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AUDIT OF
THE BURKINA FASO AGRICULTURAL
HUMAN RESOURCES DEVELOPMENT
PROJECT NO. 686-0221

Audit Report No. 7-686-88-02-N

February 16, 1988

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
RIG/DAKAR
AGENCY FOR INTERNATIONAL
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WASHINGTON, D.C. 20523

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WEST AFRICA

February 16, 1988

MEMORANDUM FOR Herbert N. Miller, Director, USAID/Burkina Faso
FROM: John P. Competello, RIG/A/Dakar
SUBJECT: Audit of the Burkina Faso Agricultural Human
Resources Development Project No. 686-0221,
Audit Report No. 7-686-88-02-N

Attached is a copy of the report on subject audit. The report was prepared by the certified public accounting firm of Price Waterhouse, Abidjan, Ivory Coast.

The report presents the results of a financial and compliance audit requested by your Mission of the local currency expenditures incurred under the Burkina Faso Agricultural Human Resources Development Project. The purpose of the audit was to assess the project's compliance with the grant agreement and determine the validity of the expenditures claimed by the grantee (Institut du Developpement Rural) for the period March 1, 1984, to August 31, 1987, and to test the adequacy of financial internal controls.

The audit firm concluded that the grantee was generally in compliance with the grant agreement of June 8, 1978, as amended, and that most expenditures incurred under the project were correctly recorded. However, the audit questioned expenditures of CFA.F 434,059 (approximately U.S. \$1,500) and recommended financial controls be further strengthened.

The report contains six recommendations which we have consolidated into two as they relate to compliance or internal controls. This will ease tracking, implementation and resolution of the recommendations which will be made part of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that the Director, USAID/Burkina Faso, ensure compliance with the project grant agreement by the following actions:

- a. obtain an accounting of Government contributions and monitor future contributions;
- b. ensure that nonexpendable commodities funded by the project carry the USAID emblem;
- c. disallow CFA.F 67,559 of taxes in conformity with the grant provision; and
- d. disallow CFA.F 237,500 related to the purchase of animal food stuff and CFA.F 129,000 representing vehicle road tax payment unless the expenses can be substantiated.

Recommendation No. 2

We recommend that the Director, USAID/Burkina Faso, strengthen project internal controls by requiring the grantee to:

- a. cancel payment documents immediately after payment (to avoid double payments);
- b. match invoices, purchase orders, and receiving reports before each payment;
- c. make independent checks of bank journal and reconciliation statements;
- d. segregate custodianship and record keeping functions;
- e. file monthly payroll taxes and social security returns on due date;
- f. implement a system of timesheets to support salaries and wages claimed by project employees; and
- g. locate and file all monthly payroll summaries.

In your response to the draft audit report (Appendix IV), you disagreed with some of the recommendations because they appeared to lack proper substantiation. Also, you wanted several recommendations deleted based upon additional information provided in your response and corrective action taken subsequent to audit.

The audit firm has addressed your comments throughout the report. The firm has answered the questions you have raised

and concluded that the recommendations were adequately substantiated. Except for the recommendation on Mission direct procurement, the firm has retained all of the draft report recommendations. The firm recognizes action taken by the Mission subsequent to audit, but believes more is needed to implement the recommendations. We have reviewed the work performed by the auditors and concur with the auditors' final report.

In response to the recommendations, you have requested the host government to document its contributions to the project, comply with the A.I.D. emblem provision, and segregate custodianship of the project checkbook. Based upon these actions, Recommendation No. 1, parts (a) and (b), are considered resolved and can be closed upon your providing this office assurance that requested action has been implemented. Recommendation No. 2, part (d), is considered closed upon issuance of this report. The other parts of Recommendation Nos. 1. and 2 are considered unresolved.

Please advise RIG/A/Dakar by cable within 30 days of actions planned or taken to resolve and close the remaining report recommendations.

I appreciate the cooperation and courtesy extended to my staff and to the audit firm during the audit.

Price Waterhouse

January 19, 1988

Mr John Competello
Agency for International Development
Office of the Regional Inspector General for
West Africa
Dakar
Senegal

Dear Sir,

NONFEDERAL AUDIT OF THE BURKINA FASO AGRICULTURAL HUMAN RESOURCES DEVELOPMENT PROJECT (686-0221)

In accordance with your work order number 686-0221-0-00-7106-00, we have performed a financial and compliance audit of the local currency expenditures for the period March 1984 to August 1987 relating to the above project.

We enclose our report and would like to thank the personnel of USAID/BURKINA and project management for the cooperation and courtesies extended to us during the course of our audit.

Yours very truly,

Price Waterhouse

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NONFEDERAL AUDIT OF THE BURKINA FASO
AGRICULTURAL HUMAN RESOURCES
DEVELOPMENT PROJECT (686-0221)

January 19, 1988

ACRONYMS

USAID/BURKINA	United States Agency for International Development/Burkina
IDR	Institut du Developpement Rural
ISP	Institut Supérieur Polytechnique
BIB	Bank International du Burkina
BND	Bank National du Developpement
RIG	Regional Inspector General

EXECUTIVE SUMMARY

The Agricultural Human Resources Development Project Agreement, was signed with the Government of Burkina Faso in 1978. The project's purpose is to improve the ability of the Government of Burkina Faso to plan, administer, and implement its rural development projects.

These goals were to be achieved through the expansion of the capacity and improvement in the quality of agricultural technicians and extension workers in Burkina Faso. The focus of the project was the Institut Supérieur Polytechnique of the University of Ouagadougou, now known as the Institut du Développement Rural (IDR).

The project's original completion date was March 1983, which was extended to June 1986. USAID/BURKINA completed a project paper supplement for an additional two year extension to the project, thus bringing the completion date to March 1988. The reason for the extension was to provide additional time and resources for the IDR to consolidate the gains the project has made to date in terms of participant training and curriculum development, as well as to further develop the Gampela training farm.

