls. Their study and evaluation of internal controls disclosed that the accounting, payroll, local procurement, and inventory systems were inadequate. They also determined that SNEM had not complied with certain provisions of AID Grant Agreement No. 521-0143 and of PL480 grant agreements. Due to material deficiencies of the internal control system and to inadequate records, they were unable to express an opinion for items not tested.

The Peat Marwick report contains 27 recommendations to improve SNEM's system of internal controls and 2 recommendations to achieve compliance with applicable laws, regulations, and agreements. We believe that these recommendations will significantly improve SNEM's administrative and compliance weaknesses. As a result, the following recommendation will be included in the OIG's audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Haiti provide technical assistance to SNEM to implement the report's recommendations, and for future agreements, obtain evidence from SNEM to demonstrate that it has implemented the 27 recommendations for internal controls and the 2 recommendations for compliance contained in the Peat Marwick Mitchell & Co. report dated March 13, 1987.

Please advise this office within thirty days of the actions planned or taken to implement this recommendation.



Paul Marshall American & Co.  
125 N. ...  
1000 ...  
P.O. Box ...

AUDIT OF THE  
NATIONAL SERVICES FOR ENDEMIC DISEASES  
USAID/HAITI PROJECT NO. 521-0143  
JUNE 30, 1986

AUDIT OF NATIONAL SERVICE FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

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Pent, Marwick, Mitchell & Co.  
Public Accountants  
P.O. Box 13270 - Delmas Road  
Port au Prince, Haiti

March 13, 1987

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras, C.A.

Dear Mr. Gothard:

This report presents the results of our audit of the National Service for Endemic Diseases (SNEM).

BACKGROUND

The National Service for Endemic Diseases, which has a central office and four regional offices, was created by law on August 31, 1958 as published in Le Moniteur on September 8, 1958. Its main objective is the design and the implementation of an effective malaria control program.

SNEM is principally financed by two grants signed between the United States Agency for International Development (USAID) and the Government of Haiti as well as PL-480 funds. The last grant agreement (No. 521-0143) was signed in September 1982 for \$8.0 million. The purposes of those grants are to assist the Government of Haiti (GOH) to strengthen the institutional capacity of SNEM in technical and administrative aspects and to significantly reduce the morbidity and mortality from malaria in Haiti by targeted attacks on the geographical centers of the disease. The other sources of financing for the malaria control program consist of the contributions of the Japanese Government for \$8.0 million worth of insecticide, the Pan American Health Organization for \$1.9 million in technical cooperation and the GOH for \$8.6 million in counterpart contributions.



#### AUDIT OBJECTIVE AND SCOPE

The objective of the audit was to conduct a financial examination and a review of SNEM's compliance with applicable laws and regulations to determine whether the disbursements and receipts are accurate and adequately documented and whether the disbursements and receipts have been made as stated in the agreements, contracts, budgets and recorded according to sources of funds for the fiscal year ended September 30, 1985 and the nine months ended June 30, 1986.

The audit was performed in accordance with generally accepted auditing standards and with the standards for financial and compliance audits contained in the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision) and, accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances to form an opinion on the financial statements and to determine if funds and commodities were properly accounted for and used as directed by the agreements and Haitian laws and regulations. The audit also included such tests of the accounting records to determine compliance with the terms of grant agreement no. 521-0143, the PL-480 grant agreements, and Haitian laws and regulations for which non-compliance could have a material effect on the financial statements of SNEM or on the assistance program.

The scope of the work consisted of:

- o Examining the financial statements of SNEM for the fiscal year ended September 30, 1985 and the nine months ended June 30, 1986;
- o Performing a study and an evaluation of internal control procedures in accounting and operations, with an emphasis on salaries, local procurement system and inventory controls; and
- o Performing a review of the transactions to determine their compliance with contractual provisions, laws and regulations.

#### RESULTS OF THE AUDIT

##### 1. Financial Statements

Because of the restrictions in the scope of our examination due to inadequate records and insufficient supporting documentation, we were unable to express an opinion on the financial statement of SNEM as of June 30, 1986.



## 2. Internal Controls

Our study and evaluation of SNEM's internal controls covered SNEM's internal accounting controls, the payroll system, the local procurement system and the inventory internal controls. Our study and evaluation in the above areas revealed the following:

### Internal Accounting Controls

The system of controls and procedures actually in use is deficient due to the following general situations, described in details in the findings in each area.

- o The accounting system is inadequate . It does not include:
  - basic journals,
  - subsidiary ledgers, and
  - reconciliation processes.
- o The reporting system is inadequate. The reports prepared for USAID and PL-480 Title III Program result from a process of allocation of expenses incurred. This process is not consistent and is not supported by sufficient documentation to permit in depth analysis.
- o There is no effective segregation of duties.
- o There is a lack of management supervision

Based on the above comments, we believe that SNEM's internal accounting control system is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement.

### Payroll System

Based on findings no. 1 to 5 as a result of our study and evaluation of the payroll system, we believe that the payroll system of the National Services for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement.

### Local Procurement System

Based on findings no. 1 to 4 as a result of our study and evaluation of the local procurement system, we believe that the local procurement system of the National Services for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement.



### Inventory Internal Controls

Based on findings no. 1 to 4 as a result of our study and evaluation of the system of inventory internal controls, we believe that the system of inventory internal controls of the National Services for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement.

### 3. Compliance with Laws, Regulations and Applicable Agreements

As a result of our review, we believe that SNEM has not complied with the AID and PL-480 grant agreements.

The non-compliance with the grant agreements is related to the deficiencies in internal controls and lack of adequate documentation that might cause losses and have material effects on the financial position of SNEM.

Based on the results of our review, we are unable to express an opinion on items not tested.

### Management Comments

USAID/Haiti and SNEM reviewed a draft copy of this report, were in basic agreement with its contents, and offered suggested modifications or explanations which are incorporated in this final report.

### Report Distribution

This report is intended solely for the use of the National Services for Endemic Diseases and the Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID Regional Inspector General, is a matter of public record.

*Peat, Marwick, Mitchell & Co.*



Peat, Marwick, Mitchell & Co.  
Public Accountants  
P.O. Box 14270, Delmas Road  
Port-au-Prince, Haiti

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AUDIT OF NATIONAL SERVICE FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

REPORT ON FINANCIAL STATEMENTS

AUDITOR'S OPINION

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras:

We have examined the Balance Sheet of the National Service For Endemic Diseases (SNEM) as of June 30, 1986. Our examination was made in accordance with generally accepted auditing standards and the standards of financial and compliance audits contained in the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision), and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as stated in the following four paragraphs.

The institution's accounting records do not provide sufficient evidence supporting the balance of fixed assets, cost of program, other assets and accumulated contributions as of June 30, 1986. The institution's records do not permit the application of adequate alternative procedures regarding the balance of fixed assets, cost of program, other assets and accumulated contributions. Further, as described in note 1, SNEM does not depreciate fixed assets, as required by generally accepted accounting principles.

We did not observe the taking of the physical inventory as of June 30, 1986 and as of September 30, 1985, since these dates were prior to the time we were appointed as auditors of SNEM. We were unable to satisfy ourselves as to the inventory amount by means of other auditing procedures.

Due to inadequate records, we were unable to satisfy ourselves of the adequate recording on SNEM's books of the contribution of \$1,000,000 from the PL-480 program for the fiscal year 1982-1983 as confirmed by the PL-480 funds.

Due to inadequate records, we were unable to satisfy ourselves about the consistency of the inventory pricing methods.

Because of the restrictions in the scope of our examination stated in the four preceding paragraphs, we are unable to and we do not express an opinion on the accompanying financial statement of SNEM.

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Our examination was made for the purpose of forming an opinion on the basic financial statement. The supplementary information included in annexes A and B is presented for purposes of additional analysis and is not a required part of the basic financial statement. The information in such annexes has been subjected to the auditing procedures applied in the examination of the basic financial statement. Due to the above scope restrictions, we do not express an opinion of the supplementary information.

*Grant, Maxwell, Mitchell & Co.*

November 7, 1986  
Port-au-Prince, Haiti

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Balance Sheet

June 30, 1986

(Expressed in US dollars)

(See auditor's disclaimer of opinion)

Assets

|                              |                      |
|------------------------------|----------------------|
| Cash (note 2)                | \$ 65,167            |
| Accounts receivable (note 3) | 275,550              |
| Inventories (note 4)         | 761,074              |
| Fixed assets                 | 1,318,111            |
| Cost of program (note 5)     | 26,552,159           |
| Other assets                 | <u>445,013</u>       |
|                              | \$ <u>29,417,074</u> |

Liabilities and Contributions

|                                       |                      |
|---------------------------------------|----------------------|
| Accounts payable and accrued expenses | 734,205              |
| Contributions (note 6):               |                      |
| AID                                   | 15,141,039           |
| PL-480                                | 2,730,941            |
| Haitian Government                    | 9,493,037            |
| Others                                | <u>1,317,852</u>     |
|                                       | <u>28,682,869</u>    |
|                                       | \$ <u>29,417,074</u> |

See accompanying notes to financial statement.

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Notes to Financial Statement

June 30, 1986

(1) General Information and Summary of Significant Accounting Policies

(a) General Information

The National Service For Endemic Diseases (SNEM) was created by law on August 31, 1958 as published in Le Moniteur on September 8, 1958. Its main objective is the design and the implementation of an effective malaria control program.

The principal sources of funds for this program are two grants signed between the United States Agency for International Development (USAID) and the Government of Haiti as well as PL-480 funds. The last grant agreement, (No. 521-0143), was signed on September 1982 for \$8.0 million. The purpose of these grants is to assist the Government of Haiti (GOH) to strengthen the institutional capacity of SNEM in technical and administrative aspects and to significantly reduce the morbidity and mortality from malaria in Haiti by targeted attacks on the geographical centers of the disease.

The other sources of financing for the malaria control program consist of the contributions of the Japanese Government for \$8.0 million worth of insecticide, the Pan American Health Organization for \$1.9 million in technical cooperation and the GOH for \$8.6 million in counterpart contributions.

(b) Basis of Significant Accounting Policies

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, except for the fact that fixed assets have not been depreciated.

(c) Fixed Assets

The fixed assets are stated at cost and have not been depreciated as required by generally accepted accounting principles.

(Continued)

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Notes to Financial Statement

(d) Contributions and Subsidies from the Government of Haiti

The Haitian Government subsidizes SNEM's operations from the national budget. Those subsidies are registered on SNEM's books as Haitian Government contributions on the basis of the monthly installments effectively received. This represents the Government of Haiti contrepart funds.

(e) Exchange Rates

The financial statements are presented in US dollars at the official exchange rate of five Haitian gourdes for one US dollar. This official exchange rate has been in force for approximately the last fifty years.