The Regional Inspector General for Audit/Dakar contracted for a nonfederal financial and compliance audit. We were required to perform a financial and compliance audit of the expenditures incurred in local currency under project 686-0221 for the period March 1, 1984 to August 31, 1987.

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The objectives of the audit were to determine whether the financial report and costs claimed by IDR under the grant fairly present costs resulting from project implementation, ascertain the validity and the reasonableness of costs incurred under the grant, analyse the potential problems disclosed by the RIG/A/D limited survey, and determine whether IDR complied with the grant agreement provisions and A.I.D regulations.

We concluded that:

- (a) the Government of Burkina Faso's contribution as amended in the contract was not totally paid,
- (b) certain taxes have been paid out of the project funds and should be disallowed.
- (c) supporting documentation relating to 2 disbursements totalling F.CFA 366,500 were missing at the time of our audit.
- (d) IDR complied with most, but not all provisions of the grant agreement, and A.I.D regulations.

We recommend that:

- (a) USAID/BURKINA obtain an accounting of Government contributions and monitor future contributions to ensure compliance with the grant agreement, as amended.
- (b) USAID/BURKINA disallow F.CFA 67,559 of taxes, in conformity with the grant provision.
- (c) follow up action should be taken to locate the invoice for purchase of animal foodstuff amounting to F.CFA 237,500 and the

receipt of F.CFA 129,000 in respect of 1985 vehicle road tax payment. If project management is unable to locate relevant supporting documentation, the disbursements should be disallowed.

(d) non-expendable commodities funded by the project carry the USAID emblem to comply with the advertising provision of the grant.

(e) procurement procedures at the IDR level be strengthened. Invoices should systematically be cancelled directly by the signatories of checks. Purchase orders, invoices and receiving reports should be matched before payment is authorized. The supporting documents should be verified by the project Director before he signs payment of checks.

(f) a time sheet system be adopted to support the salary claimed by project employees. Payroll withholding taxes and social security contribution returns should be filed and paid on due date. Supporting payroll documentation should be properly kept on file.

The Mission generally disagreed with the report because recommendations seem to lack proper substantiation in many cases. The Mission suggested some recommendations be deleted based on additional information and corrective action taken subsequent to audit. The Mission provided additional information about controls over mission project direct procurements. The report was revised as we deemed necessary based on Mission comments. We retained almost all recommendations, as we believe they were properly substantiated and the Mission needed to further demonstrate that action to correct problems noted during the audit had been taken. In view of additional information provided about controls over mission project direct procurement, we deleted recommendation and related information throughout the report.

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NONFEDERAL AUDIT OF THE BURKINA FASO
AGRICULTURAL HUMAN RESOURCES DEVELOPMENT
PROJECT (686-0221)

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PART I - INTRODUCTION

A - BACKGROUND

On June 8, 1978 the Government of Burkina Faso and the Agency for International Development (USAID) acting on behalf of the Government of the United States of America signed the project agreement (n° 686-0221).

The purpose of the project was to improve the Government of Burkina Faso's planning, administration and implementation capability for rural development projects through the expansion, creation of training centers for middle and upper level agricultural technicians and extensions of Institut du developpement Rural (IDR), formerly known as the Institut Supérieur Polytechnique (ISP).

The technical assistance to fill teaching positions temporarily, the training of Burkina Faso teachers to fill these positions ultimately and the construction and the equipping of additional educational facilities will be the main means to upgrade the agricultural education system in Burkina Faso.

The Agricultural Human Resources Development project involves not only increasing the capacities of the country's agricultural education facilities, but more important, providing them with technical assistance, training and facilities necessary to make agricultural education more practically oriented.

.../...

B - SCOPE OF THE AUDIT

B.1 Under the terms of our engagement, as outlined in the work order, we were required to perform a financial and compliance audit of the Burkina Faso Agricultural Human Resources Development Project to include the following:

- (a) Review the terms and conditions of the grant agreement, amendments, applicable standard provisions, implementation letters and financial reports,
- (b) Assess the project's compliance with the provisions of the grant agreement as amended,
- (c) Determine the validity of project expenditures claimed by IDR for the period of March 1, 1984 to August 31, 1987. Ensure that all costs incurred are allowable and reasonable,
- (d) Review workpapers prepared by RIG/A/Dakar during their limited survey and follow-up identified problems,
- (e) Review the project's internal controls and assess the adequacy of control procedures,
- (f) Verify receipts and disposition of A.I.D financed non-expendable commodities,
- (g) Assess the controls and procedures to ensure that A.I.D financed assets are properly protected and used,
- (h) Assess adequacy of storage and inventory systems. Verify that USAID emblem is on grant purchased commodities.

.../...

B.2 Except for matters described in paragraph B.3 below, our audit was carried out in accordance with generally accepted international auditing standards and the standards for financial and compliance audits contained in the General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

B.3 We have not yet received confirmation replies from Banque Internationale du Burkina (BIB) and Banque Nationale du Developpement (BND) in response to our audit confirmations at August 31, 1987 and the confirmation of a sample of 33 payees of check disbursements addressed to BIB.

B.4 An examination made in accordance with generally accepted international auditing standards is subject to the inherent limitations of the auditing process and will therefore not necessarily disclose all cases of defalcations or irregularities, but their disclosure if they exist, may result from the audit tests we undertake.

.../...