(2) Cash

As of June 30, 1986, cash balances include the following:

|  |                  |
|--|------------------|
| Banque de la République d'Haiti<br>account # 549G  | \$ 7,592         |
| Banque de la République d'Haiti<br>account # 276PI | 50,895           |
| Petty cash funds                                   | <u>6,680</u>     |
|  | \$ <u>65,167</u> |

(3) Accounts Receivable

As of June 30, 1986, accounts receivable are as follows:

|                   |                   |
|-------------------|-------------------|
| USAID             | \$ 257,223        |
| PL-480, Title III | <u>18,327</u>     |
|                   | \$ <u>275,550</u> |

These accounts receivable represent expenses already incurred by SNEM but not reimbursed as of June 30, 1986 by the above organizations.

(Continued)

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Notes to Financial Statement

(4) Inventories

As of June 30, 1986 inventories are as follows:

|                    |                   |
|--------------------|-------------------|
| Supplies           | \$ 705,824        |
| Spare parts        | 52,811            |
| Petroleum products | <u>2,439</u>      |
|                    | \$ <u>761,074</u> |

(5) Cost of Program

SNEM accumulates in the cost of program all expenditures incurred except those relative to inventories, fixed assets and other assets, which are accumulated in those specific accounts.

(6) Contributions

As of June 30, 1986, contributions are as follows:

|  | <u>AID</u>           | <u>PL-480</u>    | <u>Haitian<br/>Government</u> | <u>Others</u>    |
|--|----------------------|------------------|-------------------------------|------------------|
| Adjusted balances as<br>of September 30,<br>1984 | \$ 12,916,859        | 1,100,000        | 9,060,137                     | 1,314,852        |
| Additions:                                       |                      |                  |                               |                  |
| 1985   | 1,051,495            | 1,100,000        | 234,000                       | -                |
| 1986   | <u>1,172,685</u>     | <u>530,941</u>   | <u>198,900</u>                | <u>3,000</u>     |
| Adjusted balances<br>as of June 30,<br>1986      | \$ <u>15,141,039</u> | <u>2,730,941</u> | <u>9,493,037</u>              | <u>1,317,852</u> |

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Statements of Contributions and Expenditures

Nine months ended June 30, 1986 and  
year ended September 30, 1985

(Expressed in US dollars)

(See auditor's disclaimer of opinion)

|  | <u>Nine months ended</u><br><u>June 30, 1986</u> | <u>Year ended</u><br><u>September 30, 1985</u> |
|--|--|--|
| Contributions:   |  |  |
| AID  | \$ 1,172,685                                     | 1,051,495                                      |
| PL-480   | 530,941  | 1,100,000                                      |
| Haitian Government   | 198,900  | 234,000  |
| Others   | <u>3,000</u>                                     | <u>-</u>                                       |
|  | <u>1,905,526</u>                                 | <u>2,385,495</u>                               |
| Expenditures by programs:  |  |  |
| Administration   | 272,484  | 388,256  |
| Direction  | 125,684  | 155,526  |
| Coordination and audit   | 13,752   | 14,022   |
| Intercoordination unit   | -  | 25,240   |
| Garage and transportation  | 266,288  | 442,197  |
| Epidemiology   | 38,229   | 145,506  |
| Laboratory   | 78,157   | 103,326  |
| Entomology   | 81,356   | 115,581  |
| Statistics   | 35,006   | 40,822   |
| Research   | 15,752   | 24,695   |
| Training   | 30,919   | 72,143   |
| Sanitary Education   | 16,100   | 22,125   |
| Planning and supervision   | 305,033  | 488,540  |
| Cartography  | 9,917  | 16,903   |
| Operational aspersion  | 101,167  | 110,699  |
| Drug distribution  | 260,871  | 351,788  |
| Selective and collective<br>distribution of drugs                              | 10,780   | 87,304   |
| Larviciding and fumigation   | 4,429  | 21,075   |
| Profen   | -  | 74,691   |
| Geographic acknowledgement   | <u>50,905</u>                                    | <u>24,470</u>                                  |
|  | <u>1,716,829</u>                                 | <u>2,724,909</u>                               |
| Excess of contributions<br>(expenditures) over<br>expenditures (contributions) | \$ <u>188,697</u>                                | <u>(339,414)</u>                               |

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ANNEX B

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Statements of Expenditures by Budget Categories

Nine months ended June 30, 1986  
and year ended September 30 1985

(Expressed in US dollars)

(See auditor's disclaimer of opinion)

|  | <u>Nine months ended</u><br><u>June 30, 1986</u> | <u>Year ended</u><br><u>September 30, 1985</u> |
|--|--|--|
| <u>AID</u>                               |  |  |
| Salaries and other allowances            | \$ 681,400                                       | 1,021,777                                      |
| Petroleum products                       | 138,672  | 165,000  |
| Seminars and trainings                   | 5,785  | 33,560   |
| Vehicle maintenance                      | 3,509  | 19,800   |
| Office supplies                          | 30,764   | 22,000   |
| EDP supplies                             | 1,112  | 29,496   |
| OPC supplies                             | 21,018   | 51,460   |
| Supplies for sanitary education          | 118  | -  |
| Computer fees                            | 4,656  | -  |
| Spare parts                              | <u>17,762</u>                                    | <u>8,500</u>                                   |
|  | <u>904,796</u>                                   | <u>1,351,593</u>                               |
| <br><u>PL-480 and Haitian Government</u> |  |  |
| Salaries:                                |  |  |
| PL-480                                   | 562,570  | 906,831  |
| Haitian Government                       | 72,255   | 52,572   |
| Other expenses                           | <u>177,208</u>                                   | <u>413,913</u>                                 |
|  | <u>\$ 1,716,829</u>                              | <u>2,724,909</u>                               |



Peat, Marwick, Mitchell & Co.  
Public Accountants  
P.O. Box 13270, Delmas Road  
Port au Prince, Haiti

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NATIONAL SERVICE FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

REPORT ON THE INTERNAL ACCOUNTING CONTROL SYSTEM

AUDITOR'S OPINION

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras:

We have examined the balance sheet of the National Service for Endemic Diseases (SNEM) as of June 30, 1986 and have issued our report thereon dated November 7, 1986. As part of our examination, we made a study and evaluation of the system of internal accounting control of SNEM to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. Comptroller General's "Standards for Audit of Governmental Organization, Programs, Activities, and Functions" (1981 revision). For the purpose of this report, we have reviewed the significant internal accounting controls in the following areas:

- o Accounting and general administration,
- o Cash,
- o Accounts receivable,
- o Fixed assets,
- o Contributions, and
- o Other assets, accounts payable and accrued expenses.

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the National Service For Endemic Diseases is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.



Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made, for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the National Service For Endemic Diseases taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation revealed certain conditions described on findings no. 1 to 6 on the following pages that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statement of the National Service For Endemic Diseases may occur and not be detected within a timely period. These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the financial statement as of June 30, 1986.

This report is intended solely for the use of the National Services For Endemic Diseases (SNEM) and the Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the AID Regional Inspector General, is a matter of public record.

*Peat, Marwick, Mitchell & Co.*

November 7, 1986  
Port-au-Prince, Haiti

INTERNAL ACCOUNTING CONTROL SYSTEM

1. Findings Related to Accounting and General Administration

Condition:

- o SNEM does not have an adequate accounting system:
  - SNEM uses one main accounting book which consolidates and summarizes the transactions of each month.
  - This book is not maintained by sources of financing and no distinction is made between expenses incurred from USAID and PL-480 funds and those financed by the Government of Haiti.
  - There are no adequate subsidiary journals to support the accumulated totals.
  - Reports prepared for USAID and PL-480 are not properly supported by detailed information.
  - A delay, usually of two months, is necessary for the monthly closing of the books.
  - SNEM's organization chart is not responsive to the needs of the organization.
- o There is a lack of follow-up on budgetary decisions.
- o There is a lack of management supervision.

Criteria:

- o Management decisions should be based on internally reported reliable financial information which should be obtained from adequate accounting and reporting systems.
- o Proper internal and budgetary controls should be followed.

Cause:

- o In the last year, SNEM has changed management approximately three times and this situation results in a weak organizational structure and lack of management direction.

- o Present accounting system is completely outdated and does not provide a basis for effective controls nor reliable reporting.
- o Former management has not given sufficient priority to maintaining an adequate control environment.
- o SNEM does not have a procedures manual.

Effect:

- o Reliable and current information cannot be obtained from the financial statements in order to make appropriate management decisions.
- o Due to inadequate segregation of funds and lack of subsidiary journals, reports prepared by sources of funds cannot be traced to sufficient supporting documentation.
- o Noncompliance with AID agreements, articles 3, 6 and 7, sections 3.1, 3.2, 6.1, 6.2 and 7.1 of the special provisions and articles B and C, sections B.3, B.5 and C.4 of the standards provisions.
- o Important deviations from the budget cannot be explained.

Recommendation:

SNEM should:

- o establish adequate accounting and reporting systems based on basic journals and subsidiary ledgers which should be reconciled on a periodic basis and maintained by sources of financing;
- o maintain all books up to date in order to prepare the financial statements on a timely basis;
- o prepare a detailed procedures manual to establish a proper distribution of work and uniform procedures and control;
- o compare actual expenses with budget to ensure that initial decisions and agreements are adhered to and that variances are fully explained;

- o establish an adequate system of internal control based on:
  - segregation of duties,
  - approval of all transactions,
  - adequate documentation,
  - safeguarding of assets and records,
  - management supervision, and an
  - appropriate plan of organization; and
  
- o revise the organization chart to show clearly the lines of authority and responsibility for financial reporting.

2. Findings Related to Cash

A) General matters

Condition:

- o Bank accounts are not segregated by sources of funds.
- o There is not a sufficient segregation of duties to avoid conflict of interest.
- o The chief accountant, responsible for posting financial data on SNEM's books, was related to the cashier.
- o Banks are not notified immediately when an authorized check signer leaves the institution.

Criteria:

- o Bank accounts should be maintained by sources of funds.
- o Preparation of the reconciliation between the bank statement and books must be performed by an individual with no access to cash receipts and disbursements.
- o Banks should be notified immediately when an authorized check signer leaves the institution in order to eliminate his signature.

Cause:

- o A detailed procedures manual is not available.
- o The accounting system is not based on accounting books maintained by sources of funds.
- o There is an inadequate segregation of duties.
- o There is a lack of administrative organization.

Effect:

- o Bank balances by sources of funds cannot be determined.
- o Reliable information cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.

- o Funds might be improperly used.

Recommendation:

SNEM should:

- o establish proper internal control procedures to ensure that all cash transactions are properly authorized and made for SNEM's puposes,
- o maintain bank accounts or books by sources of funds,
- o establish adequate segregation of duties between the recording of financial data on SNEM's books and the cashier functions, and
- o notify banks immediately when an auhorized check signer leaves the institution.

B) Reconciliation of bank accounts

Condition:

- o Bank reconciliations are not prepared on a monthly basis.
- o A global reconciliation was prepared for both bank accounts since SNEM cannot reconcile them separately.
- o There are some outstanding checks that are approximately 6 years old.

Criteria:

- o Bank reconciliations must be prepared, reviewed and approved on a monthly basis for each bank account.
- o Checks outstanding for a long time should be cleared.

Cause:

- o No procedures manual exists.
- o No independent bank reconciliations are made on a monthly basis, and there is no follow-up on reconciliation items outstanding for a long time.
- o The inadequate accounting system is not based on accounting books maintained by sources of funds.

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Effect:

- o Errors and irregularities may not be detected promptly.
- o Bank balances by sources of funds cannot be determined.

Recommendation:

SNEM should:

- o maintain bank accounts by sources of funds,
- o prepare a reconciliation on a monthly basis for each bank account, and
- o follow-up on checks outstanding for a long time in order to adjust the books.

C) Deposits

Condition:

- o The deposit slips stamped by the banks are not compared with the cash receipt records by someone other than the cashier, who also prepares these deposit slips.

Criteria:

- o Deposit slips stamped by the banks must be compared with the cash receipt records by someone other than the one who prepared them.

Cause:

- o No procedures manual exists.
- o There is an inadequate segregation of duties.
- o There is a lack of supervision over the job performed by the cashier.

Effect:

- o Funds may be used improperly.
- o Errors and irregularities may not be detected promptly.

Recommendation:

SNEM should:

- o establish proper internal control procedures to ensure that an independent comparison of cash receipt records with the deposit slips stamped by the bank is performed and,
- o supervise the job performed by the cashier.

D) Petty cash funds

Condition:

A petty cash of \$1,000 is maintained by each zone.

- o Petty cash slips are not prenumbered.
- o Petty cash slips are not signed by the person who receives the cash.
- o The custodian of petty cash funds is not independent of the cashier.
- o Petty cash disbursements and reimbursements are not recorded in a journal.
- o Petty cash supporting documents are not individually cancelled with a "paid" stamp and do not always specify the activity for which the funds are spent.
- o The maximum amount fixed for the petty cash disbursements is not always respected.
- o No periodic surprise count of the cash on hand is performed.

Criteria:

Good internal accounting controls over cash on hand should be based on the following:

- o Use and control of prenumbered and approved forms for petty cash disbursements,
- o Adequate segregation of duties,
- o Disbursements well supported by supporting documents and recorded in a cash journal,

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- o Petty cash supporting documents cancelled by a "paid" stamp,
- o Adherence to the maximum amount fixed for the petty cash disbursements, and
- o Periodic surprise count of the cash on hand.

Cause:

- o No procedures manual exists.
- o There is an inadequate segregation of duties.
- o There is an inadequate supervision of the cashier.

Effect:

- o There exists a risk of theft or unauthorized use of the cash of the petty cash funds.

Recommendation:

SNEM should establish proper internal control procedures to ensure that:

- o all petty cash transactions are properly authorized, adequately supported and made for SNEM purposes;
- o prenumbered petty cash slips are used and controlled;
- o adequate segregation of duties exist;
- o cash journals are maintained for all petty cash funds and include a distribution by nature and sources of funds;
- o surprise cash counts are performed on a regular basis;
- o petty cash supporting documents are cancelled with a "paid" stamp to avoid double payment, and specify clearly the reason for disbursement and the related activity; and
- o maximum amounts fixed for the petty cash disbursements are respected.

E) Cash on hand

Condition:

- o Large amounts of cash are sometimes kept in the safe for several days.

Criteria:

- o Cash should be deposited daily to avoid keeping large amounts in the safe.

Cause:

- o Cash on hand is not deposited daily.
- o No control is performed over the cashier's job.

Effect:

- o Risk of theft, or unauthorized use of the cash on hand. (In September 1986, there was a break-in of SNEM's offices and approximately \$30,000 was stolen).

Recommendation:

SNEM should:

- o deposit daily the cash on hand in order to avoid keeping large amounts in the safe.

3. Findings Related to Accounts Receivable

A) Accounts receivable from AID

Condition:

- o Large differences were noted between USAID's confirmation and SNEM's books as of June 30, 1986 which were adjusted by us.

Criteria:

- o Continuous follow-up should be done on all accounts receivable.
- o An accounts receivable subsidiary ledger should be established and reconciled monthly with the general ledger.

Cause:

- o Amounts reimbursed by USAID were not properly applied against the accounts receivable from USAID.
- o There was a lack of follow-up and reconciliations of accounts receivable.
- o Accounting and reporting systems were inadequate.
- o There was a lack of documentation supporting the entries in the accounting records.

Effect:

- o Financial information is not reliable.
- o It is difficult to verify at a given moment the detailed balance of an account receivable.

Recommendation:

SNEM should:

- o establish an accounts receivable auxiliary ledger which should be reconciled monthly with the general ledger,
- o reconcile the accounts receivable from USAID with the statement received from USAID, and
- o document all entries in the accounting records.

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B) Other accounts receivable

Condition:

- o Many accounts receivable from actual and ex-employees are left in the books without follow-up.
- o Expense reports with related supporting documents are not always prepared by SNEM's employees to justify advances received for SNEM's expenses.

Criteria:

- o Follow-up should be made on all accounts receivable.
- o Advances should be justified by supporting documents.
- o An accounts receivable subsidiary ledger should be established.

Cause:

- o There is a lack of follow-up and reconciliations of accounts receivable.
- o The accounting system is inadequate.
- o Management supervision is lacking.

Effect:

- o Financial information is not reliable.
- o There is a risk of loss due to lack of collection efforts.
- o It is difficult to verify at a given moment the detailed balance of an account receivable.

Recommendation:

SNEM should:

- o establish an accounts receivable auxiliary ledger which should be reconciled monthly with the general ledger,
- o follow-up on all accounts receivable, and
- o obtain expense reports with related supporting documents for all advances.

4. Findings Related to Fixed Assets

A) Recording of capital assets

Condition:

- o SNEM does not have a detailed listing of fixed assets by category as of June 30, 1986.
- o The kardex for fixed assets is not up to date and a reconciliation is not performed with the accounting records.
- o The fixed assets have not been depreciated.
- o Transactions for an approximate amount of \$172,832 affecting fixed assets were recorded in the accounts "cost of program" and "other assets", and the accounting department cannot give an appropriate detail of those additions or disposals of fixed assets for the period under audit.

Criteria:

- o Account records should be categorized by fixed assets. Periodic physical inventory of fixed assets should be taken, compared against records and reconciled to the general ledger.
- o Assets must be depreciated and a review of the reasonableness of depreciation rates should be performed.

Cause:

- o No adequate control of kardex exists.
- o No adequate supervision of the person responsible for the kardex of fixed assets is performed.
- o No reconciliation between the kardex of fixed assets and the accounting records is done.
- o No procedures manual exists.

Effect:

- o No reliable information on the movements and composition of fixed assets can be obtained to be presented in financial statements prepared in accordance with generally accepted accounting principles.

- o Procedures related to fixed assets do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.
- o Some assets, which may have disappeared during the recent political events or otherwise, are still reflected on the books.

Recommendation:

SNEM should:

- o maintain an adequate fixed assets kardex to support the general ledger accounts and exercise a physical control over fixed assets,
- o develop a depreciation policy based on actual book value of the assets and their remaining lives, and
- o record on fixed assets accounts all transactions affecting fixed assets.

B) Additions to capital assets

Condition:

- o SNEM does not have formal capitalization procedures for additions to fixed assets.
- o There is no formal receiving report for purchases of fixed assets.
- o Actual expenditures are not compared on a consistent basis with amounts authorized.

Criteria:

- o An organization must have formal capitalization procedures for additions to fixed assets.
- o Formal received reports must be prepared for all purchases of fixed assets.
- o There must be an authorization for expenditures in excess of original approval.

Cause:

- o No procedures manual exists.
- o There is a lack of management supervision.

Effect:

- o Amounts which should be recorded as expenses are being capitalized.
- o The lack of receiving reports, prevents SNEM from attesting to the receipt of the assets for which it pays and from obtaining the assurance that an independent count was made.
- o Procedures related to fixed assets do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

Recommendation:

SNEM should:

- o develop a capitalization policy and procedure to properly record additions and dispositions of fixed assets in order to insure adherence to accounting principles,
- o prepare a receiving report for fixed assets purchased, and
- o obtain an authorization for expenditures in excess of original authorization.

C) Disposals and retirements of capital assets

Condition:

- o A copy of the authorization for the sale or retirement of capital assets is not always sent directly to the accounting department by the person who approves it; and the information on the authorization is not always used as the basis to record the disposal in the fixed assets accounts.

Criteria:

- o A copy of the authorization for the sale or retirement of fixed assets must be sent directly to the accounting department which should use it as a basis to record the disposal in the general ledger.

Cause:

- o A procedures manual does not exist.
- o There is a lack of management supervision.

Effect:

- o Unauthorized use or disposition of fixed assets could not be detected and the accounting records might be inaccurate.

Recommendation:

SNEM should:

- o send a copy of the authorization for the sale or retirement of fixed assets directly to the accounting department in order to use it as a basis to record the disposal in the general ledger and to establish control over the physical property and the proceeds realized from disposal of assets.

D) Safeguard of fixed assets

Condition:

- o There is no physical control system over fixed assets.
- o We did not see any evidence of an adequate casualty insurance policy.

Criteria:

- o Safeguards must be established against loss from unauthorized use or disposition, or from fire or from natural damages.

Cause:

- o There is a lack of supervision over the activities related to fixed assets.
- o A procedures manual does not exist.

Effect:

- o There may be a loss from unauthorized use or disposition, or from fire or natural damages.

Recommendation:

SNEM should:

- o take periodic physical inventories of fixed assets in order to maintain the kardex up to date and to adjust the general ledger,
- o cover the fixed assets with an adequate casualty insurance policy, and
- o prepare a detailed list of fixed assets which includes the location of the fixed assets and the personnel responsible for those assets.

5. Findings Related to Contributions

Condition:

- o Differences were noted between confirmation replies from USAID and PL-480 title I and SNEM's books:
  - a) differences relative to USAID were investigated and reconciled
  - b) we also reconciled the contribution of PL-480 for the fiscal years 83-84, 84-85 and 85-86. However the PL-480 contributions of 82-83 for \$1,000,000 could not be identified in SNEM books.
- o Differences were noted between contributions shown on the detailed sheets prepared by SNEM and the general ledger for USAID contributions. These differences were investigated and corrected by the auditors.
- o The detail of the account "other contributions" as of June 30, 1986 is as follows:

|                             |                         |
|-----------------------------|-------------------------|
| Balance before August 1980  | \$ 1,095,074            |
| Additions August 1980       | 219,778                 |
| Additions June 1986         | <u>3,000</u>            |
| <br>Balance as of June 1986 | <br>\$ <u>1,317,852</u> |

SNEM was not able to give any explanation concerning the balance before August 1980 due to lack of documentation. The amount of \$219,778 above represents equipment received from Japan but supporting documents could not be obtained. SNEM only has supporting documents for the \$3,000 above which represents the additions for the fiscal year ended September 30, 1985.