PART II - RESULTS OF THE AUDIT

A. WORK PERFORMED

A.1. Our audit of the expenditures incurred by IDR during the period March 1, 1984 to August 31, 1987 was carried out during two weeks starting on September 28, 1987. In order to collect the information necessary for the audit we met the following persons:

Mr Herbert Miller,	USAID/BURKINA Director
Mr Robert Morin,	Project Manager
Mr Ernest Hardy,	A.I.D Acting Controller
Mr Oumarou Dia,	RIG/A/Dakar Auditor
Ms Kiemtore Juliette	Project accountant

A.2 As part of our audit, we made a study and evaluation of the system of internal accounting control of the project to the extent we considered necessary to evaluate the system as required by generally accepted international auditing standards and the standards for financial and compliance audits contained in the US General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report we have classified the significant internal accounting controls in the following categories:

- procurement procedures
- non expendable commodities (inventory and fixed assets)
- bank accounts
- payrolls

The purpose of our study and evaluation was to determine the nature, extent, and timing of the auditing procedures necessary for our financial and compliance audit of the local currency project expenditures for the period March 1, 1984 to August 31, 1987. Our study and evaluation was more limited than it 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.

A.3 The management of the Agricultural Human Resources Development Project in Burkina Faso is responsible for establishing and maintaining a system of internal accounting control. In fulfilling that responsibility, estimates and judgments 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 project financial reports in accordance with generally accepted accounting principles.

A.4 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 procedures may deteriorate.

.../...

A.5 Our study and evaluation made for the limited purpose described in paragraph A.2 above 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 Project taken as a whole or on any of the categories of control identified in paragraph A.2 above. However, our study and evaluation disclosed no condition that we believe to be a material weakness as defined in the US Auditing Standard number 20. We present in appendix II the project expenditures in local currency summarized by major category.

A.6 Our audit of the expenditures included the following procedures:

A.6.1 Grant agreement

- Reviewed the terms and conditions of the grant agreement, amendments, applicable standard provisions, implementation letters and financial reports,
- Assessed the project compliance with the provisions of the grant agreement, as amended.

A.6.2 Accounting records

- Examined the accounting records of the project to ensure that they are properly maintained and segregated from other funds' records.

.../...

- Obtained the summary of expenditures incurred by the project in local currency for the period March 1, 1984 to August 31, 1987.

A.6.3 Funding

- Obtained an analysis of payments made by means of USAID check transfer to the special project bank account maintained at BIB,
- Verified a statement of contributions made by the Government of Burkina Faso to the local bank account opened at BND,
- Examined direct payments made by USAID/BURKINA controller's office on behalf of the project.

A.6.4 Procurements

- Reviewed and evaluated project procurement procedures by means of an internal control questionnaire.
- Identified system weaknesses, and formulated recommendations,
- Verified selected transactions over F.CFA 250,000 recorded in the journal for the period March 1, 1984 to August 31, 1987,
- Traced procurement payments to the bank statement and to the bank journal,

.../...

- Compared, name, price and quantity on vendors' invoices, delivery reports and purchase orders.

A.6.5 Non expendable commodities

- Reviewed the procedures for the ordering, recording and safeguard of equipment and supplies,
- Verified acquisitions to the vendor's original invoice or copy invoice, bank journals and bank statements. Our sample covered some F.CFA 43 millions representing 78% of total acquisition of non expendable commodities for the period March 1, 1984 to August 31, 1987.
- Checked bid documentation and contracts for a sample of construction and buildings,
- Physical inspection of vehicles and constructions at the Gampela farm.

A.6.6 Bank accounts

IDR operates a special bank account opened at the Banque Internationale du Burkina for A.I.D transfers, and a local Bank account maintained at Banque Nationale du Developpement (BND) for Burkina Faso Government contributions. Our audit included the following procedures:

- Verified randomly transactions below F.CFA 250,000, recorded in the bank journal for the period March 1, 1984 to August 31, 1987,

.../...

- Reviewed the special bank account reconciliations at August 31, 1987, August 31, 1986, May 31, 1985 and April 30, 1984. For the local bank account we checked the reconciliation prepared at June 30, 1987.

- Requested direct bank confirmations at August 31, 1987 and the confirmation of a sample of 33 payees of check disbursements addressed to BIB.

- Verified petty cash disbursements and replenishments, and performed a cash count at October 8, 1987.

A.6.7 Payrolls

- Obtained the list of local employees working at Gampela farm and in IDR management,

- Reviewed and evaluated local salaries authorizations and recording procedures,

- Examined the employment contract of 6 employees,

- Verified the calculation and payment of the salaries for 5 local employees,

- Verified whether local payroll taxes were correctly computed and paid on the due dates.

.../...

B. FINDINGS AND COMMENTS

B.1 Accounting records

The transactions relating to the project are recorded in a manual bank journal maintained in local currency. The journal is the book of prime entry and is maintained on a cash basis. The project accountant prepares from the journal a monthly financial report and analyses of expenditures incurred and funds received. Our examination of the project bank journal revealed that it was properly maintained and reconciled to the bank statements at month end.

B.2 Funding

B.2.1 A.I.D and the Government of Burkina Faso fund the project bank accounts by checks and by transfer order respectively. Furthermore, A.I.D made direct payment to vendors for purchase of vehicles and construction. The amounts disbursed during the period March 1, 1984 to August 31, 1987 in local currency were:

Sources of funds	Payments to	Direct payments	Total
	bank accounts	to vendors	
	F.CFA	F.CFA	F.CFA
USAID/BURKINA	100 252 827	145 655 408	245 908 235
Government of Burkina Faso *	48 000 000	-	48 000 000
Bank interest income & other	2 534 881	-	2 534 881
Total	<u>150 787 708</u>	<u>145 655 408</u>	<u>296 443 116</u>
	=====	=====	=====

* P.L. 480 sales proceeds deposited to BND by Government.