Criteria:

- o SNEM should establish a contributions subsidiary ledger and periodically reconcile the general ledger with statements received from grantors and the subsidiary ledger.
- o SNEM should separately register the funds received and used by sources.

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Cause:

- o Reconciliation of SNEM's books with the grantors is not performed.
- o The funds from USAID, PL-480, and the Government of Haiti were commingled, and the books do not identify them separately.
- o The books do not segregate the two grants from USAID.
- o The books are not maintained by sources of financing.
- o SNEM does not follow-up on its reimbursement requests.

Effect:

- o It is impossible to obtain the balance of the accumulated grants for USAID separately.
- o SNEM is in non-compliance with AID agreements for articles 3, 6 and 7, sections 3.1, 3.2, 6.1, 6.2 and 7.1 of the special provisions and articles B and C, sections B.3, B.5 and C.4 of the standards provisions.
- o The accumulated contributions balances as per SNEM's books may not reflect the reality.

Recommendation:

SNEM should:

- o perform periodically a reconciliation between SNEM's books and the grantors' statements;
- o follow-up on all reimbursement requests;
- o record all contributions by sources of financing, and in the proper accounts;
- o maintain adequate supporting documents related to the grantors; and
- o investigate and identify in previous bank statements the PL-480 Title I contributions in 1982 for \$1,000,000.

6. Findings Related to Other Assets, Accounts Payable and Accrued Expenses

Condition:

- o SNEM does not have the details and the supporting documents for the other assets totalling \$445,013 as of June 30, 1986.
- o The balances of accounts payable and the other payables as of June 30, 1986 are \$461,919 and \$9,758 respectively, and we could not obtain from SNEM the detailed listing and the documents supporting these balances.
- o We could not obtain the supporting documents for the taxes payable for \$108,971 as of June 30, 1986.
- o SNEM does not calculate accrued expenses such as Christmas bonuses and vacations.

Criteria:

- o Financial statements prepared in conformity with generally accepted accounting principles should be supported by adequate details and documentation and should be prepared on an accrual basis.

Cause:

- o The accounting system is inadequate.
- o Reconciliations of those accounts have never been performed.
- o Documentation supporting the entries on the books is lacking.
- o There was a lack of supervision of the job performed.

Effect:

- o Financial statements do not present fairly the financial position of SNEM.
- o It is difficult to verify at a given moment the exact balance of a specific account.

Recommendation:

SNEM should:

- o establish an accounts payable auxiliary ledger which should be reconciled monthly with the general ledger;
- o reconcile and prepare a detailed list of the other assets, the accounts payable, and the other payables, and
- o calculate and record the accrued expenses in agreement with generally accepted accounting principles.

## NATIONAL SERVICE FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

## REPORT ON THE PAYROLL SYSTEM

## AUDITOR'S OPINION

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras:

We have performed a study and evaluation of the National Service for Endemic Diseases' (SNEM) payroll system. Our study and evaluation included the following controls:

- o General matters,
- o Preparation and review and approval of payroll,
- o Personnel records,
- o Payroll distribution, and
- o Salary and wage policy,

which we considered relevant to the criteria established by AID as set forth in its statement of work for the financial and compliance audit of SNEM. Our work was performed in accordance with generally accepted auditing standards and with the United States Comptroller General's "Standards for Audit of Governmental Organizations Programs, Activities, and Functions" (1981 Revision).

Based on our study and our understanding of the criteria included in the statement of work referred to in the paragraph above, we believe that the payroll system of the National Service for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement. Our opinion is based on findings no. 1 to 5 described on the following pages.

This report is intended solely for the use of the National Service for Endemic Diseases (SNEM), Agency for International Development and other federal agencies. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General is a matter of public record.

*Peat, Marwick, Mitchell & Co.*

November 7, 1986  
Port-au-Prince, Haiti

PAYROLL SYSTEM

1. Findings Related to General Matters

Condition:

- o SNEM's budget details the specific salaries by department to be financed by the various sources. This financial plan was not respected in practice. The amount charged to the various sources of funds fluctuated widely from month to month (see annex I) and it could not be determined with certainty whether the allocation basis was consistent and adequate.
- o The analytical review of salary expenses by sources of funds, which includes the total of salaries, severance payments and allocations (see annex II) and the analytical review of salary expenses by type of expenses (see annex III) revealed important fluctuations for which we could not obtain satisfactory answers from SNEM's management or from its accounting department (see management's comments at the end of this Finding No. 1).
- o The analysis of Account no. 110.3 "overtime" revealed that it fluctuated from an average of \$500 to \$3,504 in September and from \$7,621 and to \$4,954 in November. Explanations received from SNEM's management for those fluctuations could not be traced to sufficient supporting documentation. (See management's comments at the end of this finding No. 1).
- o Accounting books do not reflect the salary expenses by sources of funds by departments. This information was prepared only on our request, and it required a lot of time and effort.
- o The salaries reported to USAID could not be traced to a specific detailed payroll list, as required by the agreement.

Criteria:

- o A budget is an instrument that allows management to take decisions and to ascertain if goals have been reached in the estimated time. For this reason, accounting records should provide accurate and updated information by sources of funds in order for management to make comparisons and analyze any fluctuation.

- o The budgeted salary expenses for USAID and PL-480 agreements should be respected.

Cause:

- o The main basis of allocation of salary expenses to the various sources of funds was the availability of funds instead of the budget's provisions.
- o There is no comparison of expenses to the budget.
- o The budget's provisions are not respected.
- o There is no adequate supervision or verification of the payroll process.
- o SNEM's accounting and reporting system are inadequate.
- o There was non-compliance with grant agreements.

Effect:

- o It is difficult to establish the basis for payroll expenses applicable to USAID and PL-480.
- o Fluctuations on monthly salary expenses are unexplained.
- o Difficulty in complying with agreements.
- o Reliable information cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.

Recommendation:

SNEM should:

- o perform a review of salary expenses financed by USAID and PL-480 for agreement with the budget,
- o perform a review of account distribution and compare it to the budget in order to explain unusual fluctuations in salary expenses, and
- o establish adequate accounting and reporting systems based on basic journals and subsidiary ledgers which should be reconciled on a periodic basis and maintained by sources of financing.

Management's comments

- o SNEM's management explained that fluctuations of salary expenses by type of expenses (see annex III) are due to the fumigating periods and to the fact that some payrolls overlap. However, we could not trace this information to sufficient supporting documents.
  
- o SNEM's management explained that fluctuations on the overtime paid were because, at the end of 1985, an action plan was being studied for the PL-480 and the administrator had many overtime hours.

2. Findings Related to Preparation, Review, and Approval of Payroll

Condition:

- o The same individual:
  - prepared the payroll based on information provided by the personnel department,
  - cashed the payroll check prepared over his name,
  - prepared the payroll envelopes,
  - distributed the envelopes to the employees, and
  - retained the unclaimed wages.
- o There is no evidence of review of the payroll by the personnel department to ensure its accuracy.
- o There is no evidence that the payroll actually paid is compared to the budget and amount financed.

Criteria:

Good internal accounting controls over payroll should include the following:

- o segregation of functions such as personnel responsibilities, payroll preparation and distribution and custody of unclaimed wages,
- o adequate procedures to verify payroll listings and computations,
- o verification of calculations of accruals for payroll,
- o approval of payroll and changes in pay rates, and
- o comparison of the payroll actually paid to the budget and amount financed.

Cause:

- o There was no adequate segregation of duties.
- o Adequate payroll procedures did not exist.
- o There was a lack of supervision and verification of the payroll process.
- o No comparison to the budget was made.

Effect:

- o There might be an overstatement of payroll costs and/or payments to non-existent employees for work not performed.
- o The budget's provisions were not respected.
- o Unclaimed wages might be misused.
- o There is a lack of reliable information to be included in financial statements prepared in accordance with generally accepted accounting principles.

Recommendation:

SNEM should:

- o establish proper internal control procedures for the payroll based on an adequate segregation of duties as follows:
  - a separate personnel department which authorizes and documents all employee hirings and firings, wage rates and salaries, withholdings and deductions;
  - a review and approval of the payroll by the personnel department to ensure the reliability of the personnel list;
  - an independent approval by management of overtime;
  - payroll preparation and accounting allocations performed by individuals independent of other payroll transaction processing activities;
  - distribution of payroll and retention of unclaimed wages done by employees that do not participate in any other payroll function;
  - a review by the chief accountant of payroll and the account distribution; and
  - a comparison by management of actual expenses to budget and to the amount financed.

3. Findings Related to Personnel Records

Condition:

- o There is a lack of comparable information between personnel records and accounting records.
- o Some personnel forms were not signed by the employees.
- o The personnel file of an ex-employee (Mr. Beliard) was missing.
- o The personnel file of one employee (Mr. Jn. Baptiste) contained only the signature of the administrator. The signatures of the director and the chief of personnel were missing.

Criteria:

Good internal accounting controls should include the following:

- o all personnel records should be kept by the personnel department and must contain complete and approved information concerning hiring and firing, wage rates and salaries, and withholding and deduction for SNEM's employees;
- o approvals of SNEM's management and the chief of personnel department should be well documented on the personnel records;
- o a review and comparison must be performed by the chief accountant, on a regular basis, between the information included on SNEM's personnel records and those from the payroll;
- o required personnel forms which should be signed by the employees; and
- o SNEM should establish procedures precluding the loss of personnel records.

Cause:

- o Adequate payroll procedures did not exist.
- o There is no adequate supervision and verification over the payroll process.
- o Personnel records were incomplete.
- o No segregation of duties.

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Effect:

- o It is difficult to compare personnel records to accounting records.
- o Documentation of important information such as the approval of employees salaries is missing.
- o There is the possibility of payment to non-existent employees or to employees not working for SNEM, or overstatement of payroll costs.

Recommendation:

SNEM should:

- o establish a separate personnel department which authorizes and documents all employee hiring and firing, wage rates and salaries, withholdings and deductions;
- o establish adequate payroll procedures which include precluding the loss of personnel records; and
- o have the chief accountant perform a review and comparison of payroll information against personnel records.

4. Findings Related to Payroll Distribution

Condition:

- o The employees get paid in cash and have no identification when they come to receive their pay.
- o When the employees receive their pay they do not count it to verify its accuracy.
- o Unclaimed wages are held by the cashier.

Criteria:

- o All employees should have an identification card.
- o Employees should count the money when they get paid and before they sign.
- o Unclaimed wages must be held by employees that do not participate in any other payroll function.

Cause:

- o Adequate payroll procedures did not exist.
- o There is no adequate supervision and verification of the payroll process.
- o Identification cards are not required for all SNEM employees.
- o Duties were not adequately segregated.

Effect:

- o There could be payments to non-existent employees or to employees not working for SNEM, or over-statements of payroll cost.
- o There could be misuse of unclaimed wages.
- o There could be claims from employees after they sign for wages if the envelope's content is not exact.

Recommendation:

SNEM should:

- o implement the use of identification cards by all personnel;
- o obtain the signature of employees after they receive and verify their pay; and
- o maintain independent custody of unclaimed envelopes.

5. Findings Related to Salary and Wage Policy

Condition:

- o The salaries and wages actually paid are not comparable to the current market rate in relation to the responsibilities of the positions. For example, the chief accountant's salary is approximately \$500 while the current market rate for such a position would be within a range of \$800 to \$1,200.
- o There is no adequate evaluation nor supervision of personnel.
- o All SNEM's personnel get paid in cash by envelopes and this process requires a lot of time and effort.

Criteria:

- o Adequate accounting practices require that a company establish an adequate salary and wage policy, and
- o A system of payroll checks instead of envelopes should be established for the administrative payroll and the zones which have easy access to banks.

Cause:

- o An adequate salary and wage policy did not exist.

Effect:

- o Personnel are not always qualified and not motivated to fulfill their responsibilities to the best of their ability.
- o Time and efforts which could be used to fulfill other activities is wasted preparing the pay envelopes.

Recommendation:

SNEM should:

- o establish adequate salary and wage policies in order to have access to qualified employees and to motivate the personnel. These policies could include:

- the establishment of a wage scale according to qualification, the responsibilities and the position of the personnel;
  - the implementation of good compensation plans to attract and retain personnel;
  - adequate supervision of the job performed;
  - training programs to develop personnel's capabilities;
  - evaluation of personnel at least once a year as a basis for a possible promotion, firing or salary increase; and
  - development of an attractive environment by maintaining good physical conditions of work.
- o SNEM should also use payroll checks instead of envelopes for the administrative payroll at the Central Bureau and the zones which have easy access to banks.



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NATIONAL SERVICE FOR ENDEMIC DISEASES

USAID/HAITI PROJET NO. 521-0143

REPORT ON THE LOCAL PROCUREMENT SYSTEM

AUDITOR'S REPORT

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras

We have performed a study and evaluation of the National Service for Endemic Diseases' (SNEM) local procurement system. Our study and evaluation included the following controls:

- o Purchasing,
- o Receiving,
- o General matters, and
- o Petroleum products control,

which we considered relevant to the criteria established by AIF as set forth in its statements of work for the financial and compliance audit of SNEM. Our work was performed in accordance with generally accepted auditing standards and with the United States Comptroller General's "Standards for Audit of Governmental Organizations Programs, Activities, and Functions" (1981 Revision).

Based on our study and our understanding of the criteria included in the statements of work referred to in the paragraph above, we believe that the local procurement system of the National Service for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement. Our opinion is based on Findings No. 1 to 4 described on the following pages.

This report is intended solely for the use of the National Service for Endemic Diseases (SNEM), Agency for International Development and other federal agencies. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

*Peat, Marwick, Mitchell & Co.*

November 7, 1986  
Port-au-Prince, Haiti

LOCAL PROCUREMENT SYSTEM

1. Findings Related to Purchasing

Condition:

- o Except for the checks, the documents related to the purchase cycle are not prenumbered.
- o SNEM does not control the numerical sequence of the checks.
- o Expenditures could not be traced to ledgers easily since a cash disbursement ledger is not maintained.
- o Complete documentation could not be provided. Some purchases were not supported by purchase orders, expense vouchers, requisitions and vendors' invoices (see annex IV).
- o Approval of purchases was not documented for all items tested (see annex IV).
- o Supporting documents are not always cancelled by a "Paid" stamp.
- o Certain expenditures are not categorized in the appropriate accounts.

Criteria:

Good internal control requires the following procedures:

- o Prenumbered documents should be used for all transactions related to purchases, and the numerical sequence of those documents must be controlled.
- o A cash disbursement ledger must be set-up for all SNEM expenditures.
- o Supporting documents must be always cancelled by a "Paid" stamp.
- o The account distribution must be verified when invoices are processed.

Cause:

- o Prenumbered documents were not utilized or controlled.
- o A cash disbursement ledger was not set-up.

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- o Purchasing procedures did not exist.
- o There was a lack of supervision of work performed on the purchase cycle.

Effect:

- o Total assurance cannot be obtained relative to the existence, the propriety, the accuracy and the classification of the expenditures.
- o Expenditures cannot be traced to ledger and supporting documents easily.
- o There is a risk of unauthorized purchases.
- o There is a risk of duplicate payments.
- o It is difficult to establish cut-off points so that receipt of goods can be correlated with liabilities which should appear in SNEM's accounts.
- o There is non-compliance with grant agreements.

Recommendation:

SNEM should:

- o use prenumbered and controlled forms to reinforce the system of internal control;
- o establish a cash disbursement ledger;
- o establish proper internal control procedures to ensure that all purchases are authorized, made for SNEM's purposes and based on adequate documentation; and
- o perform an adequate supervision of the accounting department to ensure that paid invoices are cancelled by a "Paid" stamp and that account distribution is proper when invoices are processed.

## 2. Findings Related to Receiving

### Condition:

- o No formal receiving report is prepared for the purchases.
- o Receiving function is not segregated from the storekeeping function.

### Criteria:

- o All entry of goods to the warehouse should be supported with a prenumbered report.
- o Separate and independent receiving and purchasing departments must be established.

### Cause:

- o Purchasing procedures did not exist.
- o Duties were not adequately segregated.
- o There was a lack of supervision of the work performed.
- o The stockkeeper was not adequately trained.

### Effect:

- o There is no certainty that goods paid for, have actually been received and are being used for SNEM's purposes.
- o There is no certainty that an independent count is made by the stockkeeper upon the arrival of merchandise purchased.
- o Procedures surrounding inventories and supplies do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.
- o Reliable information on the movements of inventories and supplies cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.
- o Non-compliance with grant agreements.

Recommendation:

SNEM should:

- o perform an adequate supervision from the accounting department to ensure that a receiving report is prepared for all purchases, and
- o set-up a separate receiving function from the stockkeeping function.

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### 3. Findings Related to General Matters

#### Condition:

- o Important monthly fluctuations could not be explained by SNEM's management for certain purchases like furniture, medicine, spare parts and others.
- o A subsidiary ledger for the accounts payable is not maintained.

#### Criteria:

- o A monthly analysis and a regular comparison of expenses to budget must be performed by a responsible official and unusual fluctuations must be explained.
- o A subsidiary ledger for the accounts payable must be set up.

#### Cause:

- o There was no regular analysis and comparison of expenses to budget in order to explain unusual fluctuations.
- o A procedures manual did not exist.
- o There was a lack of management supervision.

#### Effect:

- o Important problems which may significantly affect management decisions may not be detected if a regular analysis and comparison of expenses to budget is not performed.
- o Important decisions may not be taken on a timely basis.
- o Accounts payable are not adequately supported by a subsidiary ledger. SNEM may not know its actual liabilities.

Recommendation:

SNEM should:

- o perform adequate supervision by management to ensure regular comparison of expenses to budget in order to explain unusual fluctuations, and support disbursements to USAID and PL-480;
- o establish a subsidiary ledger of accounts payable; and
- o perform a monthly reconciliation between the subsidiary ledger accounts payable and the general ledger balance.

4. Findings Related to Petroleum Products Controls

Condition:

- o Important fluctuations were noticed on the monthly petroleum products expenses (see annex VI) but we could not trace to supporting documents the explanations of those fluctuations given by the management. (See management's comments at the end of this finding no. 4.)
- o The monthly average cost of petroleum products until June 30, 1986 was approximately \$18,000 (see annex VI) which seems excessive compared to SNEM's needs. (See management's comments at the end of this finding no. 4.)
- o As of June 30, 1986 the accounts payable for petroleum expenses amounted to \$93,618.29 (see annex VI) but could not be traced to sufficient supporting documents
- o We were informed that during the current fiscal year, some irregularities were noted. Some personnel, used the same gas coupons twice before the suppliers bills were paid. The system has been changed since then.
- o Some fuel expenditures were not well supported by adequate supporting documents (see annex V).

Criteria:

- o There must be a follow-up by management on budgetary decisions, and important fluctuations should be explained and well supported by adequate supporting documents.
- o All expenses must be made according to SNEM's needs and the average consumption of fuel should be established at the moment of the preparation and the approval of the budget.
- o All transactions should be supported by adequate details, supporting documents, and should be properly approved.

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Cause:

- o There were inadequate controls over the distribution and the use of petroleum products.
- o There was a lack of documentation supporting the transactions.
- o Management supervision was inadequate.

Effect:

- o Reliable information cannot be obtained.
- o Important fluctuations cannot be explained.
- o There is a risk of misuse of petroleum products.

Recommendation:

SNEM should:

- o Establish an adequate procedure for the use of petroleum products.
- o A monthly analysis and a regular comparison of expenses to budget must be performed by a responsible official and unusual fluctuations must be explained.
- o Each car should have a routing book where all trips and mileage should be recorded. This record should be submitted regularly to the administrator to be analyzed and used as a source of information to take appropriate decisions. Every time gas is added to a car, the mileage must be recorded in the notebook.
- o A register should be established and maintained to control the gas tickets and their distribution.
- o All gas expenses should be made on a requisition basis.
- o The different zones should submit supporting documents for the monthly use of petroleum products.

Management Comments

- o SNEM's management explained that the important fluctuations on the monthly petroleum products expenses are due to the fumigating cycle.
- o SNEM's management found the monthly average cost of petroleum products excessive as well, and informed us that their current monthly expenses is approximately \$8,000.



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Public Accountants  
P.O. Box 13270 - Delmas Road  
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NATIONAL SERVICES FOR ENDEMIC DISEASES  
USAID/HAITI PROJECT NO. 521-0143  
REPORT ON THE SYSTEM OF INTERNAL INVENTORY CONTROLS  
AUDITOR'S OPINION

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras:

We have performed a study and evaluation of National Service for Endemic Diseases' (SNEM) system of internal inventory controls. Our study and evaluation included the following controls:

- o Physical inventory,
- o Controls over inventories,
- o Shipping and receiving, and
- o Recordkeeping,

which we considered relevant to the criteria established by AID as set forth in its statement of work for the financial and compliance audit of SNEM. Our work was performed in accordance with generally accepted auditing standards and with the United States Comptroller General's "Standards for Audit of Governmental Organizations Programs, Activities, and Functions" (1981 Revision).