B.2.2 The grant agreement specifies that the Government of Burkina Faso will contribute about US\$ 546,000 equivalent to F.CFA 165,039,420 (based on an exchange rate of US\$1 = F.CFA 302.27 at August 31, 1987). However, at September 9, 1987 Burkina Faso contributed one deposit to BND of F.CFA 48 million from Title II of P.L. 480. The remaining contribution has not yet been paid. In responding to the report, the Mission indicated the contribution is now set at F.CFA 205,000,000 or US \$ 546,667. We recommend the Director, USAID/BURKINA, obtain an accounting of Government contributions and monitor future contributions to ensure compliance with the grant agreement, as amended.

Management comments

The Mission requested the recommendation be deleted because of action taken subsequent to audit. The Mission has prepared a letter advising the Government of Burkina Faso of contribution requirements, and the need to periodically submit reports of contributions to the project. The Mission also commented that the draft did not contain a summary of contributions at time of audit, so the Mission could verify the basis for contributions reported as received. The Mission indicated the figure "F.CFA 165,039,420 should read F.CFA 205,000,000 (the dollar amount, about \$ 546,000 to remain unchanged), as the Mission had amended the CFA amount of the project agreement. Also, that the project had been extended to December 31, 1992 (four additional years).

Auditors comments

We have retained the recommendation because we believe further Mission action is needed. We agree with the Mission action to prepare a letter to advise the Government of its contribution requirements.

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With regards to the Mission request for a summary of contributions, the amount contributed represents the funds credited (one deposit for F.CFA 48 million) to the BND by the Government of Burkina Faso from sales proceeds under the P.L. 480 Title II program. With regards to the specific value of the contribution, F.CFA 165 million versus F.CFA 205 million, we believe the Mission should establish the actual amount contributed by the Government to date. The purpose of this finding was to point out, after 10 years of project activities, including several extensions of the project life (1) the host Government had only minimally met contribution requirements, and (2) the Mission was not adequately monitoring or enforcing compliance with the grant agreement. The figures provided by the auditors are indicative of the magnitude of the problem, but are subject to revisions once you have obtained a full accounting of the contributions.

B.2.3 Procurements

Our examination of procurement transactions indicated that they were correctly recorded in the transaction journals and were related to project implementation costs.

Annex 2 section B.4 of the project agreement stipulates that "the Agreement and the grant will be free from any taxation or fees imposed under law in effect in the territory of the grantee". In 1985, the controller had disallowed F.CFA 361,653 of services tax claimed as expenditures by the Government. We noticed however that service taxes (TCA) totalling F.CFA 67,559 were paid out of grant funds. The TCA forms part of SMTEF's invoice (number 06071 dated February 25, 1985) which was paid on March 1, 1985 by check number 01310801. This amount should be disallowed.

Management comments

The Mission agreed with the finding but wanted the audit report to differentiate between amount disallowed by the Mission prior to the audit, and that found by the audit. The Mission also wanted a schedule identifying amount questioned so it could take corrective action.

Auditors comments

The report has been revised as requested.

Moreover, two disbursements totalling F.CFA 366,500 were not backed up by supporting documents (a receipt for F.CFA 129,000 paid on April 1, 1985 by cheque number 01310804 and is outstanding on the BIB reconciliation at August 31, 1987 and an invoice for F.CFA 237,500 paid on July 20, 1984 by cheque number 7461). Unless follow up action is taken to locate the missing supporting documents, we believe that these expenditures should be disallowed.

B.2.4 Non expendable commodities

Annex 2 section B.8 of the grant agreement stipulates that "the grantee will give appropriate publicity for the grant and the project as a program to which the United States has contributed, identify the project site, and mark goods financed by A.I.D". In the course of our examination of the procedures for the purchase, recording and safeguarding of equipment and supplies, we noted that individual assets do not carry the A.I.D emblem.

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Management comments

Mission agreed with the finding and has requested the Project Director to comply.

Auditors comments

We agree with Mission action. None.

B.2.5 Bank accounts

Our verification of selected cash disbursements indicated that they were adequately recorded in the bank journal. Our examination of the bank reconciliation statements of the special and local bank accounts did not reveal any exception.

Nevertheless our request for direct bank confirmations addressed to the BIB and BND and the confirmation of a sample of 33 payees of check disbursements addressed to BIB are still outstanding. Our examination was carried based on monthly bank statements sent by the banks to the project management. Outstanding bank confirmations should be followed up by the project Director.

Management comments

None.

B.2.6 Payrolls

Our review of the computation, recording and payment of local wages and salaries indicated that:

- time sheets and other administrative documents necessary to support the salary claimed by the employees were not available. We recommend that a time sheet system be implemented to substantiate salaries claimed by the employees.



Mission comments

The Mission disagreed with the need for additional controls over employees. The Mission indicated the employees are treated as host Government employees. Adjustments to employee salaries are made on an exception basis in accord with host country practice. Employees receive their full salary unless the payroll clerk is notified to the contrary. The Mission wanted the recommendation deleted.

Auditors comments

The auditors disagree with the Mission's position. The host Government employees are working on the A.I.D. project. The project must have assurance that employee claims for salaries are valid. This is normally accomplished through a control system of time sheets. This assures that the payroll clerk is routinely notified of absences. Therefore we have retained the recommendation.

C. RECOMMENDATIONS

In the course of our examination, we reviewed and evaluated the internal control procedures and suggest the following recommendations:

C.1 Procurements

C.1.1 Supporting documents related to purchases should be cancelled immediately upon payment

We noted that invoices, purchase orders and receiving reports are not cancelled immediately upon payment. Cancelling supporting documents would limit and prevent duplicate payments.

C.1.2 Invoices, purchase orders, receiving reports should be matched before each payment

Our review revealed that receiving reports are not compared with invoices and purchase orders to ascertain that only goods delivered are billed and paid for. Under the present system over payments may not be uncovered.

In few cases payment authorization forms were not available and approval stamp on the back of invoices was missing. We believe that the internal control procedures could be further improved if payment authorization is systematically filed with the invoices and all invoices are approved by project Director before payment.