Based on our study and our understanding of the criteria included in the statement of work referred to in the paragraph above, we believe that the system of internal inventory controls of the National Service for Endemic Diseases is not adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statement. Our opinion is based on Findings no. 1 to 4 described on the following pages.

This report is intended solely for the use of the National Service for Endemic Diseases (SNEM) and the Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the Office of the Inspector General, is a matter of public record.

*Peat, Marwick, Mitchell & Co.*

November 7, 1986  
Port-au-Prince, Haiti

INVENTORIES

1. Findings Related to Physical Inventory

Condition:

- o Physical inventories are not taken at least once a year for all SNEM's warehouses.
- o A physical inventory was not taken as of June 30, 1986 for all SNEM's warehouses.
- o Final inventory lists could not be obtained as of September 30, 1985 for all SNEM's warehouses.
- o A physical inventory was taken as of April 30, 1986 but the inventory had not yet been evaluated as of November 7, 1986, date of our report.
- o Written instructions are not prepared for the guidance of employees participating in physical inventories.
- o The physical inventory sheets showing the quantities do not bear the initials of employees responsible for the correctness of the quantities appearing thereon.
- o The perpetual records (kardex) are not adjusted to physical counts at least once a year.
- o The accounting department does not check the pricing, extensions and footings of physical inventories.
- o Inventories are not reviewed for obsolescence and for the disposition of obsolete items, nor for excessive existence.

Criteria:

Good inventory internal control requires the following:

- o Physical inventories be taken at least once a year.
- o Final inventory lists must be kept for future references.
- o Physical inventories must be evaluated and reconciled against the accounting record.

- o There should be written procedures for the physical inventories.
- o Lists should evidence that physical inventories were supervised and reviewed.
- o Accounting Department must check the pricing, extensions and footings of physical inventories and analyze differences and adjust the kardex to physical counts.
- o Procedures to identify and value obsolete or excess inventories.

Cause:

- o No procedures manual exists.
- o Final inventory lists are not kept.
- o Inventories are not evaluated as soon as possible after the physical count.
- o Activities related to inventory are not supervised.
- o Kardex and general ledger are not adjusted to physical counts.

Effect:

- o Reliable and current information on the movements and composition of inventories cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.
- o Final inventory lists cannot be obtained when required.
- o Obsolete or excessive inventory cannot be detected promptly.
- o Procedures relative to inventories and supplies do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

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Recommendation:

SNEM should:

- o perform physical inventory count of selected items periodically, and at least once a year, perform a 100 percent count for all SNEM's warehouses, to establish the existence of the assets and the reliability of the accounting balances;
- o keep in a file the final inventory lists for future references;
- o evaluate the inventories after the physical count based on cost;
- o write detailed instructions for the taking of physical inventories to ensure a proper physical inventory and to make certain that all items are counted, that each item is counted only once and that a satisfactory record of these count is prepared;
- o have adequate supervision to ensure that the physical inventory sheets bear the initials of the employee responsible for the correctness of the quantities appearing thereon;
- o make a check of the accounting department for pricing, extensions and footings, in order to adjust inventory records; and
- o establish procedures to identify and value obsolete or excessive inventory.

2. Findings Related to Controls over Inventories

Condition:

- o The employee who maintains the inventory records (kardex) has access to the stock.
- o Inventory kardex is not kept up to date.
- o Spare parts are not stocked in an organized manner.
- o We did not see any evidence of an adequate insurance policy.

Criteria:

- o Inventory kardex must be maintained by individual independent of inventory custodian.
- o Inventory kardex must be kept up to date.
- o All inventories, particularly spare parts, must be stocked in an organized manner.
- o The organization should have an insurance policy to cover inventories.

Cause:

- o A procedures manual does not exist.
- o Duties are not adequately segregated.
- o Activities related to inventory are not adequately supervised.
- o The stockkeeper is not adequately trained.

Effect:

- o Reliable and current information cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.
- o Procedures relative to inventories do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition nor from natural damages.

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Recommendation:

SNEM should:

- o prohibit the access to the stock by the employees in charge of the inventory kardex, in order to provide a proper segregation of duties;
- o maintain the perpetual records (kardex) up to date based on prenumbered and controlled requisitions and receiving slips in order to ensure that all those documents are recorded;
- o organize properly all inventories in order to avoid possible excess purchases of inventory, to permit the prompt detection of obsolete inventory, and to assure that all items are included in physical count;
- o properly insure all SNEM's assets including the inventory stocks, and
- o Establish controls to ensure that material usage is
  - properly authorized,
  - meets SNEM's objectives,
  - is made in accordance with SNEM's budgeted projects, and
  - analyzed periodically to explain variances.

3. Findings Related to Shipping and Receiving

Condition:

- o The stockkeeper receives the purchase orders prior to receiving the goods.
- o No formal receiving reports are prepared for merchandise received.
- o Although the requisition and shipping tickets are prenumbered, there is no follow-up made on the sequence.

Criteria:

- o The stockkeeper must receive the purchase orders only after he receives the goods to insure an independent count.
- o A formal receiving report must be prepared after each receipt of merchandise.
- o Follow-up must be made on all documents concerning the shipments and receipts of stock.

Cause:

- o A procedures manual does not exist.
- o Activities related to inventory are not adequately supervised.
- o The stockkeeper is not properly trained.
- o No follow-up of the numerical sequence is done.

Effect:

- o By receiving the purchase orders prior to receiving the goods, there is no assurance that an independent count is made by the stockkeeper,
- o Without a receiving report there is no assurance that assets paid for have been received.
- o No reliable information on the movements of inventories can be obtained.
- o Without follow-up of the numerical sequence of the requisition and shipping tickets there is no reasonable assurance that inventories are safeguarded against loss from unauthorized use.

Recommendation:

SNEM should:

- o transfer purchase orders to the storekeeper only after he receives the goods in order to ensure that an independent count is taken;
- o prepare a receiving report for all purchases received; and
- o make entries to perpetual inventory from prenumbered and controlled documents.

#### 4. Findings Related to Recordkeeping

##### Condition:

- o The perpetual records (kardex) are not used for accounting control of the physical inventories.
- o Although a report is prepared by the stockkeeper detailing the goods received and the goods that were withdrawn, it is not regularly received by the accounting department.

##### Criteria:

Good inventory internal controls requires certain measures:

- o The perpetual records (kardex) must be used to reconcile the physical inventory to the general ledger account.
- o The detailed list of the goods received and goods that were withdrawn, prepared by the stockkeeper, must be sent to the accounting department on a regular basis for its control.

##### Cause:

- o A procedures manual does not exist.
- o Activities related to inventory were not adequately supervised.
- o The stockkeeper was not adequately trained.
- o Kardex and general ledger are not adjusted to physical counts.

##### Effect:

- o Reliable and current information on the movements and composition of inventories cannot be obtained to be included in financial statements prepared in accordance with generally accepted accounting principles.
- o Procedures relative to inventories and supplies do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

Recommendation:

SNEM should:

- o maintain a perpetual inventory (kardex) system by price and quantity which should be reconciled to the general ledger and periodically checked against quantities on hand;
- o maintain a cost system controlled by the accounting department; and
- o periodically obtain a report of goods received and withdrawn prepared by the stockkeeper.

## NATIONAL SERVICES FOR ENDEMIC DISEASES

USAID/HAITI PROJECT NO. 521-0143

REPORT ON THE COMPLIANCE WITH LAWS, REGULATIONS AND  
AGREEMENTS

## AUDITOR'S OPINION

To the Regional Inspector General for Audit  
U.S. Agency for International Development  
Tegucigalpa, Honduras:

We have examined the balance sheet of the National Services for Endemic Diseases (SNEM) as of June 30, 1986 and we have performed a study and evaluation of the internal control system for the same period. Our examination and study were made in accordance with generally accepted auditing standards and with the U.S. Comptroller General's "Standards for Audit of Governmental Organizations Programs, Activities, and Functions" (1981 Revision), which includes as additional standards and requirements, the review of compliance with laws, regulations and agreements.

The scope of the matters subject to our examination included the following:

- o Provisions of AID Grant Agreement No. 521-0143,
- o All applicable Haitian laws and regulations, and
- o Provisions of PL-480 grant agreements.

The management of SNEM is responsible for SNEM's compliance with laws and regulations and agreements. In connection with the examination referred to above, we selected and tested transactions and records to determine SNEM's compliance with those laws, regulations and agreements for which non-compliance could have a material effect on the financial statement.

The results of our tests indicate that, for the transactions and records tested, SNEM has not complied with certain provision of USAID grant agreement No. 521-0143 and certain provision of PL-480 grant agreements. Our opinion is based on findings No. 1 and 2 described on the following pages. Based on the results of our review, we are unable to express an opinion on the transactions and records not tested by us.



This report is intended solely for the use of the National Service for Endemic Diseases (SNEM) and the Agency for International Development. This restriction is not intended to limit distribution of this report which, upon acceptance by the office of the Inspector General, is a matter of public record.

*Reat, Maurice, Titchell, Co.*

November 7, 1986  
Port-au-Prince, Haiti

COMPLIANCE WITH LAWS, REGULATIONS AND AGREEMENTS

1. Findings Related to Non-Compliance with Provisions of USAID Grant Agreement no. 521-043

A) Special provisions

Condition:

| <u>Article No.</u> | <u>Title</u>       | <u>Section</u> | <u>Description</u>                                      | <u>Comments</u>  |
|--------------------|--------------------|----------------|---|--|
| 3                  | Financing          | 3.1<br>3.2     | Grant<br>Grantee<br>ressources                          | SNEM did not record the grants from USAID separately and we could not determine with certainty the accumulated amounts from Grant no. 521-0143 as of June 30, 1986. We have however confirmed and reconciled the contributions for the period under audit. |
| 6                  | Procurement System | 6.1<br>6.2     | Foreign:<br>exchange costs<br>Local cur-<br>rency costs | We cannot be assured that all goods and services purchased were required and used exclusively by the project.  |
| 7                  | Disbursements      | 7.1            | Disbursements for foreign exchange local currency costs | SNEM has recorded in its books only the USAID contributions related to costs disbursed by SNEM and reimbursed by USAID through the Public Voucher. We did not examine any disbursements in foreign exchange.   |

B) Standards provisions

Condition:

| <u>Article</u> | <u>Title</u>        | <u>Section</u> | <u>Description</u>                | <u>Comments</u>   |
|----------------|---------------------|----------------|-----------------------------------|---|
| B              | General Conventions | B.3            | Utilization of goods and services | We cannot be assured that all goods and services purchased were required and used exclusively by the project. |

| <u>Article</u> | <u>Title</u>           | <u>Section</u> | <u>Description</u>                      | <u>Comments</u>  |
|----------------|------------------------|----------------|---|--|
| B              | General Covenants      | B.5            | Reports, records, inspections and audit | <p>The accounting books are not maintained by sources of financing.</p> <p>Reports prepared for the different sources of financing are not properly supported by detailed information.</p> <p>SNEM has not been audited regularly. This is the first external audit performed at SNEM.</p> |
| C              | Procurement provisions | C.4            | Reasonable prices                       | <p>We could not ascertain that reasonable prices were always paid for the goods and services financed under the grant. Based on discussions with management, quotations are usually obtained, but we did not see any evidence to that effect.</p>  |

Criteria:

- o SNEM must comply with all provisions of grant agreements

Cause:

- o SNEM management lacked knowledge of the requirements of the grant agreements.
- o There were deficiencies in internal controls, inadequate accounting records and insufficient documentation.
- o The present accounting system is completely outdated and does not provide a basis for effective controls nor reliable reporting.
- o Former management had not given sufficient priority to maintaining and adequate control environment.
- o SNEM does not have a procedures manual.
- o SNEM has not been audited before.