C.2 Bank accounts

C.2.1 Bank journal and reconciliation statements should be independently checked

Bank journal and related statements of reconciliations were not independently verified. Generally accounting supervision needs to be increased.

In a project of small size where normal segregation of duties is not practical, close supervision of daily transactions by project Director and project Manager is necessary to safeguard the assets of the project.

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C.2.2 Custodianship and recordkeeping functions should be segregated

We noted that the project accountant had custody of project check books, journal and the other supporting documentation. Normal segregation of functions would require that project check books be directly kept by the project Director.

C.3 Payrolls

C.3.1 Quarterly payroll taxes and social security returns should be filed on due date

We noted that payroll and social security returns had been filed after the due date. Normally these returns should be filed quarterly. Payroll tax and social security contribution returns relating to 1983, 1984 and 1985 were filed and paid in January 1986. In order to avoid any possible penalty for late filing we believe that payroll tax and social security contribution returns should be filed and paid by the due date.

C.3.2 Salaries and wages claimed by employees should be supported by duly established time sheets

Salaries and wages were paid to the employees without checking employee attendance at the Gampela farm. Accordingly, salaries and wages paid may not necessarily represent the actual time worked. The use of time sheets approved by a supervisor will improve payroll procedures and prevent any salary overpayments.

C.3.3 All monthly payroll summaries should be located and filed

We noted that certain monthly payroll summaries are missing (March-May 1984, July - October 1984, December 1984, January 1985 and June 1985) and suggest that these be located and filed.

Management comments

The Mission generally agreed with the findings on internal controls. The Mission noted that the system on internal controls has been certified under section 121 (d) of the Foreign Assistance Act, but that it would further assess the controls. The Mission provided additional information on the system of internal controls for its direct project procurement.

Auditors comments

We agree with Mission action to further assess internal controls. Based on new information provided by the Mission about its system of controls over direct project procurements, we have deleted the finding and recommendation on this part of the report.

PART III - CONCLUSION

A. CONCLUSION

The management of the Project is responsible for compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records relating to the project expenditures incurred in local currency to determine the compliance with laws and regulations noncompliance with which could have a material effect on the statement of financial position of the project. Except for our specific findings and internal control recommendations described in Part II section B above, all tested items in respect of the project expenditures incurred in local currency were found to be in compliance with applicable laws and regulations. As mentioned in Part I, paragraph B.3 above, we did not receive bank confirmations requested from BIB and BND in Ouagadougou. Other than the matters discussed in this report, nothing came to our attention as a result of specified procedures, that would cause us to believe the untested items were not in compliance with applicable laws and regulations.

In our opinion, except for the effects on the project's records of such matters or adjustments, if any, as might have been identified had we been able to obtain all the evidential matters discussed in Part I, paragraph B.3 above and except for our specific findings described in Part II section B above, the expenditures incurred under the Agricultural Human Resources Development Project N° 686-0221 during the period March 1, 1984 to August 31, 1987 are correctly recorded and comply with the grant Agreement as amended.

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SOURCE AND APPLICATION OF FUNDS
PROJECT N° 686 0221

Amount in FCFA

TOTAL FUNDS PROVIDED IN LOCAL CURRENCY
FROM MARCH 1, 1984 TO AUGUST 31, 1987

- USAID/BURKINA (Special bank account at BIB)	100 252 827
- Bank interest income and sundries (Special bank account at BIB)	2 534 881
- Burkina government contributions (PL 480 account at BND)	48 000 000
- USAID BURKINA - direct payments to vendors	145 655 408
Total funds provided	<u>296 443 116</u> =====

TOTAL FUNDS APPLIED IN LOCAL CURRENCY
FROM MARCH 1, 1984 TO AUGUST 31, 1987

- AID funded expenditures	98 068 448
- Burkina Faso Government funded expenditures	34 051 663
- AID direct payments to vendors	145 655 408
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Total funds applied	277 775 519
	=====
Special bank account balance at August 31, 1987 (BIB)	4 719 260
Local bank account balance at August 31, 1987 (BND)	13 948 337
	<hr/>
	18 667 597
	=====

STATEMENT OF PROJECT EXPENDITURES
IN LOCAL CURRENCY FROM
MARCH 1, 1984 TO AUGUST 31, 1987

PROJECT N° 6860221

<u>EXPENDITURE CATEGORY</u>	<u>DISBURSE-</u> <u>MENTS</u> <u>(SPECIAL</u> <u>BANK</u> <u>ACCOUNT)</u>	<u>PL 480</u> <u>DISBURSE-</u> <u>MENTS</u> <u>(LOCAL</u> <u>BANK</u> <u>ACCOUNT)</u>	<u>TOTAL</u> <u>FCFA</u>
Vehicle maintenance expenditures	13 347 907	4 885 497	18 233 404
Wages and salaries	36 707 732	2 103 678	38 811 410
Pet foodstuffs	4 042 250	2 330 400	6 372 650
Fertilizer expenditures	2 043 250	202 400	2 245 650
Pets	822 134	951 000	1 773 134
Irrigation system costs	528 446	-	528 446
Equipment and tooling	3 093 962	5 222 336	8 316 298
Fence construction	8 945 500	7 671 750	16 617 250
Construction	21 357 124	7 754 770	29 111 894
Sundry expenditures	4 444 247	2 929 833	7 374 080
Total budgetary expenditures	95 332 552 =====	34 051 664 =====	129 384 216 =====

Reimbursable expenditures	287 405	-	287 405
Bank interest charges	193 988	-	193 988
Sundry non budgetary expenditures	2 253 868	-	2 253 868
	=====	=====	=====
Total non budgetary expenditures	2 735 261	-	2 735 261
	=====	=====	=====
USAID/BURKINA - direct			
payments to vendors	145 655 408	-	145 655 408
	=====	=====	=====
Total project expenditures			
in local currency	243 723 221	34 051 664	277 774 885
	=====	=====	=====