Effect:

- o SNEM is in non-compliance with the grant's provisions listed above.

Recommendation:

SNEM should:

- o take necessary measures so that provisions are complied with and advise the officials and members of their importance;
- o establish adequate accounting and reporting systems based on basic journals and subsidiary ledgers which should be reconciled on a periodic basis and maintained by sources of financing;
- o prepare a detailed procedures manual to establish proper distribution of work and uniform procedures and control; and
- o revise the organization chart to show clearly the lines of authority and responsibility for financial reporting.

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2. Findings Related to Non-Compliance with Provisions of PL-480's Grant Agreement:

Condition:

- o SNEM did not record separately the grantee contribution. We have ascertained, however, that the monthly contributions from the grantee were made for only 10 months for \$23,400 each month during the year ended September 30, 1985. The monthly contribution during the nine months ended June 30, 1986 has decreased from \$23,400 to \$21,060 for the last five months. SNEM has not received an explanation justifying this decrease.
- o Reports prepared for PL-480 result from an allocation process of expenses incurred. This process is not consistent and is not supported by sufficient documentation.

Criteria:

- o Same as finding no. 1 of non-compliance with laws, regulations and agreements.

Cause:

- o Same as finding no. 1 of non-compliance with laws, regulations and agreements.

Effect:

- o Same as finding no. 1 of non-compliance with laws, regulations and agreements.

Recommendation:

- o Same as finding no. 1 of non-compliance with laws, regulations and agreements.

## NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

Salaries expenditures by projects and by sources of funds  
for the nine months ended June 30, 1986 and  
the year ended September 30, 1985

Reference: Finding No. 1 of the Payroll System Section

|  | <u>Nine months ended June 30, 1986</u> |                |                               | <u>Year ended September 30, 1985</u> |                |                               |
|--|--|----------------|-------------------------------|--------------------------------------|----------------|-------------------------------|
|  | <u>AID</u>                             | <u>PL-480</u>  | <u>Haitian<br/>Government</u> | <u>AID</u>                           | <u>PL-480</u>  | <u>Haitian<br/>Government</u> |
| Direction                                      | \$ 17,202                              | 100,478        | 372                           | 23,652                               | 121,832        | 1,087                         |
| Coordination and audit                         | 10,765                                 | 2,050          | -                             | 271                                  | 11,455         | 997                           |
| Inter-coordination unit                        | -                                      | -              | -                             | 885                                  | 23,245         | -                             |
| Administration                                 | 19,780                                 | 87,951         | 19,991                        | 9,687                                | 171,060        | 2,261                         |
| Garage and transport                           | 19,914                                 | 28,553         | 13,959                        | 5,127                                | 94,227         | 264                           |
| Epidemiology                                   | 12,779                                 | 27,313         | 1,175                         | 58,151                               | 43,095         | 834                           |
| Laboratory                                     | 68,342                                 | 1,655          | 524                           | 79,808                               | 34,412         | -                             |
| Entomology                                     | 67,917                                 | 9,821          | 125                           | 72,700                               | 51,879         | -                             |
| Statistics                                     | 32,043                                 | 2,757          | 160                           | 30,801                               | 10,586         | 1,991                         |
| Researches                                     | 10,558                                 | 5,098          | -                             | 3,548                                | 23,010         | -                             |
| Training                                       | 6,341                                  | 19,661         | 63                            | 6,370                                | 30,626         | -                             |
| Sanitary education                             | 5,135                                  | 14,716         | -                             | 6,312                                | 17,863         | -                             |
| Planification and supervision                  | 127,517                                | 99,570         | 35,815                        | 150,506                              | 105,640        | 44,902                        |
| Cartography                                    | 3,077                                  | 5,855          | -                             | 3,665                                | 12,707         | -                             |
| Operational aspersion                          | 10,729                                 | 95,972         | -                             | 188,388                              | 20,521         | -                             |
| Drugs distribution                             | 253,617                                | 5,964          | 71                            | 324,116                              | 56,492         | 236                           |
| Larviciding and fumigation                     | 1,310                                  | 11,453         | -                             | 3,760                                | 19,167         | -                             |
| Profen   | -                                      | -              | -                             | -                                    | -              | -                             |
| Geographic acknowledgement                     | 10,868                                 | -              | -                             | 8,142                                | 18,446         | -                             |
| Selective and collective distribution of drugs | 3,486                                  | 43,703         | -                             | 65,828                               | 40,568         | -                             |
|  | \$ <u>681,400</u>                      | <u>562,570</u> | <u>72,255</u>                 | <u>1,021,777</u>                     | <u>906,831</u> | <u>52,572</u>                 |

## NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

## ANALYTICAL REVIEW OF SALARIES EXPENSES BY SOURCES OF FUNDS

REFERENCE: FINDING NO. 1 OF THE PAYROLL SYSTEM SECTION

|                           | <u>Salary expenses</u> |           | <u>Increase</u>   |
|---------------------------|------------------------|-----------|-------------------|
|                           | <u>From</u>            | <u>To</u> | <u>(Decrease)</u> |
| <u>AID</u>                |                        |           |                   |
| October 84 - November 84  | \$ 7,209               | 173,025   | 165,816           |
| November 84 - December 84 | 173,025                | 108,244   | (64,781)          |
| December 84 - January 85  | 108,244                | 50,043    | (58,201)          |
| January 85 - February 85  | 50,043                 | 78,687    | 28,644            |
| August 85 - September 85  | 49,386                 | 298,618   | 249,232           |
| October 85 - November 85  | 298,618                | 9,760     | (288,858)         |
| December 85 - January 86  | 129,407                | 66,131    | (63,276)          |
| <u>PL - 480</u>           |                        |           |                   |
| October 84 - November 84  | \$ 24,733              | 164,874   | 140,141           |
| December 84 - January 85  | 136,411                | 50,043    | (86,368)          |
| September 85 - October 85 | 69,851                 | 19,201    | (50,650)          |
| October 85 - November 85  | 19,201                 | 89,797    | 70,596            |
| December 85 - January 86  | 88,874                 | 51,336    | (37,538)          |
| March 86 - April 86       | 44,524                 | 87,540    | 43,016            |
| <u>GOH</u>                |                        |           |                   |
| April 85 - May 85         | \$ 12,645              | 4,930     | (7,715)           |
| June 85 - July 85         | 5,209                  | 7,922     | 2,713             |
| July 85 - August 85       | 7,922                  | 16,241    | 8,319             |
| August 85 - September 85  | 16,241                 | 5,625     | (10,616)          |
| September 85 - October 85 | 5,625                  | 250       | (5,375)           |
| October 85 - November 85  | 250                    | 16,112    | 15,862            |
| January 86 - February 86  | 7,719                  | 3,537     | (4,182)           |
| February 86 - March 86    | 3,537                  | 10,535    | 6,998             |

## ANNEX III

## NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

## ANALYTICAL REVIEW OF SALARIES EXPENSES BY TYPE OF EXPENSES

REFERENCE: FINDING NO. 1 OF THE PAYROLL SYSTEM SECTION

Account 110.1 Salaries

|                           | <u>From</u> | <u>To</u> | <u>Increase<br/>(Decrease)</u> |
|---------------------------|-------------|-----------|--------------------------------|
| October 84 - November 84  | \$ 19,364   | 276,424   | 257,060                        |
| November 84 - December 84 | 276,424     | 107,769   | (168,655)                      |
| December 84 - January 85  | 107,769     | 97,104    | (10,665)                       |
| August 85 - September 85  | 98,247      | 186,294   | 88,047                         |
| September 85 - October 85 | 186,194     | 16,488    | (169,706)                      |
| October 85 - November 85  | 16,488      | 180,616   | 164,128                        |
| November 85 - December 85 | 180,616     | 98,070    | (82,546)                       |
| March 86 - April 85       | 97,321      | 128,242   | 30,921                         |
| April 86 - May 86         | 128,242     | 120,203   | (8,039)                        |
| May 86 - June 86          | 120,203     | 109,769   | (10,434)                       |

Account 110.2 Severance Payments

|                           |          |        |          |
|---------------------------|----------|--------|----------|
| November 84 - December 84 | \$ 1,967 | 8,567  | 6,600    |
| December 84 - January 85  | 8,567    | 849    | (7,718)  |
| January 85 - February 85  | 849      | 2,346  | 1,497    |
| February 85 - March 85    | 2,346    | 274    | (2,072)  |
| March 85 - April 85       | 274      | 2,038  | 1,764    |
| April 85 - May 85         | 2,038    | 494    | (1,544)  |
| August 85 - September 85  | 234      | 14,854 | 14,620   |
| September 85 - October 85 | 14,854   | -      | (14,854) |
| November 85 - December 85 | 89       | 1,898  | 1,809    |
| May 86 - June 86          | 138      | 1,878  | 1,740    |

Account 110.4 Allocations

|                           |        |        |          |
|---------------------------|--------|--------|----------|
| October 84 - November 84  | \$ 200 | 53,017 | 52,817   |
| November 84 - December 84 | 53,017 | 17,086 | (35,931) |
| January 85 - February 85  | 13,609 | 22,598 | 8,989    |
| August 85 - September 85  | 19,521 | 38,708 | 19,187   |
| September 85 - October 85 | 38,708 | 127    | (38,581) |
| October 85 - November 85  | 127    | 40,088 | 39,961   |
| November 85 - December 85 | 40,088 | 21,596 | (18,492) |

Examples of expenditures not well supported by adequate documentation or signatures