2/1

STATEMENT OF EXPENDITURES
IN LOCAL CURRENCY TESTED
FROM MARCH 1, 1984 TO AUGUST 31, 1987

<u>EXPENDITURE CATEGORY</u>	<u>TOTAL</u> <u>DISBURSEMENTS</u> <u>FCFA</u>	<u>TOTAL</u> <u>TESTED</u> <u>FCFA</u>	<u>PERCENTAGE</u> <u>TESTED</u>
Vehicle maintenance expenditures	18 233 404	13 990 014	77
Wages and salaries	38 811 410	30 017 111	77
Pet Foodstuffs	6 372 650	4 386 100	69
Fertilizer expenditures	2 245 650	2 245 650	100
Pets	1 773 134	1 773 234	100
Irrigation system costs	528 446	-	-
Equipment and tooling	8 316 298	7 435 510	89
Fence construction	16 617 250	16 617 250	100
Construction	29 111 894	17 721 795	60
Sundry expenditures	7 374 080	3 348 530	45
	<hr/> 129 384 216	<hr/> 97 535 194	75
Non budgetary expenditures	<hr/> 2 735 261	<hr/> 2 735 261	100
USAID/BURKINA			
direct payments to vendors	145 655 408	145 655 408	100
Total project expenditures	<hr/> 277 774 885	<hr/> 245 925 863	88
	=====	=====	

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APPENDIX IV
Page 1 of 5

ACTION: RIG-2 INFO: DCM

VZCZCDF0285
OO RUEHDK
LE RUFHOC #7971/01 3621802
ZNR UUUUU ZZH
O 281757Z DEC 87
FM AMEMBASSY OUAGADOUGOU
TO AMEMBASSY DAKAR IMMEDIATE 0268
BT
UNCLAS SECTION 01 OF 03 OUAGADOUGOU 07971

LOC: 179
29 DEC 87
CN: 58233
CHRG: AID
DIST: RIG

ADM AID

FOR RIG/DAKAR

P.O.12356: N/A
SUBJECT: NONFEDERAL AUDIT OF THE BURKINA
- AGRICULTURAL HUMAN RESOURCES DEVELOPMENT
- PROJECT (686-0221)

REF: DAKAR 13626

1. USAID HAS REVIEWED THE SUBJECT DRAFT AUDIT REPORT AND HEREIN PRESENTS ITS COMMENTS. IN GENERAL, WE WERE DISAPPOINTED IN THE AUDIT'S RECOMMENDATIONS WHICH SEEMED TO LACK PROPER SUBSTANTIATION IN MANY CASES, AND TO DEPEND AND EVEN PARALLEL INFORMATION AND ANALYSIS DEVELOPED INTERNALLY IN 1985 BY THE USAID/CONTROLLER RATHER THAN UTILIZE THE AUDIT TEAM'S OWN REVIEW AND ANALYSIS. ALSO, WHILE AUDITS SEEK THE NEGATIVE BY THEIR VERY NATURE, WE TRUST THE FINAL DOCUMENT WILL OPEN WITH A STATEMENT ON THE OVERALL POSITIVE CONCLUSION OF THE EXERCISE (P. 18) BEFORE GETTING INTO SPECIFIC FINDINGS AND RECOMMENDATIONS. SUGGESTED WORDING WOULD BE: THE PURPOSE OF THE AUDIT WAS TO ASSESS THE PROJECT'S COMPLIANCE WITH THE PROVISIONS OF THE GRANT AGREEMENT AND DETERMINE THE VALIDITY OF PROJECT EXPENDITURES CLAIMED BY INSTITUT DU DEVELOPPEMENT RURAL (IDR) FOR THE PERIOD OF MARCH 1, 1984 TO AUGUST 31, 1987, AND THE ADEQUACY OF CONTROL PROCEDURES. THE AUDIT CONCLUDED THAT EXCEPT FOR QUOTE SPECIFIC FINDINGS AND CONTROL RECOMMENDATIONS ..., ALL TESTED ITEMS IN RESPECT OF THE PROJECT EXPENDITURES INCURRED IN LOCAL CURRENCY WERE FOUND TO BE IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS UNQUOTE AND THAT QUOTE THE EXPENDITURES INCURRED UNDER THE AGRICULTURAL HUMAN RESOURCES DEVELOPMENT PROJECT NO 686-0221 DURING THE PERIOD MARCH 1, 1984 TO AUGUST 31, 1987 ARE CORRECTLY RECORDED AND COMPLY WITH THE GRANT AGREEMENT AS AMENDED UNQUOTE.

2. A SUMMARY OF THE MISSION'S RESPONSE TO THE FIVE AUDIT RECOMMENDATIONS AND SPECIFIC COMMENTS THEREIN ARE PRESENTED IN SECTIONS 3 AND 4 RESPECTIVELY. OF AN EDITORIAL NATURE, PLEASE NOTE THAT ALL REFERENCES

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TO USAID/BURKINA FASO SHOULD READ QUOTE USAID/BURKINA UNQUOTE AS FASO IS EQUIVALENT TO REPUBLIC OF AND NEED ONLY BE UTILIZED IN THE MOST FORMAL SENSE. ALSO, REFERENCE TO THE AID REPRESENTATIVE/BURKINA FASO SHOULD BE REPLACED WITH USAID/BURKINA MISSION DIRECTOR.

3. A SUMMARY OF USAID'S RESPONSE TO THE AUDIT RECOMMENDATIONS IS AS FOLLOWS:

A. RECOMMENDATION NO 1. USAID REQUESTS THAT THIS RECOMMENDATION BE DELETED FOR REASONS STATED IN PARA 4A. USAID/BURKINA HAS PREPARED A LETTER TO THE PROJECT DIRECTOR ADVISING HIM OF GOB CONTRIBUTION REQUIREMENTS UNDER THE PROJECT AND RECOMMENDING THAT PERIODIC REPORTS BE SUBMITTED TO USAID FOR REVIEW OF CUMULATIVE CONTRIBUTIONS.

B. RECOMMENDATION NO 2. USAID/BURKINA AGREES WITH THE RECOMMENDATION IN PRINCIPLE BUT REQUESTS RIG/DAKAR PROVIDE DETAILS OF THE AMOUNT DUE. (SEE DISCUSSION IN PARA 4B)

C. RECOMMENDATION NO 3. USAID/BURKINA HAS ISSUED A LETTER TO THE PROJECT DIRECTOR REMINDING HIM OF THE NEED FOR THE USAID EMBLEM ON ALL AID-FINANCED NON-EXPENDABLE COMMODITIES. USAID WILL FOLLOW-UP WITH A SITE INSPECTION.

D. RECOMMENDATION NO 4. USAID/BURKINA REQUESTS THAT THE RECOMMENDATION BE DELETED FOR REASONS STATED IN PARA 5B. USAID CONSIDERS THAT ADEQUATE PROCUREMENT CONTROLS EXIST WITHIN THE MISSION TO SUPPORT PROCUREMENT DECISIONS AND THAT THE INTRODUCTION OF ADDITIONAL CONTROLS SERVES NO USEFUL PURPOSE.

E. RECOMMENDATION NO 5. USAID/BURKINA REQUESTS THE RECOMMENDATION BE DELETED FOR REASONS STATED IN PARA 5A. DURING THE EXIT CONFERENCE THIS RECOMMENDATION WAS NOT DISCUSSED. WE WERE ASSURED BY MR. DIA THAT THESE OBSERVATIONS WERE OF NO CONSEQUENCE AND WOULD NOT APPEAR AS A RECOMMENDATION IN THE FINAL REPORT. THIS PROJECT IS SUBJECT TO THE 121(D) CERTIFICATION. AS SUCH, ITS ACCOUNTING PROCEDURES WERE REVIEWED AND

CERTIFIED ACCEPTABLE BY THE SFRMP. WE WOULD HAVE REQUESTED THAT OFFICE T REVIEW THE RECOMMENDATION WITH THE AUDITORS PRIOR TO THEIR DEPARTURE IF THE RECOMMENDATION HAD BEEN PRESENTED. WE HAVE ASKED SFRMP TO AGAIN REVIEW THE PROCEDURES AS PART OF THE 121(D), CERTIFICATION PROCESS AND TO FOLLOW-UP ON THE TWO DISBURSEMENT DOCUMENTS TOTALING FCFA 366,500 FOR WHICH SUPPORTING DOCUMENTATION WAS REPORTED MISSING (PAGE 12). WE QUESTION WHY THE AUDITORS DID NOT CONTACT THE VENDORS TO VERIFY THE EXPENDITURES INSTEAD OF REQUESTING USAID TO TAKE ACTION.

4. SPECIFIC COMMENTS - FINDINGS AND COMMENTS

A. PAGE 11, B.2.2 - AMENDMENT NO 5 EXTENDED THE PROJECT PACD TO DECEMBER 31, 1992 AND REVISED THE TOTAL GOB CONTRIBUTION TO FCFA 205,000,000 (\$546,667) NOT FCFA 165,039,420 AS INDICATED IN THE DRAFT. THE AUDIT REPORT INDICATES NCFA 24,000,000 GOB CONTRIBUTION RECEIVED TO DATE BUT DOES NOT INCLUDE SUPPORTING DETAIL. ONE AUDIT DRAFT DOES NOT CONTAIN A SUMMARY OF GOB CONTRIBUTION SO USAID/BURKINA IS UNABLE TO VERIFY THE BASIS FOR THE CONTRIBUTION REPORTED AS RECEIVED TO DATE. AS THE PROJECT HAS FIVE YEARS TO PACD, WXBO ZORT THAT THE LACK OF GOB CONTRIBUTION HAS ADVERSELY AFFECTED PROJECT IMPLEMENTATION, IT IS DIFFICULT TO CONCLU BJMJE: 6. REQUEST THAT THE FIRST TWO SENTENCES OF THE SECOND PARAGRAPH OF B.2.2 BE DELETED. THIS DISCUSSION TOOK PLACE AT THE EXIT BRIEFING WITHOUT REFERENCE TO PROJECT DOCUMENTS AND THE USAID/DIRECTOR MERELY QUOTE SURMISED UNQUOTE RATHER THAN QUOTE ADVISED UNQUOTE.

B. PAGE, 11 B. 3 - PROCUREMMVV 49SMEMPT FROM TPS (TAX POUR SERVICES

THE PROJECT DIRECTOR WAS INFORMED OF THIS DECISION AS A RESULT OF USAID/BURKINA'S REPORT OF THE INTERNAL PROJECT REVIEW OF APRIL 2-5, 1985. THIS REPORT WAS MADE AVAILABLE TO THE AUDITORS. PER USAID VOUCHER NO 000, DATED APRIL 21, 1986, FCFA 361,653 WAS DISALLOWED FOR TPS PAYMENTS. THIS AMOUNT HAS NOT BEEN REIMBURSED TO THE PROJECT BY USAID. THEREFORE, BEFORE REQUESTING GOB REIMBURSEMENT TO THE PROJECT OR ISSUING A BILL OF COLLECTION BASED ON THE AUDIT REPORT, 223 43173 5 48&/DAKAR FORWARD THEDETAILS FOR THE AMOUNT SHOWN IN THE REPORT, FCFA 429,272.

C. PAGE 12, B.4 - NON-PAYABLE COMMODITIES.

PER PARA 5.F (BELOW), THE LAST SENTENCE OF PARA B.4 OF THE DRAFT REPORT SHOULD BE DELETED.