Reference: Finding no. 1 of the Local Procurement System Section

| Date     | Payee                             | Cheque no. | Amount       | Source of financing | Missing documents or signatures  |
|----------|-----------------------------------|------------|--------------|---------------------|--|
| 21/12/84 | Laboratoire Pharval               | 1355-B     | \$ 12,000.00 | GOH                 | Requisition and vendor's invoice   |
| -        | International Serving Contractors | 1429-B     | 4,362.89     | -                   | Requisition, purchase order, vendor's invoice, signature of stockkeeper          |
| 13/05/85 | GPS/CMS                           | 2286-B     | 34,000.00    | PL-480              | Vendor's invoice   |
| 05/05/86 | Edouard Charles                   | 3180-B     | 2,200.00     | USAID               | Vendor's invoice   |
| 21/02/86 | Bilwick S.A.                      | 3023-B     | 300.00       | GDH                 | Vendor's invoice, purchase order   |
| 16/04/86 | Ciment d'Haiti                    | 3159-B     | 325.00       | GOH                 | Requisition, vendor's invoice  |
| 11/04/86 | Polyce Bastien                    | 3153-B     | 1,500.00     | PL-480              | Requisition, vendor's invoice  |
| 05/05/86 | Imprimerie Nouvelle               | 3178-B     | 4,692.50     | USAID               | Requisition, vendor's invoice, purchase order, voucher, signature of stockkeeper |
| 13/06/86 | Edouard Charles                   | 3264-B     | 3,000.00     | USAID               | Vendor's invoice   |
| 24/05/85 | Anthony Cheronemé                 | 2239-B     | 250.00       | COH                 | Requisition vendor's invoice   |
| 14/05/85 | Valerio Canez                     | 2228-B     | 801.25       | USAID               | Requisition, purchase order, vendor's invoice, voucher, signature of stockkeeper |
| 26/06/86 | Maxime Oriol                      | 2290-B     | 600.00       | USAID               | Requisition, purchase order, vendor's invoice, voucher, signature of Stockkeeper |
| 09/07/85 | Alice M. Villard Fleurs           | 2373-B     | 500.00       | GOH                 | Vendor's invoice   |
| 12/07/85 | Michel Vielot                     | 2397-B     | 6,740.50     | PL-480/USAID        | Requisition  |
| 07/08/85 | Fritz Martelly                    | 2471-B     | 2,500.00     | PL-480              | Requisition, vendor's invoice, voucher   |
| 29/08/85 | Equipements et mécanique, S.A.    | 2579-B     | 389.84       | USAID               | Requisition  |
| 06/09/85 | Robert Débrosse                   | 2590-B     | 1,250.00     | PL-480              | Vendor's invoice   |
| 27/09/85 | Boulos et Duchatelier             | 2703-B     | 19,500.00    | -                   | Requisition, purchase order, vendor's invoice, voucher, signature of stockkeeper |
| 23/10/85 | Direction Générale des Impôts     | 2742-B     | 961.20       | GOH                 | Invoice  |
| 21/11/86 | OAVCI                             | 2792-B     | 613.80       | GOH                 | Invoice  |
| 02/12/85 | Chislaine Lubin                   | 1058-B     | 350.00       | -                   | Invoice  |
| 10/12/85 | Fritz Martelly                    | 2865-B     | 6,330.66     | -                   | Requisition, vendor's invoice  |
| 17/01/86 | Leslie Jean-Baptiste              | 2957-B     | 256.00       | PL-480              | Requisition  |
| 30/01/86 | Hyppolite Gaston                  | 3000-B     | 300.00       | GOH                 | Requisition, purchase order, vendor's invoice, signature of stockkeeper          |
| 23/10/84 | Ciment d'Haiti                    | 1204-B     | 250.00       | USAID/GOH           | Requisition, vendor's invoice  |
| 20/11/84 | Imprimerie Nouvelle               | 1271-B     | 5,315.00     | GOH                 | Requisition  |
| 26/11/84 | Travelers Insurance Co. Ltd       | 1280-B     | 1,801.44     | -                   | Requisition, purchase order, vendor's invoice, signature of stockkeeper          |
| 22/11/84 | Luc Daniel Ladouceur              | 1279-B     | 110.00       | USAID               | Vendor's invoice   |
| 21/12/84 | Laboratoire Pharval               | 1355-B     | 12,000.00    | GOH                 | Requisition, purchase order, vendor's invoice, signature of stockkeeper          |
| 04/12/84 | OAVCI                             | 1342-B     | 210.56       | GOH                 | Requisition  |
| 29/01/85 | Buromatic                         | 1363-B     | 4,850.00     | USAID               | Requisition  |
| 07/02/85 | OFATMA                            | 1427-B     | 2,000.00     | -                   | No supporting documents  |
| 08/02/85 | International/serving contractor  | 1429-B     | 4,362.89     | -                   | No supporting documents  |
| 12/02/85 | Claire Adrien                     | 1441-B     | 200.00       | USAID/GOH           | No supporting documents  |
| 03/04/85 | Raoul Duversaint                  | 2110-B     | 500.00       | USAID               | Vendor's invoice   |

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## ANNEX V

## NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)

EXAMPLES OF EXPENDITURES FOR PETROLEUM PRODUCTS NOT WELL SUPPORTED BY  
ADEQUATE SUPPORTING DOCUMENTSREFERENCE: FINDING NO. 4 OF THE LOCAL PROCUREMENT SYSTEM SECTION

| <u>Date</u> | <u>Check #</u> | <u>Payee</u>          | <u>Amount</u> | <u>Document Missing</u>                          |
|-------------|----------------|-----------------------|---------------|--|
| 2-12-85     | 2851 B         | Texaco Carribean S.A. | \$ 9,351.40   | Vendors' bill                                    |
| 12-3-86     | 3091 B         | Esso STD oil S.A.     | \$ 200.00     | Vendors' bill                                    |
| 6-6-86      | 3251 B         | Esso STD oil S.A.     | \$ 18,171.96  | Voucher expenses<br>& requisition                |
| 27-6-85     | 2293 B         | Esso STD oil S.A.     | \$ 23,774.09  | No supporting<br>documents                       |
| 29-1-86     | 2991 B         | Esso STD oil S.A.     | \$ 23,774.09  | Requisition,<br>purchase order,<br>vendor's bill |
| 31-12-84    | 1358 B         | Esso STD oil S.A.     | \$ 20,263.20  | Vendors' bill                                    |
| 30-1-85     | 1387 B         | Texaco Caribbean Inc. | \$ 17,147.13  | Requisition                                      |

NATIONAL SERVICE FOR ENDEMIC DISEASES (SNEM)  
Petroleum Products Expenses

Reference: Finding no. 4 of the local procurement system section

|                                      | <u>Gasoline</u>      | <u>Gasoil</u>    | <u>Oils and brakes</u> | <u>Total</u><br>(A) | <u>Amounts reimbursed<br/>by USAID</u><br>(B) | <u>Differences</u><br>(A) - (B) |
|--------------------------------------|----------------------|------------------|------------------------|---------------------|---|---------------------------------|
| <u>October 1984 - September 1985</u> |                      |                  |                        |                     |   |                                 |
| October                              | \$ 10,645.00         | 2,340.00         | -                      | 12,985.00           | -   | 12,985.00                       |
| November                             | 9,931.71             | 1,399.83         | 2,722.00               | 14,053.54           | 18,115.62                                     | (4,062.08)                      |
| December                             | 18,891.68            | 3,720.22         | 80.00                  | 22,691.90           | 31,881.16                                     | (9,189.26)                      |
| January                              | 14,774.97            | 2,504.64         | -                      | 17,279.61           | 5,790.15                                      | 11,489.46                       |
| February                             | 13,965.02            | 3,059.02         | 223.90                 | 17,247.94           | 34,227.72                                     | (16,979.78)                     |
| March                                | 12,535.63            | 950.53           | 2,188.75               | 15,674.91           | -   | 15,674.91                       |
| April                                | 14,971.85            | 3,565.21         | 152.00                 | 18,689.06           | 13,951.43                                     | 4,737.63                        |
| May                                  | 14,225.27            | 3,228.53         | 32.45                  | 17,836.25           | 5,834.44                                      | 12,001.81                       |
| June                                 | 11,580.50            | 2,502.89         | 1,827.50               | 15,910.89           | -   | 15,910.89                       |
| July                                 | 13,941.46            | 4,781.27         | 1,791.70               | 20,514.43           | 25,216.26                                     | (4,701.83)                      |
| August                               | 15,088.41            | 3,190.37         | 1,529.15               | 19,807.93           | -   | 19,807.93                       |
| September                            | 32,524.51            | 10,397.57        | 530.05                 | 43,452.13           | 30,003.22                                     | 13,448.91                       |
| Total 1985                           | <u>183,076.03</u>    | <u>41,640.08</u> | <u>11,427.50</u>       | <u>236,143.61</u>   | <u>165,000.00</u>                             | <u>71,143.61 *</u>              |
| <u>October 1985 - June 1986</u>      |                      |                  |                        |                     |   |                                 |
| October                              | 5,773.40             | 2,170.00         | 1,577.25               | 9,520.65            | 118.04  | 9,402.61                        |
| November                             | 10,098.22            | 2,659.54         | 1,953.00               | 14,710.76           | -   | 14,710.76                       |
| December                             | 16,345.41            | 4,658.63         | -                      | 21,004.04           | 15,947.37                                     | 5,056.67                        |
| January                              | 14,690.76            | 3,063.77         | 1,398.05               | 19,152.58           | 38,366.69                                     | (19,214.11)                     |
| February                             | -                    | 1,090.00         | -                      | 1,090.00            | -   | 1,090.00                        |
| March                                | 25,334.61            | 2,291.14         | 1,684.30               | 29,310.05           | 27,715.75                                     | 1,594.30                        |
| April                                | 19,261.50            | 4,552.61         | 994.30                 | 24,808.41           | 42.50   | 24,765.91                       |
| May                                  | 1,997.50             | 1,450.00         | -                      | 6,447.50            | 17,809.65                                     | (11,362.15)                     |
| June                                 | 3,197.95             | 4,055.05         | 417.45                 | 34,670.45           | 38,239.76                                     | (3,569.31)                      |
| Total 1986                           | <u>126,699.35</u>    | <u>25,990.71</u> | <u>8,024.35</u>        | <u>160,714.44</u>   | <u>138,239.76</u>                             | <u>22,474.68 *</u>              |
|                                      | <u>\$ 309,775.38</u> | <u>67,630.82</u> | <u>19,451.85</u>       | <u>396,858.05</u>   | <u>303,239.76</u>                             | <u>93,618.29</u>                |

Average per month =  $\frac{\text{Total petroleum expenses}}{\text{months}} = \frac{396,858}{21} = \$ 18,898/\text{month}$

(\*) Represents SNEM's accounts payable for petroleum products expenses which are not yet reimbursed by USAID. USAID only reimburses those petroleum products expenses already paid to the suppliers by SNEM.

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