D. PAGE 13, B.6 - PAYROLL.

USAID/BURKINA FEELS THEZHEAND SHOULD ALSO BE DELETED FROM THE REPORT. THE REPORT INDICATES THAT PAYROLL TAXES DELINQUENT IN 1983, 1984, 1985 WERE PAID IN JANUARY

1988. OUR RECORDS INDICATE THAT THE 1988 PAYMENT WAS CORRECTIVE ACTION MADE AS A RESULT OF USAID'S REPORT OF THE INTERNAL PROJECT REVIEW MENTIONED IN PARA 4 ABOVE. THERE IS NO INDICATION IN THE AUDIT REPORT THAT DELINQUENT PAYROLL TAX PAYMENTS ARE A CURRENT PROBLEM. IN FACT, OUR RECORDS INDICATE THE CONTRARY (SEE ALSO PARAGRAPHS 5D AND 5E BELOW).

5. RECOMMENDATIONS

A. PAGE 14, C.1. PROCUREMENT. NO DISCUSSION OF THE RECOMMENDATIONS EXISTS WITHIN THE REPORT NOC DOES THE AUDITOR EITHER EXPLAIN THE DEFICIENCY IN THE EXISTING SYSTEM OR HOW ADDING THESE PROCEDURES WILL ELIMINATE THESE DEFICIENCIES. AS STATED IN THE SUMMARY, THIS PROJECT REQUIRES A CERTIFICATION UNDER SEC 121(D). BEFORE THIS CERTIFICATION WAS MADE, THE LOCAL SRMP TEAM MADE AN ACCOUNTING ASSESSMENT AND INSTALLED THE STANDARD USAID ACCOUNTING SYSTEM. WE HAVE REQUESTED SRMP TO REVISIT THE PROJECT AND MAKE AN ADDITIONAL ASSESSMENT. HOWEVER, WE WOULD LIKE TO RECEIVE THE DOCUMENTATION REQUESTED IN PARA 4A AND 4B ABOVE BEFORE STARTING THE ASSESSMENT.

B. PAGE 15 C.2 - NON EXPENDABLE COMMODITIES

USAID/BURKINA FEELS THAT THIS PARAGRAPH IS ALSO MISLEADING AND SHOULD BE DELETED FROM THE REPORT. THE PARAGRAPH IMPLIES THAT DOCUMENTATION IN SUPPORT OF USAID'S DIRECT PROCUREMENT EITHER DOES NOT EXIST OR IS NOT READILY AVAILABLE WITHIN USAID. NEITHER IMPLICATION IS CORRECT. MISSION OPERATING PROCEDURES AS WELL AS MISSION ORDERS ESTABLISH THE MANAGEMENT OFFICE, THE OFFICE RESPONSIBLE FOR THE CONTRACTING AND PROCUREMENT PROCESS, AS THE OFFICE RESPONSIBLE FOR MAINTAINING THE FILES FOR USAID/BURKINA DIRECT PROJECT PROCUREMENT, NOT THE CONTROLLER'S OFFICE. FILES INCLUDES INVITATIONS TO BID, PRO FORMA INVOICES, RECEIVING REPORTS, ET.AL. DUPLICATES OF MOST OF THESE FILES ARE AVAILABLE IN THE PROJECT OFFICE. THE MANAGEMENT OFFICER INDICATES THAT THE AUDITORS DID NOT REQUEST TO SEE HER FILES. IN ADDITION, THIS ISSUE WAS NOT RAISED DURING THE LIT BRIEFING. THE CONTROLLER OFFICE MAINTAINS PAYMENT FILES ON ALL DIRECT PAY PROCUREMENT AND SUMMARY FILES ON PAYMENTS BY A/C. ALL COMMODITIES RECEIVED IN THE MISSION ARE INVENTORIED AND A RECEIVING REPORT FILED WITH THE MANAGEMENT OFFICER, THE PROJECT OFFICER, AND WITH THE INVOICE FOR PAYMENT. IN ADDITION, USAID/BURKINA CONTROLLER HAS AT ITS DISPOSAL A LOCALLY DEVELOPED COMPUTER RETRIEVAL SYSTEM WHICH PERMITS COMMODITY RETRIEVAL BY IMPLEMENTATION DOCUMENT OR BY PROJECT. USAID/BURKINA FEELS THAT AN ADDITIONAL SYSTEM IS NOT WARRANTED AND WILL SERVE NO USEFUL PURPOSE.

C. PAGE 16, C.3. - BANK ACCOUNTS

USAID AGREE THAT THE CHECK BOOK SHOULD BE KEPT BY SOMEONE OTHER THAN THE ACCOUNTANT. THE PROJECT HAS BEEN INFORMED AND THIS ACTION HAS BEEN COMPLETED.

D. PAGE 17, C.4 - PAYROLL. WE REQUEST THAT PARA C.4.1 BE DELETED FOR REASONS STATED IN PARA 4C ABOVE. IN ADDITION, PAYROLL TAXES ARE NOT DUE ON THE 15TH OF THE MONTH AS INDICATED IN THE DRAFT BUT ON A QUARTERLY BASIS.

E. PAGE 17, C4.2 EMPLOYEES UNDER THE PROJECT, AS MOST GOVERNMENT EMPLOYEES, ARBVWPDHISSE EXEMPTED EMPLOYEES IN THE US. THEREFORE, ADJUSTMENTS TO MONTHLY SALARIES ARE MADE ON AN EXCEPTION BASIS IN ACCORDANCE WITH NOMAL MOST COUNTRY PRACTICES. UNLESS THE PAYROLL CLERK IS NOTIFIED NOT TOPAY, EMPLOYEES RECEIVED THEIR FULL SALARIES. REQUEST THAT THIS SECTION BE DELDTED.

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